

NSL 7/6/99
VANDIVER & BOWMAN, P.C.

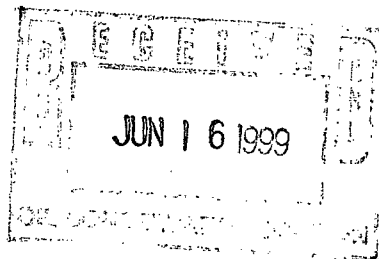
Attorneys at Law

611 West Mahone, Suite E
Artesia, New Mexico 88210-2075
(505) 746-9841

DAVID R. VANDIVER
JEFFREY L. BOWMAN

FAX
(505) 746-4208

June 15, 1999



Energy, Minerals and Natural
Resources Department
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Proposed Lucky Lobo "ASX" Federal Com. No. 1 Well
Township 16 South, Range 27 East, N.M.P.M.
Section 33: N/2
Eddy County, New Mexico

Gentlemen:

Enclosed for filing, please find three copies of the Application of Yates Petroleum Corporation for Administrative Approval of an Unorthodox Well Location, Eddy County, New Mexico. Also enclosed is an extra copy of the Application which we would appreciate your returning to us in the enclosed stamped self-addressed envelope after inserting the docket number.

As more fully set forth in the Application, the proposed unorthodox location is necessary because of geologic and archaeological conditions. All of the affected parties have waived any objection to the proposed unorthodox location. OXY USA Inc., which operates S/2 of Section 33 and owns a leasehold interest in SE/4 Section 29, has not executed a waiver, but OXY owns a leasehold interest in the proposed spacing unit for the Lucky Lobo "ASX" Federal Com. No. 1 Well and has agreed to participate in drilling operations as reflected by the Authority for Expenditure executed by OXY USA Inc. and attached to the Application. The Applicant has scheduled a drilling rig to drill the proposed well in the next few weeks and would like to commence the well as soon as possible. Accordingly, we respectfully request the Division to enter an order approving the Application as soon as possible.

Thank you for considering this request.

Very truly yours,

VANDIVER & BOWMAN, P.C.


David R. Vandiver

DRV:pvw
Enclosures

cc w/enclosure: Mr. Doug Hurlbut

CMD : ONGARD 06/23/99 15:16:13
OG6C101 C101-APPLICATION FOR PERMIT TO DRILL OGOMES -TP0U

OGRID Idn : 25575 API Well No: 30 15 30667 APD Status(A/C/P): A
Opr Name, Addr: YATES PETROLEUM CORPORATION Aprvl/Cncl Date : 06-14-1999
105 S 4TH ST
ARTESIA,NM 88210

Prop Idn: 24698 LUCKY LOBO ASX FEDERAL COM Well No: 1

| | U/L | Sec | Township | Range | Lot | Idn | North/South | East/West |
|--------------|-----|-----|------------|-------|-----|-----|--------------|-------------|
| Surface Locn | : E | 33 | 16S | 27E | | | FTG 1980 F N | FTG 990 F W |
| OCD U/L | : E | | API County | : 15 | | | | |

Work typ(N/E/D/P/A) : N Well typ(O/G/M/I/S/W/C): G Cable/Rotary (C/R) : F
Lease typ(F/S/P/N/J/U/I): F Ground Level Elevation : 3409

State Lease No: Multiple Comp (Y/N) : N
Prpsd Depth : 8950 Prpsd Frmtn : MORROW

E0009: Enter data to modify record

| | | | | | |
|-----------|------|------------|-----------|--------------|--------------|
| PF01 HELP | PF02 | PF03 EXIT | PF04 GoTo | PF05 | PF06 CONFIRM |
| PF07 | PF08 | PF09 PRINT | PF10 C102 | PF11 HISTORY | PF12 |

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

06/23/99 14:35:36
OGOMES -TP01
PAGE NO: 1

Sec : 33 Twp : 16S Rng : 27E Section Type : NORMAL

| | | | |
|---------------|---------------|---------------|---------------|
| D 40.00 | C 40.00 | B 40.00 | A 40.00 |
| Federal owned | Federal owned | Federal owned | Federal owned |
| E 40.00 | F 40.00 | G 40.00 | H 40.00 |
| Federal owned | Federal owned | Federal owned | Federal owned |
| A | | | |

PF01 HELP
PF07 BKWD

PF02
PF08 FWD

PF03 EXIT
PF09 PRINT

PF04 GoTo
PF10 SDIV

PF05
PF11

PF06
PF12

CMD :
OG5SECTONGARD
INQUIRE LAND BY SECTION06/23/99 14:35:44
OGOMES -TP0U
PAGE NO: 2

Sec : 33 Twp : 16S Rng : 27E Section Type : NORMAL

| | | | |
|--|---|--|--|
| L 40.00 Federal owned | K 40.00 Federal owned | J 40.00 Federal owned | I 40.00 Federal owned |
| M 40.00 CS VA1417 0001 10/00 SANTA FE ENERGY R | N 40.00 CS VA1417 0001 10/00 SANTA FE ENERGY R A C | O 40.00 CS VA1417 0001 10/00 SANTA FE ENERGY R | P 40.00 CS VA1417 0001 10/00 SANTA FE ENERGY R |

PF01 HELP
PF07 BKWDPF02
PF08 FWDPF03 EXIT
PF09 PRINTPF04 GoTo
PF10 SDIVPF05
PF11PF06
PF12

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

May 18, 1999

Attention: Kent Woolley
OXY USA, Inc.
Box 50250
Midland, Texas 79710-0250

CERTIFIED MAIL
Return Receipt Requested

RE: Offset Operator Notification
Unorthodox Location
Lucky Lobo "ASX" Fed Com #1
Township 16 South, Range 27 East
Section 33: 1980' FNL & 990' FWL
Eddy County, New Mexico

Gentlemen:

Yates Petroleum Corporation plans to drill the Lucky Lobo "ASX" Fed Com #1 well at the unorthodox location described above. This location does not comply with the well spacing requirements set forth in New Mexico Oil Conservation Division Rule 104.C (2) (b) (Revised 1/96).

If you have no objections to this unorthodox location, please signify your approval by signing one copy of this letter in the space provided below and return same to the undersigned. Any objection must be filed in writing with the New Mexico Oil Conservation Division within twenty (20) days from the date of this notice.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Douglas W. Hurlbut
Landman

DWH:bn
enclosure(s)

The undersigned hereby waives any objection the unorthodox location proposed by Yates Petroleum Corporation.

Company: _____

Name: _____

Title: _____

Date: _____

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- ☐ Complete items 1 and/or 2 for additional services.
Complete items 3, 4a, and 4b.
☐ Print your name and address on the reverse of this form so that we can return this card to you.
☐ Attach this form to the front of the mailpiece, or on the back if space does not permit.
☐ Write "Return Receipt Requested" on the mailpiece below the article number.
☐ The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

3. Article Addressed to:

Attn: Kent Woolley
OXY USA, INC.
Box 50250
Midland, TX 79710-0250

4a. Article Number

Z 328 860 304

4b. Service Type

- ☐ Registered ☒ Certified
☐ Express Mail ☐ Insured
☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

MAY 20 1999

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Addressee or Agent)

Lucky Lobo "ASX" Fed Com #1

Thank you for using Return Receipt Service.

Exhibit "H"

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1935 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

May 18, 1999

Attention: Sam Thompson
Southwestern Energy Production Company
2350 N. Sam Houston Parkway East-Suite 300
Houston, Texas 77032

CERTIFIED MAIL
Return Receipt Requested

RE: Offset Operator Notification
Unorthodox Location
Lucky Lobo "ASX" Fed Com #1
Township 16 South, Range 27 East
Section 33: 1980' FNL & 990' FWL
Eddy County, New Mexico

Gentlemen:

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Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Douglas W. Hurlbut
Landman

DWH:bn
enclosure(s)

The undersigned hereby waives any objection the unorthodox location proposed by Yates Petroleum Corporation.

Company: _____

Name: _____

Title: _____

Date: _____

SENDER:

- ☐ Complete items 1 and/or 2 for additional services.
Complete items 3, 4a, and 4b.
☐ Print your name and address on the reverse of this form so that we can return this card to you.
☐ Attach this form to the front of the mailpiece, or on the back if space does not permit.
☐ Write "Return Receipt Requested" on the mailpiece below the article number.
☐ The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

3. Article Addressed to:

Attention: Sam Thompson
Southwestern Energy Prod Co
2350 N. Sam Houston Parkway East
Suite 300
Houston, Texas 77032

4a. Article Number

2 328 860 303

4b. Service Type

- ☐ Registered ☒ Certified
☐ Express Mail ☐ Insured
☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

5. Received By: (Print Name)

6. Signature (Addressee or Agent)

8. Addressee's Address (Only if requested and fee is paid)

Lucky Lobo ASX Fed Com #1

Thank you for using Return Receipt Service.

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

May 18, 1999

Attention: John Qualls
Chi Energy, Inc.
PO Box 1799
Midland, Texas 79702

CERTIFIED MAIL
Return Receipt Requested

RE: Offset Operator Notification
Unorthodox Location
Lucky Lobo "ASX" Fed Com #1
Township 16 South, Range 27 East
Section 33: 1980' FNL & 990' FWL
Eddy County, New Mexico

Gentlemen:

Yates Petroleum Corporation plans to drill the Lucky Lobo "ASX" Fed Com #1 well at the unorthodox location described above. This location does not comply with the well spacing requirements set forth in New Mexico Oil Conservation Division Rule 104.C (2) (b) (Revised 1/96).

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Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Douglas W. Hurlbut
Landman

DWH:bn
enclosure(s)

The undersigned hereby waives any objection the unorthodox location proposed by Yates Petroleum Corporation.

Company: Chi Energy, Inc.
Name: John W. Qualls
Title: Land Manager
Date: 5-19-99

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- ☐ Complete items 1 and/or 2 for additional services.
- ☐ Complete items 3, 4a, and 4b.
- ☐ Print your name and address on the reverse of this form so that we can return this card to you.
- ☐ Attach this form to the front of the mailpiece, or on the back if space does not permit.
- ☐ Write "Return Receipt Requested" on the mailpiece below the article number.
- ☐ The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. ☐ Addressee's Address
- 2. ☐ Restricted Delivery

3. Article Addressed to:

Attention: John Qualls
Chi Energy, Inc.
PO Box 1799
Midland, Texas 79702

4a. Article Number

Z 328 860 302

4b. Service Type

- ☐ Registered ☒ Certified
- ☐ Express Mail ☐ Insured
- ☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

5. Received By: (Print Name)

Signature (Addressee or Agent)

8. Addressee's Address (Only if requested and fee is paid)

Lucky Lobo ASX Fed Com #1

Thank you for using Return Receipt Service.

Exhibit "J"

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

May 18, 1999

Attention: Van Rogers
Concho Resources Inc.
110 W. Louisiana - Suite 410
Midland, Texas 79701

CERTIFIED MAIL
Return Receipt Requested

RE: Offset Operator Notification
Unorthodox Location
Lucky Lobo "ASX" Fed Com #1
Township 16 South, Range 27 East
Section 33: 1980' FNL & 990' FWL
Eddy County, New Mexico

Gentlemen:

Yates Petroleum Corporation plans to drill the Lucky Lobo "ASX" Fed Com #1 well at the unorthodox location described above. This location does not comply with the well spacing requirements set forth in New Mexico Oil Conservation Division Rule 104.C (2) (b) (Revised 1/96).

