

Application
HARVEY E. YATES COMPANY
Mesquite 3 Federal #3
Sec. 3, T18S, R31E
Eddy County, New Mexico

In conjunction with Form 3160-3, Application for Permit to Drill the Subject well in Section 3, Township 18 South, Range 31 East, Eddy County, New Mexico, Harvey E. Yates Company submits the following ten items of pertinent information in accordance with Bureau of Land Management requirements:

1. The geologic surface formation is quaternary alluvium and bolson deposits and other surficial deposits.

2. The estimated tops of geologic markers are as follow:

Rustler	680'	Penrose	3385'
Yates	2090'	Grayburg	3650'
Seven Rivers	2450'	San Andres	4030'
Bowers	2900'	Bone Spring	5060'
Queen	3220'	Wolfcamp	9100'
Penrose	3330'	TD	10400'

3. We do not anticipate finding water but have listed the formation in which we anticipate finding oil or gas.

Wolfcamp 10300'

4. Proposed casing program: See Form 3160-3. HEYCO will be running some used casing when applicable.

- See sketch 555 5. Pressure control equipment: See Exhibit C. Although the rig equipment is 3M rated, this well will be a 2M PSI rating.

6. Mud program: See Form 3160-3.

7. Auxiliary equipment: Blowout preventer

8. Testing, logging and coring programs: Two possible DST's. No coring is anticipated. Planned logs are DLL-Micro w/GR & Caliper and CN-Den w/GR & Caliper.

9. No abnormal pressures or temperatures are anticipated.

10. Anticipated starting date: As soon as possible.

SURFACE USE PLAN

HARVEY E. YATES COMPANY
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Eddy County, New Mexico

1. EXISTING ROADS:

Exhibit A is a portion of a New Mexico Map showing the location of existing roads and wells. The location is approximately 35 miles east of Artesia, New Mexico, or about 12 miles southeast of Loco Hills, New Mexico. Leave Artesia on U.S. Highway 82 and travel east to the junction of County Road 222. Turn south on County Road 222 and travel 3 miles. Turn left and go east for 1.1 miles. Turn left and go north .25 miles. Turn right and go east 1 mile. Turn right and go south to location

2. PLANNED ACCESS ROADS:

We plan to use the existing roads as far as possible. We will build approximately 200' of new road to reach the proposed location. The running surface will be 14' wide, built with 6" of compacted caliche.

3. LOCATION OF EXISTING WELLS:

Exhibit B is a plat showing existing wells and their locations.

4. LOCATIONS OF TANK BATTERIES, ETC.:

In the event we drill a producing well, all production equipment will be located at this well site.

5. LOCATION AND TYPE OF WATER SUPPLY:

Water will be from commercial sources, either hauled or pipelined.

6. SOURCE OF CONSTRUCTION MATERIAL:

We will use caliche from the reserve pit area to build the road and location.

7. METHODS OF HANDLING WASTE DISPOSAL:

Waste will be buried in reserve pits at a depth of 36". The wellsite will be cleaned of all waste and this will be done within 30 days after completion of the well.

8. ANCILLARY FACILITIES:

None required.

9. WELLSITE LAYOUT:

- A. Exhibit D shows the relative location and dimensions of the well pad, reserve pits and major rig components.
- B. The land is relatively flat with sandy soil and sand dunes.
- C. The pad and pit area have been staked.

10. PLANS FOR RESTORATION OF THE SURFACE:

- A. After finishing drilling and/or other completion operations, all equipment and other materials not needed for further operations will be removed. Pits will be filled and the location cleaned of all trash and junk to leave the wellsite as pleasant in appearance as possible.
- B. If the proposed well is nonproductive, all restoration and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as quickly as possible. All pits will be filled and levelled within 90 days after abandonment.

11. OTHER INFORMATION:

- A. The surface and minerals are Federal land.

- B. The topography consists of sandy soil with native grasses, catcall, etc. No wildlife was observed, but the usual inhabitants of this region are jackrabbits, reptiles, coyotes, etc.
- C. There are no ponds, lakes, streams or rivers in this area.
- D. An Archaeological Survey has been made and copy has been sent to your Carlsbad office. There is no evidence of any significant archaeological, historical or cultural sites in the area. Also, there are no occupied dwellings or windmills.

12. OPERATOR'S REPRESENTATIVES:

The field representatives responsible for assuring compliance with the approved surface use and operations plan are:


Micky Young
Harvey E. Yates Company
P. O. Box 1933
Roswell, New Mexico 88201
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Mobil: 505/624-1818 #840

Curtis Tolle
Harvey E. Yates Company
P. O. Box 1933
Roswell, New Mexico 88201
Office: 505/748-2435
Mobil: 505/624-1818 #837

13. 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 currently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and that the work associated with operations proposed herein will be performed by Harvey E. Yates Company 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.

December 29, 1989