If you have no objections to this unorthodox location, please signify your approval by signing one copy of this letter in the space proved below and return same to the undersigned. Any objection must be filed in writing with the New Mexico Oil Conservation Division within twenty (20) days from the date of this notice.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Douglas W. Hurlbut
Landman

DWH:bn
enclosure(s)

The undersigned hereby waives any objection the unorthodox location proposed by Yates Petroleum Corporation.

Company: CONCHO RESOURCES INC.

Name:

Title: Land Manager

Date: May 19, 1999

SENDER:

- ☐ Complete items 1 and/or 2 for additional services.
☐ Complete items 3, 4a, and 4b.
☐ Print your name and address on the reverse of this form so that we can return this card to you.
☐ Attach this form to the front of the mailpiece, or on the back if space does not permit.
☐ Write "Return Receipt Requested" on the mailpiece below the article number.
☐ The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

3. Article Addressed to:

Attention: Van Rogers
Concho Resources Inc.
Suite 410
110 W. Louisiana
Midland, Texas 79701

4a. Article Number

Z 328 860 301

4b. Service Type

- ☐ Registered ☒ Certified
☐ Express Mail ☐ Insured
☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

5-19-99

5. Received By: (Print Name)

6. Signature (Addressee or Agent)

PS Form 3811, December 1994

8. Addressee's Address (Only if requested and fee is paid)

Lucky Lobo ASX Fed Com #1

102595-99-B-0223 Domestic Return Receipt

Thank you for using Return Receipt Service.

Exhibit "K"

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1966



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

May 28, 1999

Attention: Kent Woolley
OXY USA, Inc.
Box 50250
Midland, Texas 79710-0250

CERTIFIED MAIL
Return Receipt Requested

RE: Location Change Amended
Unorthodox Location
Lucky Lobo "ASX" Fed Com #1
Township 16 South, Range 27 East
Section 33: 1780' FNL & 990' FWL
Eddy County, New Mexico

Gentlemen:

Yates Petroleum Corporation plans to drill the Lucky Lobo "ASX" Fed Com #1 well at the amended unorthodox location described above. You have been previously notified under my certified letter dated May 18, 1999, of an unorthodox location however the location was amended due to BLM compliance. This location does not comply with the well spacing requirements set forth in New Mexico Oil Conservation Division Rule 104.C (2) (b) (Revised 1/96).

If you have no objections to this amended unorthodox location, please signify your approval by signing one copy of this letter in the space provided below and return same to the undersigned. Any objection should be filed in writing with the New Mexico Oil Conservation Division within twenty (20) days from the date of my previous notice letter dated May 18, 1999.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Douglas W. Hurlbut
Douglas W. Hurlbut
Landman

DWH/dc
enclosure(2)

The undersigned hereby waives any objection to the amended unorthodox location proposed by Yates Petroleum Corporation.

Company: _____

Name: _____

Title: _____

Date: _____

SENDER:

- ☐ Complete items 1 and/or 2 for additional services.
Complete items 3, 4a, and 4b.
☐ Print your name and address on the reverse of this form so that we can return this card to you.
☐ Attach this form to the front of the mailpiece, or on the back if space does not permit.
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☐ The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

3. Article Addressed to:

Attention: Kent Woolley
OXY USA, Inc.
Box 50250
Midland, Texas 79710-0250

4a. Article Number

Z 328 860 285

4b. Service Type

- ☐ Registered ☒ Certified
☐ Express Mail ☐ Insured
☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

JUN - 1 1999

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

Lucky Lobo ASX Fed Com #1

6. Signature (Addressee or Agent)

PS Form 3811, December 1994

(915) 685-5742

02595 99-B-0223

Domestic Return Receipt

Thank you for using Return Receipt Service.

Exhibit "L"

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

May 28, 1999

Yates Petroleum Corporation
Yates Drilling Company
105 South Fourth Street
Artesia, New Mexico 88210

CERTIFIED MAIL
Return Receipt Requested

RE: Location Change Amended
Unorthodox Location
Lucky Lobo "ASX" Fed Com #1
Township 16 South, Range 27 East
Section 33: 1780' FNL & 990' FWL
Eddy County, New Mexico

Gentlemen:

Yates Petroleum Corporation plans to drill the Lucky Lobo "ASX" Fed Com #1 well at the amended unorthodox location described above. You have been previously notified under my certified letter dated May 18, 1999, of an unorthodox location however the location was amended due to BLM compliance. This location does not comply with the well spacing requirements set forth in New Mexico Oil Conservation Division Rule 104.C (2) (b) (Revised 1/96).

If you have no objections to this amended unorthodox location, please signify your approval by signing one copy of this letter in the space provided below and return same to the undersigned. Any objection should be filed in writing with the New Mexico Oil Conservation Division within twenty (20) days from the date of my previous notice letter dated May 18, 1999.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Douglas W. Hurlbut
Douglas W. Hurlbut
Landman

DWH/dc
enclosure(2)

The undersigned hereby waives any objection to the amended unorthodox location proposed by Yates Petroleum Corporation.

Yates Petroleum Corporation
Yates Drilling Company
Abo Petroleum Corporation
Myco Industries, Inc.

Name:

Douglas W. Hurlbut
Douglas W. Hurlbut, Landman

Date:

June 1, 1999

Exhibit "M"

06-14-1999 09:33

505 748 4572

YATES PETRO CORP

P.02/02

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

May 28, 1999

Attention: Sam Thompson
Southwestern Energy Production Company
2350 N. Sam Houston Parkway East-Suite 300
Houston, Texas 77032

CERTIFIED MAIL
Return Receipt Requested

RE: Location Change Amended
Unorthodox Location
Lucky Lobo "ASX" Fed Com #1
Township 16 South, Range 27 East
Section 33: 1780' FNL & 990' FWL
Eddy County, New Mexico

Gentlemen:

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Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Douglas W. Hurlbut
Landman

DWH/dc
enclosure(2)

The undersigned hereby waives any objection to the amended unorthodox location proposed by Yates Petroleum Corporation.

Company: Southwestern Energy Production CoName: Sg JensonTitle: LandmanDate: 6-14-99

Exhibit "N"

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

May 28, 1999

Attention: John Qualls
Chi Energy, Inc.
P.O. Box 1799
Midland, Texas 79702

CERTIFIED MAIL
Return Receipt Requested

RE: Location Change Amended
Unorthodox Location
Lucky Lobo "ASX" Fed Com #1
Township 16 South, Range 27 East
Section 33: 1780' FNL & 990' FWL
Eddy County, New Mexico

Gentlemen:

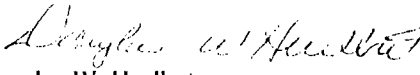
Yates Petroleum Corporation plans to drill the Lucky Lobo "ASX" Fed Com #1 well at the amended unorthodox location described above. You have been previously notified under my certified letter dated May 18, 1999, of an unorthodox location however the location was amended due to BLM compliance. This location does not comply with the well spacing requirements set forth in New Mexico Oil Conservation Division Rule 104.C (2) (b) (Revised 1/96).

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Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION


Douglas W. Hurlbut
Landman

DWH/dc
enclosure(2)

The undersigned hereby waives any objection to the amended unorthodox location proposed by Yates Petroleum Corporation.

Company: Chi Energy Inc.
Name: John W. Qualls
Title: Land Manager
Date: 6-1-99

Exhibit "O"

MARTIN YATES, III
1913-1988
FRANK W. YATES
1926-1988



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. R. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

May 28, 1999

Concho Resources, Inc.
Suite 410
110 W. Louisiana
Midland, Texas 79701

CERTIFIED MAIL
Return Receipt Requested

RE: Location Change Amended
Unorthodox Location
Lucky Lobo "ASX" Fed Com #1
Township 16 South, Range 27 East
Section 33: 1780' FNL & 990' FWL
Eddy County, New Mexico

Gentlemen:

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If you have no objections to this amended unorthodox location, please signify your approval by signing one copy of this letter in the space provided below and return same to the undersigned. Any objection should be filed in writing with the New Mexico Oil Conservation Division within twenty (20) days from the date of my previous notice letter dated May 18, 1999.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Douglas W. Hurlbut
Douglas W. Hurlbut
Landman

DWH/dc
enclosure(2)

The undersigned hereby waives any objection to the amended unorthodox location proposed by Yates Petroleum Corporation.

Company: Concho Resources Inc.

Name: *Alan M. Rodgers*

Title: Land Manager

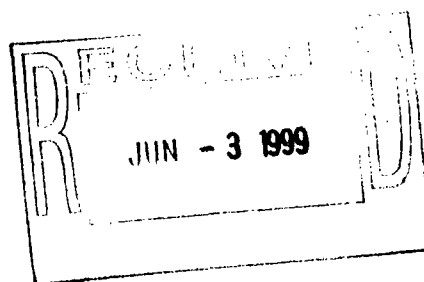
Date: June 14, 1999

Exhibit "p"

CHI ENERGY, INC.

P.O. BOX 1799
MIDLAND, TEXAS 79702

June 1, 1999

Doug Hurlbut
Yates Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210

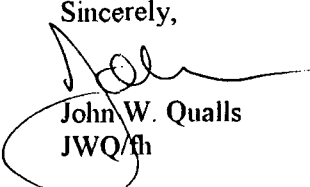
**Re: Location Change Amended
Unorthodox Location
Lucky Lobo ASX Fed. Com No. 1
Township 16 South, Range 27 East
Section 33: 1780' FNL & 990' FWL
Eddy County, New Mexico**

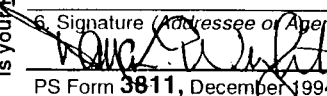
Mr. Hurlbut:

Pertaining to your request dated May 28, 1999 concerning the above location, Chi Energy, Inc. hereby waives any objection to the amended unorthodox location proposed by Yates Petroleum Corporation.

Thanks and please call should you have any questions.

Sincerely,


John W. Qualls
JWQ/th

| | | | |
|---|--|---|--|
| SENDER: <input type="checkbox"/> Complete items 1 and/or 2 for additional services. <input type="checkbox"/> Complete items 3, 4a, and 4b. <input type="checkbox"/> Print your name and address on the reverse of this form so that we can return this card to you. <input type="checkbox"/> Attach this form to the front of the mailpiece, or on the back if space does not permit. <input type="checkbox"/> Write "Return Receipt Requested" on the mailpiece below the article number. <input type="checkbox"/> The Return Receipt will show to whom the article was delivered and the date delivered. | | I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery | |
| | | 3. Article Addressed to: Attention: John Qualls Chi Energy, Inc. P.O. Box 1799 Midland, Texas 79702 | |
| 4a. Article Number Z 328 860 284 | | 4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD | |
| 5. Received By: (Print Name) 6. Signature (Addressee or Agent)  | | 7. Date of Delivery MILANO TX DOWNTOWN STA JUN 1 1999 USPS | |
| 8. Addressee's Address (Only if requested and fee is paid) | | PS Form 3811, December 1994 | |

Is your RETURN ADDRESS completed on the reverse side?

102595-99-8-0223 Domestic Return Receipt

Thank you for using Return Receipt Service.

Exhibit "O"

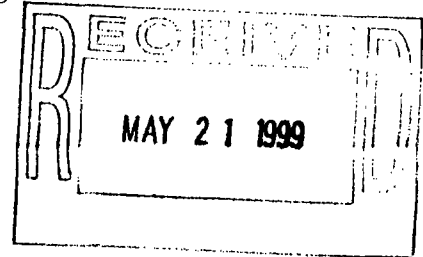
CONCHO RESOURCES INC.

Suite 410
110 W. Louisiana
Midland, Texas 79701

(915) 683-7443
FAX 683-7441
683-1166

May 19, 1999

Mr. Douglas W. Hurlbut
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210



Unorthodox Location
Lucky Lobo "ASX" Fed Com #1
T16 S, R27E
1980' FNL & 990' FWL Section 33
Eddy County, New Mexico
Chama Prospect

Gentlemen:

As per Van Rodgers request, we are enclosing your letter dated May 18, 1999, regarding the unorthodox location of the Lucky Lobo "ASX" Fed Com #1 Well in Eddy County, New Mexico. Concho Resources does hereby waive any objection to the unorthodox location proposed by Yates, as the enclosed letter indicates. Thank you.

Sincerely,

CONCHO RESOURCES INC.


Tammy Bainbridge
Land Assistant

enclosure
/lb:chama(8)

Exhibit "R"



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

AUTHORITY FOR EXPENDITURE
NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE NO.
AFE DATE

99-127-0

3/23/99

AFEND (rev 8/98)

AFE Type:

| | |
|-------------------------------------|--------------|
| <input checked="" type="checkbox"/> | New Drilling |
| <input type="checkbox"/> | Recompletion |
| <input type="checkbox"/> | Re-entry |

Well Objective:

| | |
|-------------------------------------|----------|
| <input type="checkbox"/> | Oil |
| <input checked="" type="checkbox"/> | Gas |
| <input type="checkbox"/> | Injector |

Well Type:

| | |
|-------------------------------------|-------------|
| <input checked="" type="checkbox"/> | Development |
| <input type="checkbox"/> | Exploratory |

AFE STATUS:

| | |
|-------------------------------------|--------------|
| <input checked="" type="checkbox"/> | Original |
| <input type="checkbox"/> | Revised |
| <input type="checkbox"/> | Final |
| <input type="checkbox"/> | Supplemental |

LEASE NAME
COUNTY
FIELD
LOCATION

Lucky Lobo ASX Federal Com. #1

Eddy

Sec. 33 T16S-R27E, 1,980' N & 990' W

PROJ'D DEPTH
STATE
HORIZON

9,000'

New Mexico

Morrow

DIVISION CODE
DISTRICT CODE
BRANCH CODE

100

DIVISION NAME
DISTRICT NAME
BRANCH NAME

Oil & Gas Division

PROGNOSIS:

INTANGIBLE DRILLING COSTS:

| | | DRY HOLE | COMP'D WELL |
|---------|--|----------|-------------|
| 920-100 | Staking, Permit & Legal Fees | 1,000 | 1,000 |
| 920-110 | Location, Right-of-Way | 12,000 | 12,000 |
| 920-120 | Drilling, Footage | 153,000 | 153,000 |
| 920-130 | Drilling, Daywork | 22,000 | 22,000 |
| 920-140 | Drilling Water, Fasline Rental | 11,000 | 11,000 |
| 920-150 | Drilling Mud & Additives | 13,000 | 13,000 |
| 920-160 | Mud Logging Unit, Sample Bags | 8,000 | 8,000 |
| 920-170 | Cementing - Surface Casing | 20,000 | 20,000 |
| 920-180 | Drill Stem Testing, OHT | 6,000 | 6,000 |
| 920-190 | Electric Logs & Tape Copies | 26,000 | 26,000 |
| 920-200 | Tools & Equip. Rntl., Trkg. & Welding | 9,500 | 9,500 |
| 920-205 | Control of Well-Insurance | 3,000 | 3,000 |
| 920-210 | Supervision & Overhead | 9,500 | 9,500 |
| 920-230 | Coring, Tools & Service | | |
| 920-240 | Bits, Tool & Supplies Purchase | 200 | 200 |
| 920-350 | Cementing - Production Casing | | 17,000 |
| 920-410 | Completion Unit - Swabbing | | 12,000 |
| 920-420 | Water for Completion | | 3,000 |
| 920-430 | Mud & Additives for Completion | | 1,000 |
| 920-440 | Cementing - Completion | | |
| 920-450 | Elec. Logs, Testing, Etc. - Completion | | 10,500 |
| 920-460 | Tools & Equip. Rental, Etc. - Completion | | 15,000 |
| 920-470 | Stimulation for Completion | | 60,000 |
| 920-480 | Supervision & O/H - Completion | | 4,000 |
| 920-490 | Additional LOC Charges - Completion | | 1,000 |
| 920-510 | Bits, Tools & Supplies - Completion | | 3,000 |
| 920-500 | Contingency for Completion | | |

TOTAL INTANGIBLE DRILLING COSTS

294,200 420,700

TANGIBLE EQUIPMENT COSTS:

| | | | |
|---------|-------------------------------------|--------|--------|
| 930-010 | Christmas Tree & Wellhead | 2,200 | 20,000 |
| 930-020 | Casing | 13,500 | 13,500 |
| | 8 5/8" @ 1,500' | | 50,000 |
| | 4 1/2" @ 9,000' | | |
| 930-030 | Tubing | | 21,000 |
| 930-040 | Packer & Special Equipment | | |
| 940-010 | Pumping Equipment | | |
| 940-020 | Storage Facilities | | 15,000 |
| 940-030 | Separation Equip., Flowlines, Misc. | | 30,000 |
| 940-040 | Trucking & Construction Costs | | 20,000 |

TOTAL TANGIBLE EQUIPMENT COSTS

15,700 169,500

TOTAL COSTS

309,900 590,200

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

| | | | |
|-------------|----------------|---------------------|--|
| Prepared By | Cory Frederick | Operations Approval | |
|-------------|----------------|---------------------|--|

YATES PETROLEUM CORPORATION

26.6667%

YATES DRILLING COMPANY

13.3333%

BY DATE

ABO PETROLEUM CORP

13.3333%

BY

MYCO INDUSTRIES, I

13.3333%

BY

OXY USA, INC

13.3333%

BY DATE 4/21/99

Exhibit "S"

S/B .0666665

Lucky Lobo ASX Fed. Com. #1
Sec. 33-T16S-R27E
Eddy County, New Mexico

AFE # 99-127-0
Date: 3/23/99
Page 2

SHARE

CHI ENERGY, INC

3.333400 %

By: _____ DATE _____

SOUTHWESTERN ENERGY PRODUCTION COMPANY

16.666700 %

By: _____ DATE _____

ANDREW AND COCKRAN, LLC

0.833400 %

By: David J. Andrew DATE 5-5-99

MCCOMBS ENERGY, LLC

5.833300 %

By: _____ DATE _____

TOTAL

100.000000 %

Lucky Lobo ASX Fed. Com. #1
Sec. 33-T16S-R27E
Eddy County, New Mexico

AFE # 99-127-0
Date: 3/23/99
Page 2

| | SHARE |
|--|--------------|
| CHI ENERGY, INC | 3.333400 % |
| By: _____ DATE _____ | |
| SOUTHWESTERN ENERGY PRODUCTION COMPANY | 16.666700 % |
| By: _____ DATE _____ | |
| ANDREW AND COCKRAN, LLC | 0.833400 % |
| By: _____ DATE _____ | |
| MCCOMBBS ENERGY, LLC | 5.833300 % |
| By: <u>Chris Haskin</u> DATE <u>5/5/99</u> | |
| TOTAL | 100.000000 % |

Lucky Lobo ASX Fed. Com. #1
Sec. 33-T16S-R27E
Eddy County, New Mexico

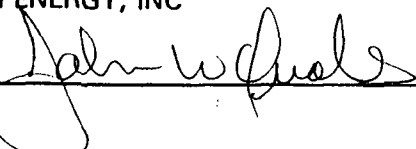
AFE # 99-127-0
Date: 3/23/99
Page 2

SHARE

CHI ENERGY, INC

3.333400 %

By:



DATE

5-11-99

SOUTHWESTERN ENERGY PRODUCTION COMPANY

16.666700 %

By:

DATE

TOTAL

100.000000 %

Lucky Lobo ASX Fed. Com. #1
Sec. 33-T16S-R27E
Eddy County, New Mexico

AFE # 99-127-0
Date: 3/23/99
Page 2

SHARE

CHI ENERGY, INC

3.333400 %

By: _____ DATE _____

SOUTHWESTERN ENERGY PRODUCTION COMPANY

16.666700 %

By: R. J. Lane *** DATE 4-26-99

***Subject to that letter dated April 26, 1999.

TOTAL

100.000000 %

(8)
JRD

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

**IN THE MATTER OF THE APPLICATION OF YATES
PETROLEUM CORPORATION FOR ADMINISTRATIVE
APPROVAL OF AN UNORTHODOX WELL LOCATION,
EDDY COUNTY, NEW MEXICO**

CASE NO. _____

APPLICATION

COMES NOW Yates Petroleum Corporation, by its attorneys, and in support hereof, respectfully states:

1. Applicant is the operator of the following lands in Eddy County, New Mexico:

Township 16 South, Range 27 East, N.M.P.M.

Section 33: N/2

containing 320 acres, more or less,

and proposes to drill its Lucky Lobo "ASX" Federal Com. No. 1 Well at a point located 1,780 feet from the north line and 990 feet from the west line of said Section 33 to a depth sufficient to test the Morrow formation, at approximately 8,950 feet.

2. The Applicant seeks an exception, pursuant to Rule 104.F, to the well location requirements of Rule 104.B(1)(a) or 104.C(2)(b) of the Oil Conservation Division to permit the drilling of the well at the above-mentioned unorthodox location for all formations which may be developed on 320-acre spacing.

3. A standard 320-acre proration unit comprising N/2 of said Section 33 should be dedicated to such well. A plat depicting the proposed spacing and proration unit and the proposed well location is attached hereto as Exhibit "A" and by reference made a part of this Application.

4. The proposed location for the Lucky Lobo "ASX" Federal Com. No. 1 Well is unorthodox by virtue of its being closer than 1,650 feet to the nearest end boundary, which is the western boundary of N/2 of said Section 33.

5. The proposed unorthodox location is necessary because of geologic conditions and archaeological conditions in N/2 of said Section 33. The original location proposed for the well was 1,980 feet from the north line and 990 feet from the west line of said Section 33, but the proposed well has been moved to a location 1,780 feet from the north line and 990 feet from the west line of Section 33 as required by the Bureau of Land Management based upon an archaeological study in the vicinity of the well. Copies of the Application for Permit to Drill submitted to the Bureau of Land Management, the Sundry Notice changing the location of the Well and the Application for Permit to Drill approved by the Bureau of Land Management are attached hereto as Exhibits "B", "C" and "D" and made a part of this Application.

6. A narrative discussing the geologic conditions which result in the necessity for the unorthodox location and an isopach map depicting the varying thickness of the Lower Morrow to Mississippian unconformity interval in the area of the proposed spacing unit are attached hereto as Exhibits "E" and "F". A copy of the letter summarizing the archaeological study performed by Desert West Archaeological Services recommending

that the location for the proposed well be moved to 1,780 feet from the north line and 990 feet from the west line of said Section 33 is attached hereto as Exhibit "G".

7. The spacing units surrounding the proposed unorthodox well, and the operators and lessees thereof are as follows:

(a) E/2 Section 28, Township 16 South, Range 27 East, N.M.P.M., is operated by OXY USA Inc.;

(b) SW/4 Section 28, Township 16 South, Range 27 East, N.M.P.M., is leased to Yates Petroleum Corporation, Yates Drilling Company, Abo Petroleum Corporation and Myco Industries, Inc.;

(c) SE/4 Section 29, Township 16 South, Range 27 East, N.M.P.M., is leased to Yates Petroleum Corporation, Yates Drilling Company, Abo Petroleum Corporation, Myco Industries, Inc., Southwestern Energy Production Company, Chi Energy, Inc. and OXY USA Inc.;

(d) E/2 Section 32, Township 16 South, Range 27 East, N.M.P.M., is leased to Yates Petroleum Corporation, Yates Drilling Company, Abo Petroleum Corporation, Myco Industries, Inc. and Concho Resources, Inc.;

(e) S/2 Section 33, Township 16 South, Range 27 East, N.M.P.M., is operated by OXY USA Inc.

8. On May 18, 1999, the Applicant sent to the operators and lessees named in Paragraph 6 above notification of the original well location, 1,980 feet from the north line and 990 feet from the west line of said Section 33, as reflected by the letters attached hereto as Exhibits "H", "I", "J" and "K".

9. By letter dated May 28, 1999, the Applicant sent the operators and lessees named in Paragraph 6 above notification of the change of the proposed unorthodox well location to a point 1,780 feet from the north line and 990 feet from the west line of said Section 33, as reflected by the letters attached hereto as Exhibits "L", "M", "N", "O" and "P". Yates Petroleum Corporation, Yates Drilling Company, Abo Petroleum Corporation, Myco Industries, Inc., Southwestern Energy Production Company, Chi Energy, Inc. and Concho Resources, Inc. have all waived any objection to the unorthodox well location proposed by Yates as reflected by the letters of attached hereto as Exhibits "M", "N", "O", "P", "Q" and "R". The Applicant has not received a wavier from OXY USA Inc., but the proposed unorthodox well does not encroach toward any of the acreage owned or operated by OXY USA Inc. OXY USA Inc. owns a working interest in N/2 of said Section 33 and has agreed to participate in the drilling of the proposed Lucky Lobo "ASX" Federal Com. No. 1 Well, as reflected by the Authority for Expenditure dated March 23, 1999, executed by OXY USA Inc. on April 21, 1999, and attached hereto as Exhibit "S".

10. The approval of this Application will afford the Applicant the opportunity to produce its just and equitable share of oil and gas, will prevent economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

WHEREFORE, Applicant prays that the Division enter its Order granting the Applicant administrative approval of its proposed unorthodox well location and thereby grant Applicant permission to drill its Lucky Lobo "ASX" Federal Com. No. 1 Well at a point 1,780 feet from the north line and 990 feet from the west line of said Section 33, and to

dedicate N/2 of said Section 33 to said well for production from all formations that may be developed on 320-acre spacing, and for such other and further relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: 

David R. Vandiver
Vandiver & Bowman, P.C.
611 West Mahone, Suite E
Artesia, New Mexico 88210-2075
(505) 746-9841

Attorneys for Applicant

Lucky Lobo "ASX" Federal Com. No. 1 Well
1,780 FNL and 990 FWL
Sec. 33, T-16-S, R-27-E, NMPM
Eddy County, New Mexico

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

b. TYPE OF WELL

OIL
WELL ☐

GAS
WELL ☒

OTHER

SINGLE
ZONE ☐

MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

YATES PETROLEUM CORPORATION

3. ADDRESS AND TELEPHONE NO.

105 South Fourth Street, Artesia, New Mexico 88210 (505) 748-1471

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*
At surface

1980' FNL and 990' FWL

At proposed prod. zone

Same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

Approximately 8 miles northeast of Artesia, New Mexico.

15. DISTANCE FROM PROPOSED*
LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest drlg. unit line, if any)

990'

16. NO. OF ACRES IN LEASE
680.00

17. NO. OF ACRES ASSIGNED
TO THIS WELL 320

18. DISTANCE FROM PROPOSED LOCATION*
TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

19. PROPOSED DEPTH
8950'

20. ROTARY OR CABLE TOOLS
Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

3409' GR

22. APPROX. DATE WORK WILL START*
ASAP

23.

PROPOSED CASING AND CEMENTING PROGRAM

| SIZE OF HOLE | GRADE SIZE OF CASING | WEIGHT PER FOOT | SETTING DEPTH | QUANTITY OF CEMENT |
|--------------|----------------------|-----------------|---------------|---------------------|
| 12 1/4" | 8 5/8" | 24# J-55 | 1300' | 500 sx Circulated |
| 7 7/8" | 4 1/2" | 11.6# S-95 | TD | 400 sx Circulated |
| | | | | Top of cement 7500' |

Yates Petroleum Corporation proposes to drill and test the Morrow and intermediate formations. Approximately 1300' of surface casing will be set and cement circulated to shut off gravel and cavings. If commercial, production casing will be run and cemented with adequate cover, perforated and stimulated as needed for production.

MUD PROGRAM: 0-1300' FW; 1300'-4700' FW/Gel; 4700'-8000' Cut Brine; 8000'-TD Salt Gel/Starch

BOPE PROGRAM: Bope will be installed on the 8 5/8" casing and tested daily for operational.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED

TITLE Landman

DATE

April 7, 1999

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY

DATE

Exhibit "B"

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Artec, NM 87410

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|---------------------|--|---------------------|
| API Number | Pool Code | Pool Name MORROW |
| Property Code | Property Name LUCKY LOBO "ASX" FEDERAL COM. | Well Number 1 |
| OGRID No. 025575 | Operator Name YATES PETROLEUM CORPORATION | Elevation 3409 |

Surface Location

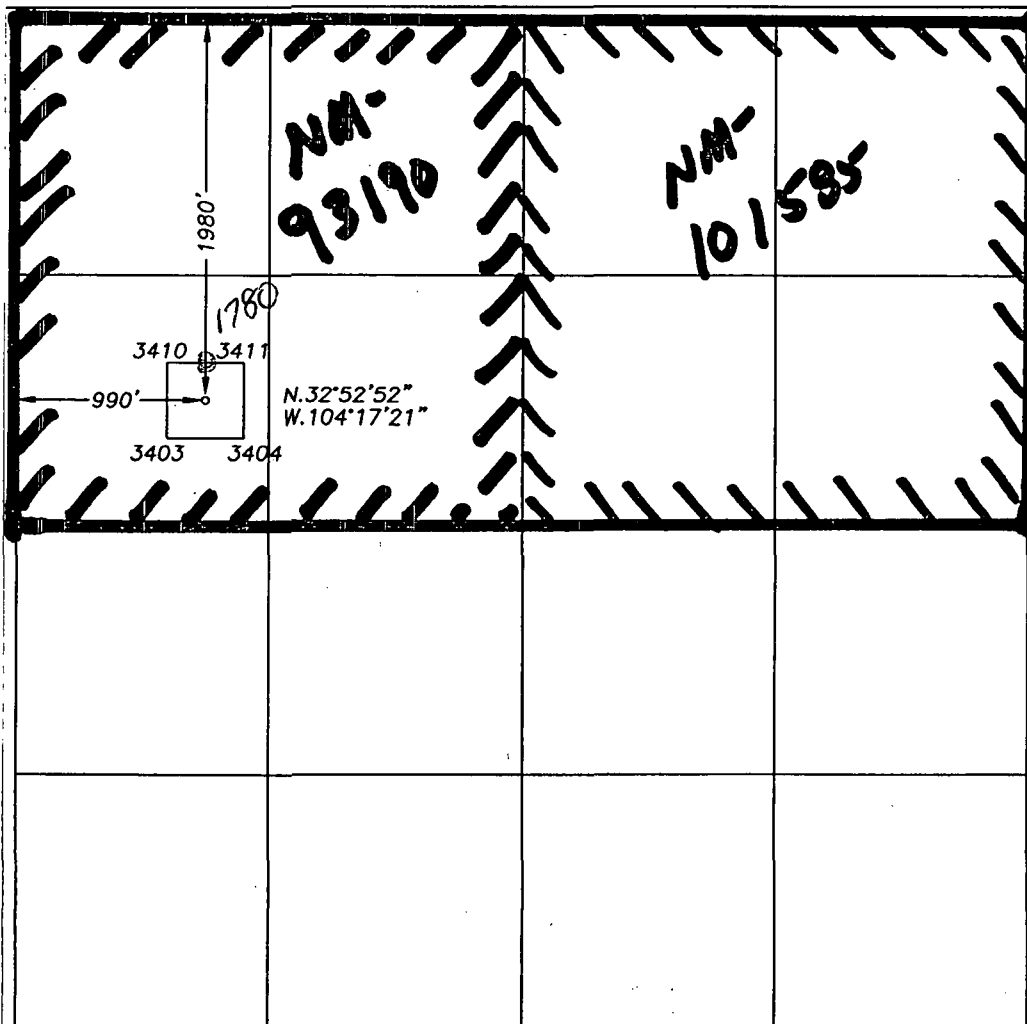
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| E | 33 | 16S | 27E | | 1980 | NORTH | 990 | WEST | EDDY |

Bottom Hole Location If Different From Surface

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

| | | | |
|------------------------|-----------------|--------------------|-----------|
| Dedicated Acres 320 | Joint or Infill | Consolidation Code | Order No. |
|------------------------|-----------------|--------------------|-----------|

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify the the information
contained herein is true and complete to the
best of my knowledge and belief.

Ken Beardemphl
Signature

Ken Beardemphl
Printed Name

Landman
Title

April 7, 1999
Date

SURVEYOR CERTIFICATION

I hereby certify that the well location shown
on this plat was plotted from field notes of
actual surveys made by me or under my
supervision, and that the same is true and
correct to the best of my belief.

03/23/1999

Date Surveyed

Signature & Seal of
Professional Surveyor

HELEN JONES
Professional Surveyor
3640

Certificate No. *Hessell Jones* RLS 3640
DISK 11
GENERAL SURVEYING COMPANY

YATES PETROLEUM CORPORATION
Lucky Lobo "ASX" Federal Com. #1
1980' FNL and 990' FWL
Sec.33,-T16S-R27E
Eddy County, New Mexico

1. The estimated tops of geologic markers are as follows:

| | |
|-----------------|-------|
| San Andres | 1290' |
| Glorietta | 2777 |
| Yeso | 2919' |
| Abo | 4770' |
| Wolfcamp | 5991' |
| Canyon Lime | 7624' |
| Strawn Lime | 8036' |
| Atoka | 8382' |
| Morrow Clastics | 8564' |
| Lower Morrow | 8611' |
| Chester Lime | 8807' |
| TD | 8950' |

2. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Water: 250'-350'
Oil or Gas: All potential zones.

3. Pressure Control Equipment: BOPE will be installed on the 8 5/8" casing and rated for 3000 BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.

Auxiliary Equipment:

- A. Auxiliary Equipment: Kelly cock, pit level indicators, flow sensor equipment and a sub with full opening valve to fit the drill pipe and collars will be available on the rig floor in the open position at all times for use when kelly is not in use.

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

- A. Casing Program: (All New)

| <u>Hole Size</u> | <u>Casing Size</u> | <u>Wt./Ft</u> | <u>Grade</u> | <u>Coupling</u> | <u>Interval</u> |
|------------------|--------------------|---------------|--------------|-----------------|-----------------|
| 12 1/4" | 8 5/8" | 24.0# | J-55 | ST&C | 0-1300' |
| 7 7/8" | 4 1/2" | 11.6# | S-95 | LT&C | 0-8950' |

Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, Tensile Strength 1.8

- B. CEMENTING PROGRAM:

Surface casing: 300 sx 35:65 POC 'C' (YLD 1.9 WT 12.66), tail with 200 sx 'C'
+ 2% CaCL2 (YLD 1.32 WT 14.6).

Production Casing: 400 sx Super 'C' Modified (YLD 2.0 WT 12.0).
Top of cement at 7500'

5. Mud Program and Auxiliary Equipment:

| <u>Interval</u> | <u>Type</u> | <u>Weight</u> | <u>Viscosity</u> | <u>Fluid Loss</u> |
|-----------------|-----------------|---------------|------------------|-------------------|
| 0-1300' | FW | 8.4 - 8.8 | 32-34 | N/C |
| 1300'-4700' | FW/Gel | 8.4 - 8.6 | 28 | N/C |
| 4700'-8000' | Cut Brine | 8.6 - 9.1 | 28 | N/C |
| 8000'-TD | Salt Gel/Starch | 9.5 - 10 | 30 - 34 | < 10cc |

Sufficient mud material(s) to maintain mud properties, control lost circulation and contain a blow out will be available at the well site during drilling operations. Mud will be checked hourly by rig personnel.

6. EVALUATION PROGRAM:

Samples: 10' samples out from under surface casing.

Logging: CNL/LDT TD to casing with GR/CNL to surface, DLL w/RXO TD to Casing.

Coring: None

DST's: As warranted.

7. Abnormal Conditions, Bottom hole pressure and potential hazards:

Anticipated BHP:

| | | |
|-------------|-----------|--------------------------------|
| From: 0 | TO: 1300' | Anticipated Max. BHP: 600 PSI |
| From: 1300' | TO: 8950' | Anticipated Max. BHP: 4800 PSI |

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None anticipated.

Maximum Bottom Hole Temperature: 155 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 25 days to drill the well with completion taking another 20 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Yates Petroleum Corporation
Lucky Lobo "ASX" Federal Com. #1
1980' FNL AND 990' FWL
Sec. 33, T16S-R27E
Eddy County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 8 miles northeast of Artesia, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go east of Artesia on Highway 82 for five (5) miles to Karr Ranch Road, CR #200. Turn North for Approximately 1.9 miles to a lease road. Turn east to Oxy's Lucky Dog well. Turn north at the northeast corner of the Oxy well and go approximately 0.4 of a mile to the well location.

2. PLANNED ACCESS ROAD

A. The new access road will go northwest for approximately 0.4 of a mile.

3. LOCATION OF EXISTING WELL

- A. There is drilling activity within a one-mile radius of the wellsite.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed wellsite.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

- A. There are no production facilities on this lease at the present time.
- B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power. No power will be required if the well is productive of gas.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with a fresh water system. The water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

Dirt contractor will locate closest pit and obtain any permits and materials needed for construction.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- C. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- D. Oil produced during operations will be stored in tanks until sold.
- E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- F. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary land fill. Burial on site is not approved.

8. ANCILLARY FACILITIES:

None

9. WELLSITE LAYOUT:

- A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach.
- B. The reserve pits will be plastic lined.
- C. A 400' x 400' area has been staked and flagged.

10. PLANS FOR RESTORATION

- A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the wellsite in as aesthetically pleasing a condition as possible.
- B. Unguarded pits, if any, containing fluids will be fenced until they have dried and been leveled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level after they have evaporated and dried.

11. SURFACE OWNERSHIP: Bureau of Land Management, Carlsbad, New Mexico.

12. OTHER INFORMATION:

- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, historical and cultural sites.
- B. The primary surface use is for grazing.

13. OPERATOR'S REPRESENTATIVE

A. Through A.P.D. Approval:

Ken Beardemphl, Landman
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

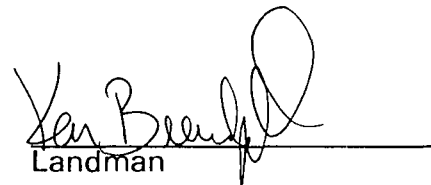
B. Through Drilling Operations,
Completions and Production:

Brian Collins, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

14. CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and , that the work associated with the operations proposed herein will be performed by Yates Petroleum Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

4/6/99

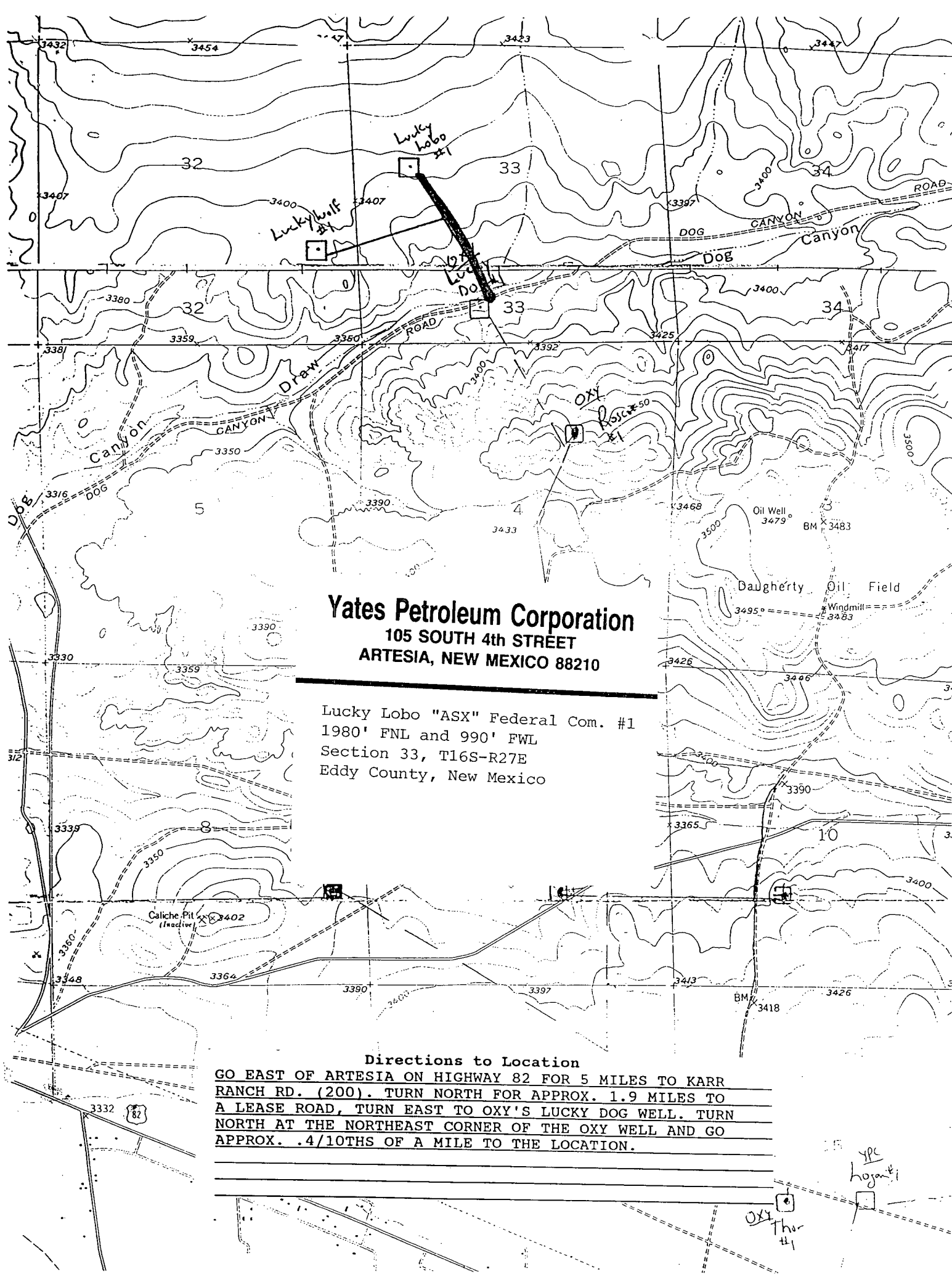

Landman

Yates Petroleum Corporation
105 SOUTH 4th STREET
ARTESIA, NEW MEXICO 88210

Lucky Lobo "ASX" Federal Com. #1
1980' FNL and 990' FWL
Section 33, T16S-R27E
Eddy County, New Mexico

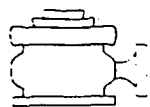
Directions to Location

GO EAST OF ARTESIA ON HIGHWAY 82 FOR 5 MILES TO KARR
RANCH RD. (200). TURN NORTH FOR APPROX. 1.9 MILES TO
A LEASE ROAD, TURN EAST TO OXY'S LUCKY DOG WELL. TURN
NORTH AT THE NORTHEAST CORNER OF THE OXY WELL AND GO
APPROX. .4/10THS OF A MILE TO THE LOCATION.



Yates Petroleum Corporation
 105 SOUTH 4th STREET
 ARTESIA, NEW MEXICO 88210

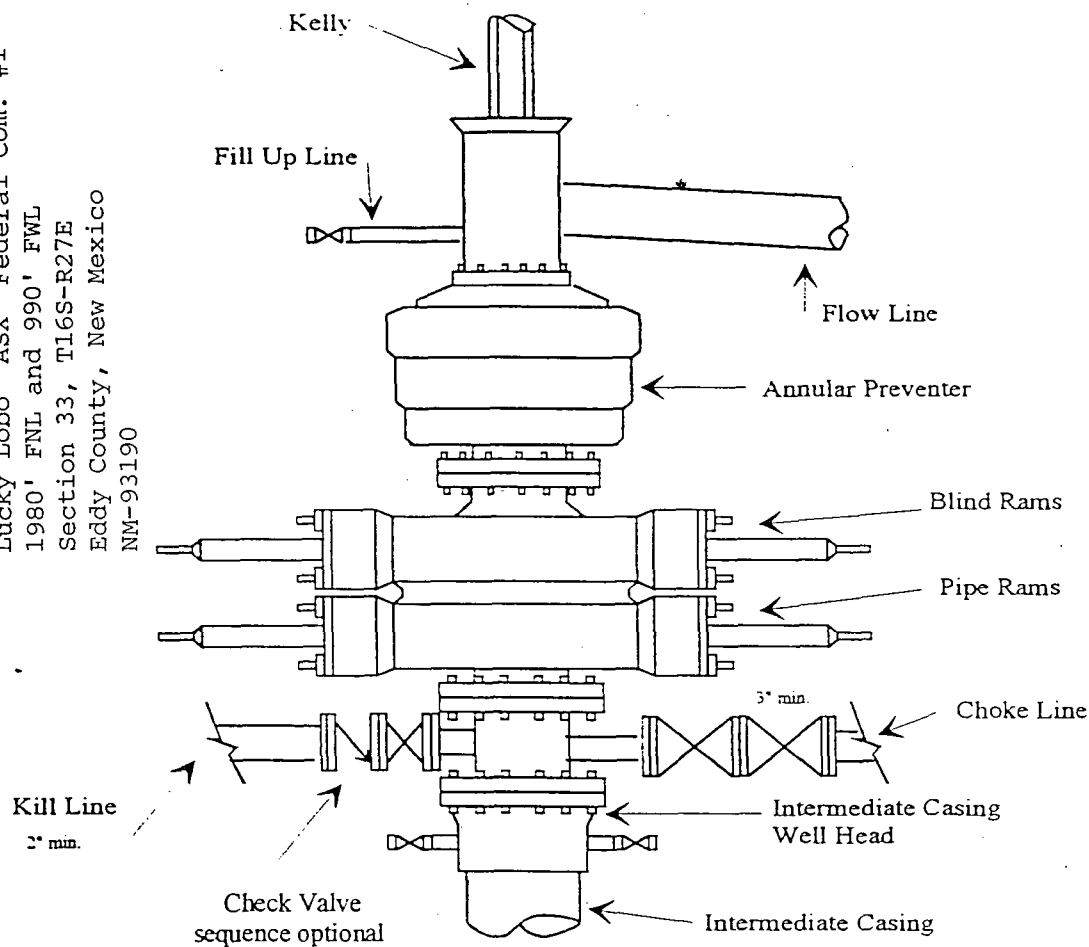
Lucky Lobo "ASX" Federal Com. #1
 1980' FNL and 990' FWL
 Section 33, T16S-R27E
 Eddy County, New Mexico
 NM-93190



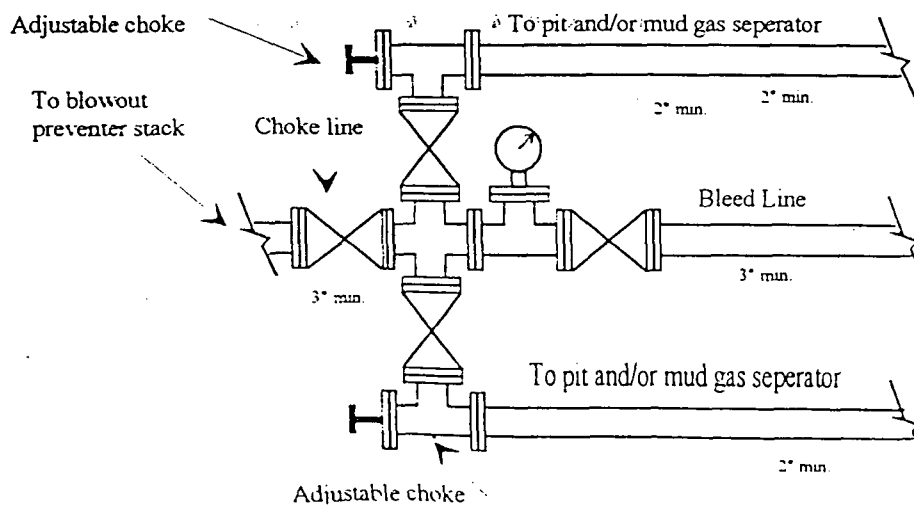
Yates Petroleum Corporation

Typical 3,000 psi Pressure System
 Schematic
 Annular with Double Ram Preventer Stack

BOP-3



Typical 3,000 psi choke manifold assembly with at least these minimum features



Yates Petroleum Corporation

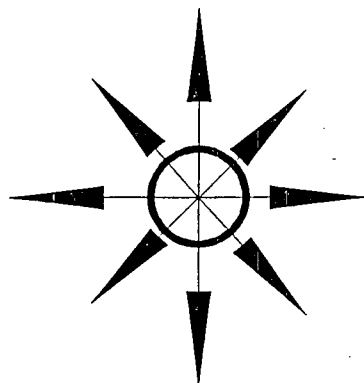
Location Layout for Permian Basin

Up to 12,000'

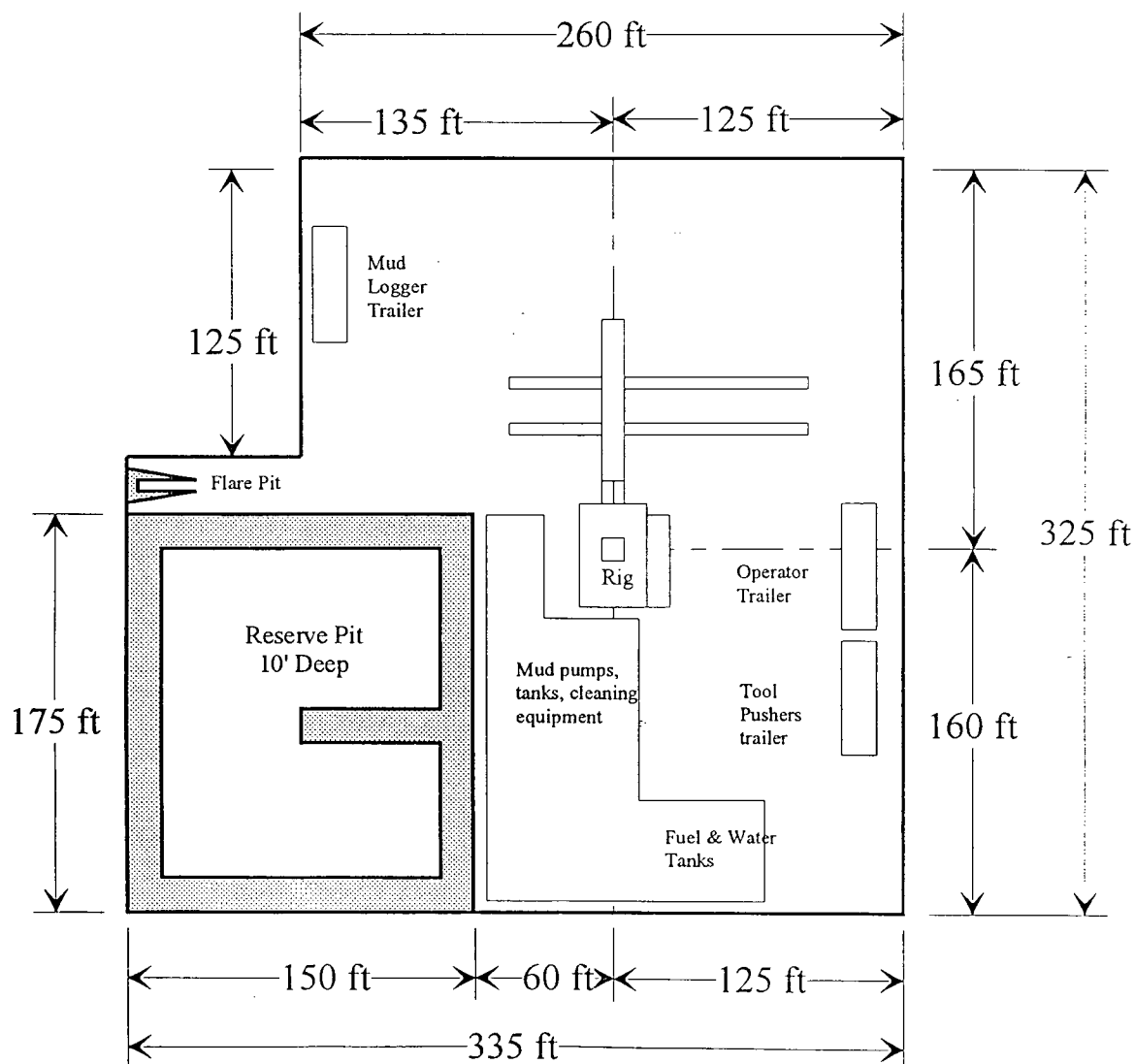
Yates Petroleum Corporation

105 SOUTH 4th STREET

ARTESIA, NEW MEXICO 88210

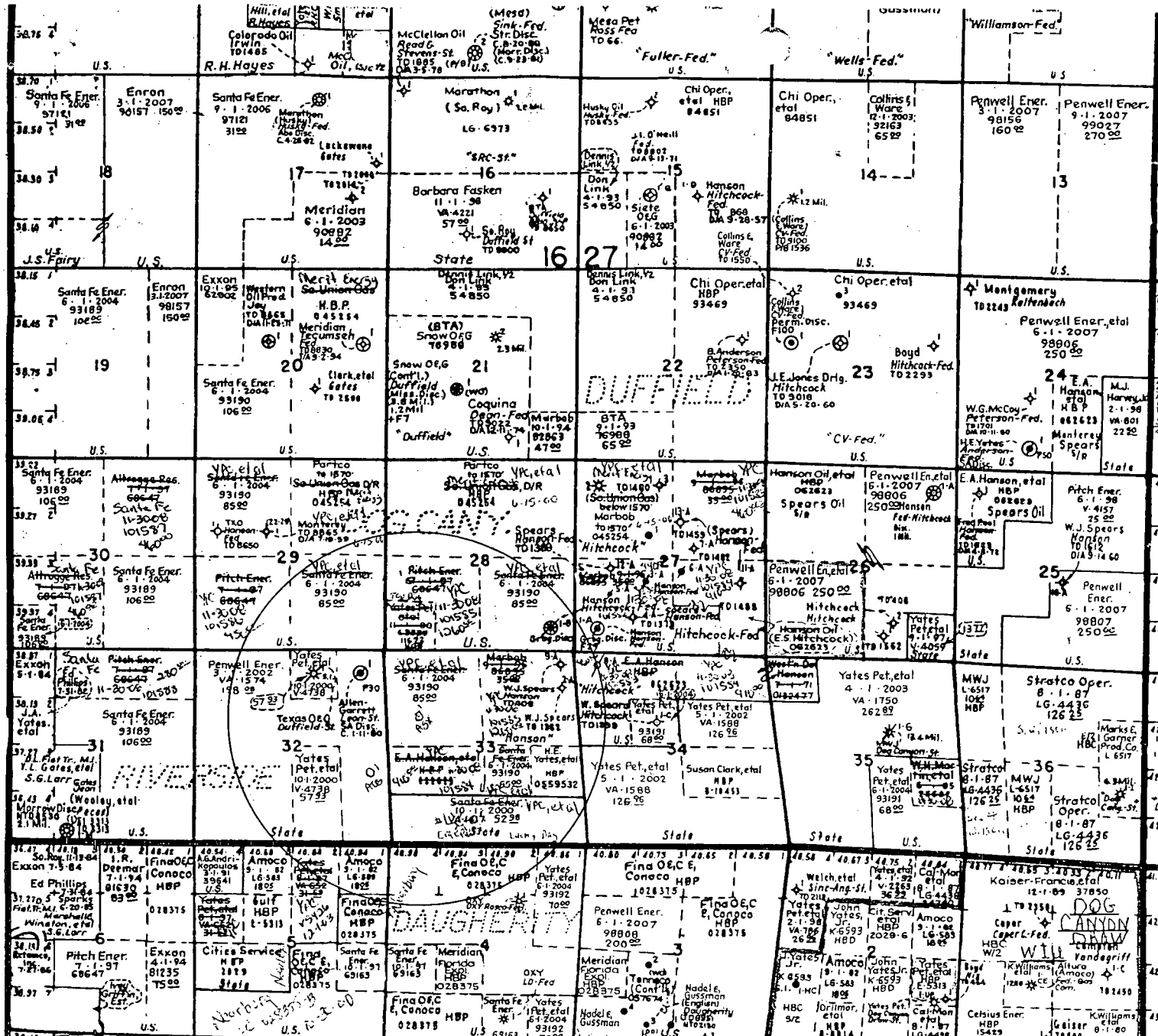


Lucky Lobo "ASX" Federal Com. #1
 1980' FNL and 990' FWL
 Section 33, T16S-R27E
 Eddy County, New Mexico
 NM-93190



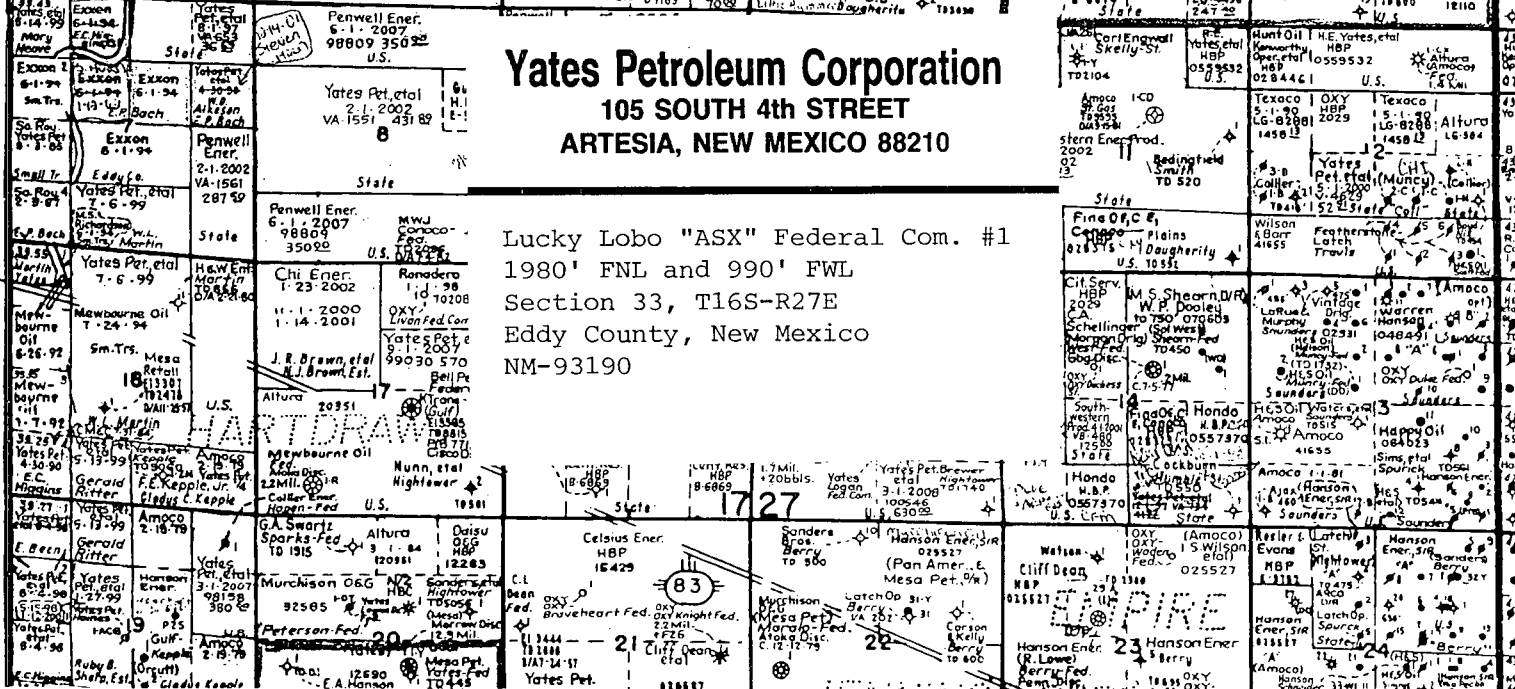
Distance from Well
 Head to Reserve Pit
 will vary between rigs

The above dimension
 should be a maximum



Yates Petroleum Corporation
105 SOUTH 4TH STREET
ARTESIA, NEW MEXICO 88210

Lucky Lobo "ASX" Federal Com. #1
1980' FNL and 990' FWL
Section 33, T16S-R27E
Eddy County, New Mexico
NM-93190



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

5. Lease Designation and Serial No.
NM-93190

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.
Lucky Lobo ASX
Federal Com. #1

9. API Well No.

10. Field and Pool, or Exploratory Area

Morrow

11. County or Parish, State

Eddy County, New Mexico

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

YATES PETROLEUM CORPORATION

3. Address and Telephone No.

105 South Fourth Street, Artesia, New Mexico 88210 (505) 748-1471

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

1780' FNL and 990' FWL
Section 33, T16S-R27E

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- ☒ Notice of Intent
☐ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

- ☐ Abandonment
☐ Recompletion
☐ Plugging Back
☐ Casing Repair
☐ Altering Casing
☐ Other _____
☐ Change of Plans
☐ New Construction
☐ Non-Routine Fracturing
☐ Water Shut-Off
☐ Conversion to Injection
☐ Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Yates Petroleum Corporation wishes to reroute the access road to this well and move the location 200' to the north of the original location.

New Location: 1780' FNL and 990' FWL

Old Location: 1980' FNL and 990' FWL

Enclosed please find one (1) new plat (C-102) and a new plat with a new top plat of the road reroute. This location was moved per the archaeological report.

We wish to drill this well as soon as possible after this Sundry Notice is approved.

14. I hereby certify that the foregoing is true and correct

Signed

Title Landman

Date May 28, 1999

(This space for Federal or State office use)

Approved by

Title

Date

Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes
or representations as to any matter wi

States any false, fictitious or fraudulent statements

Exhibit "C"

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT III
1000 Rio Brazos Rd., Astec, NM 87410

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|---------------------|--|---------------------|
| API Number | Pool Code | Pool Name MORROW |
| Property Code | Property Name LUCKY LOBO "ASX" FEDERAL COM. | Well Number 1 |
| OGRID No. 025575 | Operator Name YATES PETROLEUM CORPORATION | Elevation 3410 |

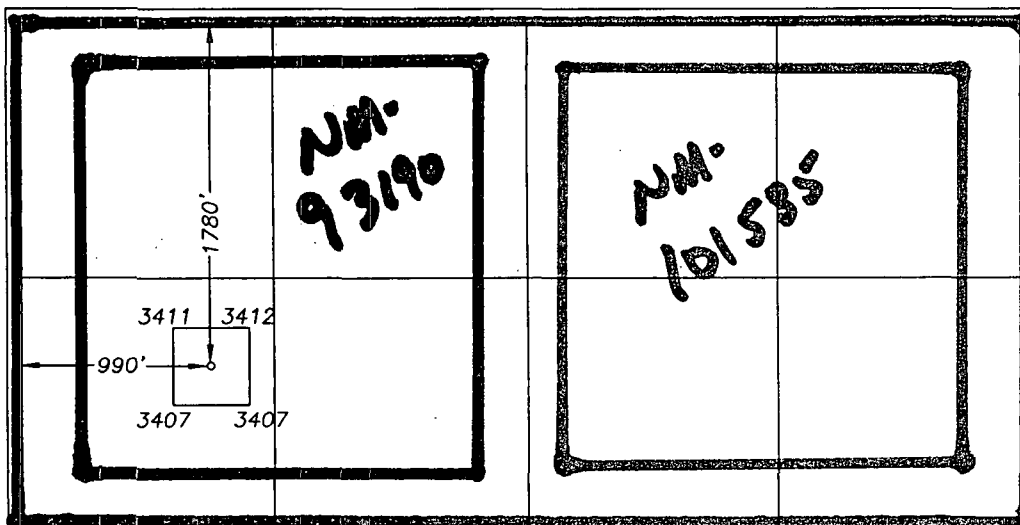
Surface Location

| | | | | | | | | | |
|--------------------|---------------|-----------------|--------------|---------|-----------------------|---------------------------|----------------------|------------------------|----------------|
| UL or lot No. E | Section 33 | Township 16S | Range 27E | Lot Idn | Feet from the 1780 | North/South line NORTH | Feet from the 990 | East/West line WEST | County EDDY |
|--------------------|---------------|-----------------|--------------|---------|-----------------------|---------------------------|----------------------|------------------------|----------------|

Bottom Hole Location If Different From Surface

| | | | | | | | | | |
|------------------------|-----------------|--------------------|-----------|---------|---------------|------------------|---------------|----------------|--------|
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
| Dedicated Acres 320 | Joint or Infill | Consolidation Code | Order No. | | | | | | |

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature
Ken Beardemphl
Printed Name
Ken Beardemphl
Title
Landman
Date
May 28, 1999

SURVEYOR CERTIFICATION

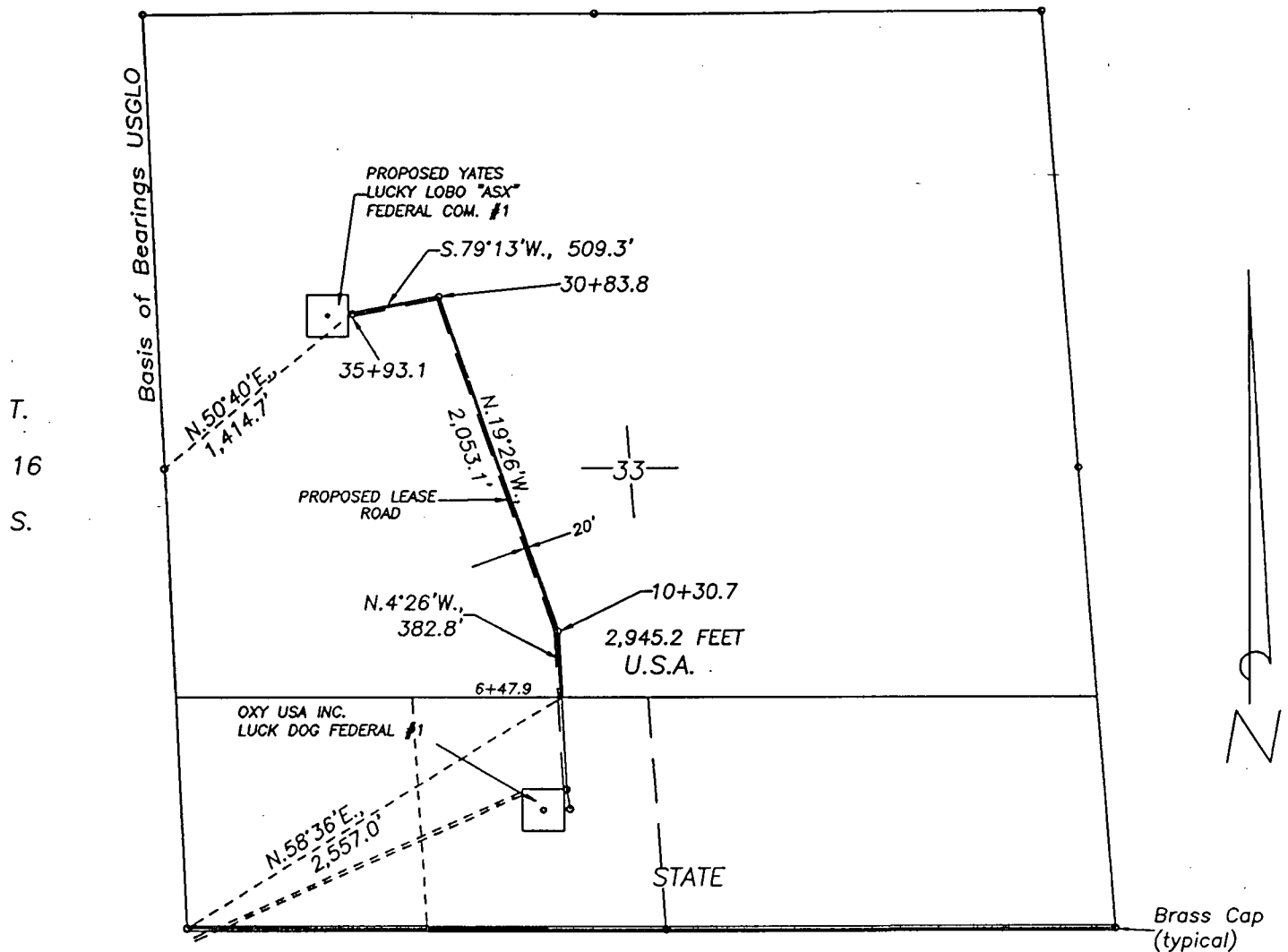
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

05/26/1999

Date Surveyed
Signature & Seal of
Professional Surveyor
Herschel L. Jones
NEW MEXICO
3640
Certificate No. Herschel L. Jones RLS 3640
LUCKY LOBO LAND DISK 13
GENERAL SURVEYING COMPANY

SECTION 33, TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM, EDDY COUNTY, NEW MEXICO.

R. 27 E.



DESCRIPTION:

A PIPELINE RIGHT OF WAY 30 FEET WIDE AND 2,945.2 FEET IN LENGTH, BEING 15 FEET TO THE LEFT AND RIGHT OF THE SURVEY CENTERLINE AS SHOWN ON THIS PLAT.

2,945.2 FEET = 178.4970 RODS, 0.5578 MILES OR 2.0284 ACRES, MORE OR LESS.

1000' 0 1000' 2000'
Scale 1" = 1000'

THE PREPARATION OF THIS PLAT AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE DONE UNDER MY DIRECTION AND THE PLAT ACCURATELY DEPICTS THE RESULTS OF SAID SURVEY AND MEET THE REQUIREMENTS OF THE STANDARD SURVEYING IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.

HERSCHEL L. JONES R.L.S. No. 3640

GENERAL SURVEYING COMPANY P.O. BOX 1928
LOVINGTON, NEW MEXICO 88260

AGAVE ENERGY COMPANY

PIPELINE TO CONNECT THE YATES PETROLEUM CORPORATION LUCK LOBO "ASX" FEDERAL COM. #1 WELL LOCATED 1980/N & 990/W OF SECTION 33, TOWNSHIP 16 SOUTH, RANGE 27 EAST AND THE YATES LUCKY WOLF "ATB" STATE COM. #1 LOCATED 1650/S & 660/E OF SECTION 32, TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM, EDDY COUNTY, NEW MEXICO.

| | |
|----------------------|---------------------|
| Survey Date: | Sheet 2 of 2 Sheets |
| Drawn By: Ed Blevins | W.O. Number |
| Date: 5/27/99 | Scale 1" = 1000' |
| | AGAVE-B |

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒DEEPEN ☐

b. TYPE OF WELL

OIL
WELL ☐GAS
WELL ☒

OTHER

SINGLE
ZONE ☐MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

YATES PETROLEUM CORPORATION

3. ADDRESS AND TELEPHONE NO.

105 South Fourth Street, Artesia, New Mexico 88210 (505) 748-1471

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface

1780' 1980' FNL and 990' FWL

At proposed prod. zone

Same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

Approximately 8 miles northeast of Artesia, New Mexico.

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest drig. unit line, if any)

990'

16. NO. OF ACRES IN LEASE

680.00

17. NO. OF ACRES ASSIGNED

TO THIS WELL 320

18. DISTANCE FROM PROPOSED LOCATION*
TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

19. PROPOSED DEPTH

8950'

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

3409' GR

22. APPROX. DATE WORK WILL START*

ASAP

23.

PROPOSED CASING AND CEMENTING PROGRAM

| SIZE OF HOLE | GRADE SIZE OF CASING | WEIGHT PER FOOT | SETTING DEPTH | QUANTITY OF CEMENT |
|--------------|----------------------|-----------------|---------------|---------------------------|
| 12 1/4" | 8 5/8" | 24# J-55 | 1300' | WITNESS 400 sx Circulated |
| 7 7/8" | 4 1/2" | 11.6# S-95 | TD | 400 sx Circulated |
| | | | | Top of cement 7500' |

Yates Petroleum Corporation proposes to drill and test the Morrow and intermediate formations. Approximately 1300' of surface casing will be set and cement circulated to shut off gravel and cavings. If commercial, production casing will be run and cemented with adequate cover, perforated and stimulated as needed for production.

MUD PROGRAM: 0-1300' FW; 1300'-4700' FW/Gel; 4700'-8000' Cut Brine; 8000'-TD Salt Gel/Starch.

BOPE PROGRAM: Bope will be installed on the 8 5/8" casing and tested daily for operational.

Exhibit "D"

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED

TITLE

Landman

DATE

April 7, 1999

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

Acting

Assistant Field Office Manager,
Lands and Minerals

APPROVED BY

TITLE

DATE

JUN 14 1999

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

NECESSITY FOR UNORTHODOX LOCATION OF

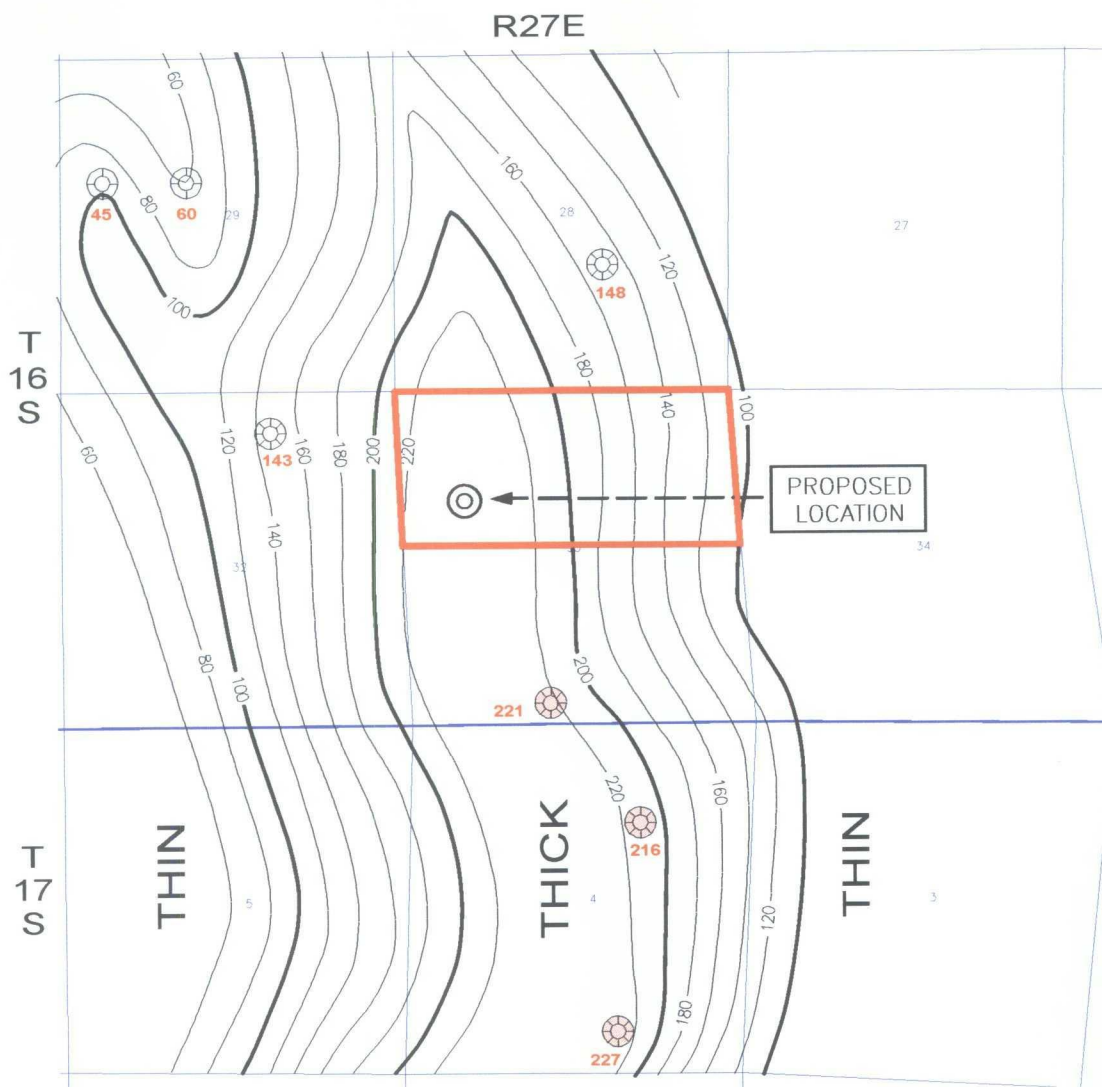
YATES LUCKY LOBO "ASX" FEDERAL #1

1780 FNL & 990 FWL of Section 33 T16S-27E, N/2




The necessity for this non-standard location is based on geologic conditions prevailing in the primary objective Lower Morrow Clastics.

The map exhibit is an isopach map of the Lower Morrow Clastics. Well spots are Morrow penetrations. The contour interval is 20 feet. The spacing unit is outlined in red and the proposed location is pointed out.

The isopach map depicts the varying thickness of the Lower Morrow to Mississippian unconformity interval in the environs of the subject proration unit. Contouring of the available well control shows that the proposed location is near the axis of the main "thick" in the area. Experience in this area has shown that wells in "thicks" have a much better chance of encountering Lower Morrow channel sand reservoirs capable of producing very good economic volumes of gas.



LEGEND

-  Morrow Penetrations
 221 ← Thickness of Lower Morrow Clastics
-  Lower Morrow Gas Producer
-  Isopach Contours; C.I. = 20 Feet
- Scale: 1" = 3000'



Desert West

ARCHAEOLOGICAL SERVICES

June 8, 1999

Mr. Ken Beardemphl
YATES PETROLEUM CORPORATION
105 South 4th Street
Artesia, NM 88210

Dear Mr. Beardemphl:

Enclosed please find your copy of Desert West Archaeological Services (DWAS) Clearance Report for YATES PETROLEUM CORPORATION's proposed Lucky Lobo "ASX" Federal Com. Well No. 1 and Lease Road in Section 33, T16S, R27E, NMPM, Eddy County, New Mexico. One isolated manifestation (IM) and three archaeological sites (LA 127145, LA 127146 and LA 127147) were encountered and recorded during this survey. Archaeological clearance is recommended for YATES PETROLEUM CORPORATION's proposed Lucky Lobo "ASX" Federal Com. Well No. 1 and Lease Road as presently staked *provided:*

LA 127145 avoidance of site through the use of an alternative route for the lease access road which is located at least 100' from the site boundary (see re-route on project location map). The re-route centerline is staked with lath topped with orange vinyl flagging tape.

LA 127146 avoidance of site through the use of an alternative route for the lease access road which is located at least 100' from the site boundary (see re-route on project location map). The re-route centerline is staked with lath topped with orange vinyl flagging tape.

LA 127147 avoidance of site through the use of an alternative route for the lease access road (see re-route of project map). The re-route centerline is staked with lath topped with orange vinyl flagging tape.

The re-routed lease access road right-of-way is located at least 100' from the site boundary.

The original well pad location contains archaeological site (LA 127147). The site covers almost the entire southern 300' of the pad. The drill hole was re-located 200' north of its original location to 1780' FNL; 990' FWL. This makes the re-located drill hole only 100' north of the site boundary. An additional 325' was archaeologically surveyed north of the northern boundary of the original pad location. This creates an area 425' north of the northern site boundary of LA 127147. This allows for a full (400' X 400') well pad, but with a drill hole which is not located in the center of the pad in a north/south direction.

DWAS recommends that a monitor be present during the construction of the permanent fence and wellpad since there is not a 100' cultural buffer.

Avoidance barrier of blue vinyl flagging tape was placed along the entire northern site boundary of LA 127145. The lath staking marking the original location of the well pad and access was removed.

Exhibit "G"

Lucky Lobo "ASX" Federal Com. No. 1 Wellpad and Lease Road
Continued 2

The Bureau of Land Management will review this report and make the final decision on archaeological clearance for your project.

If you have any questions, please call our office.

Sincerely,

A handwritten signature in dark ink, appearing to read "Arita Slate", written in a cursive style.

Arita Slate

Enclosure

Xc: Bureau of Land Management, Carlsbad Field Office, Carlsbad, NM (2)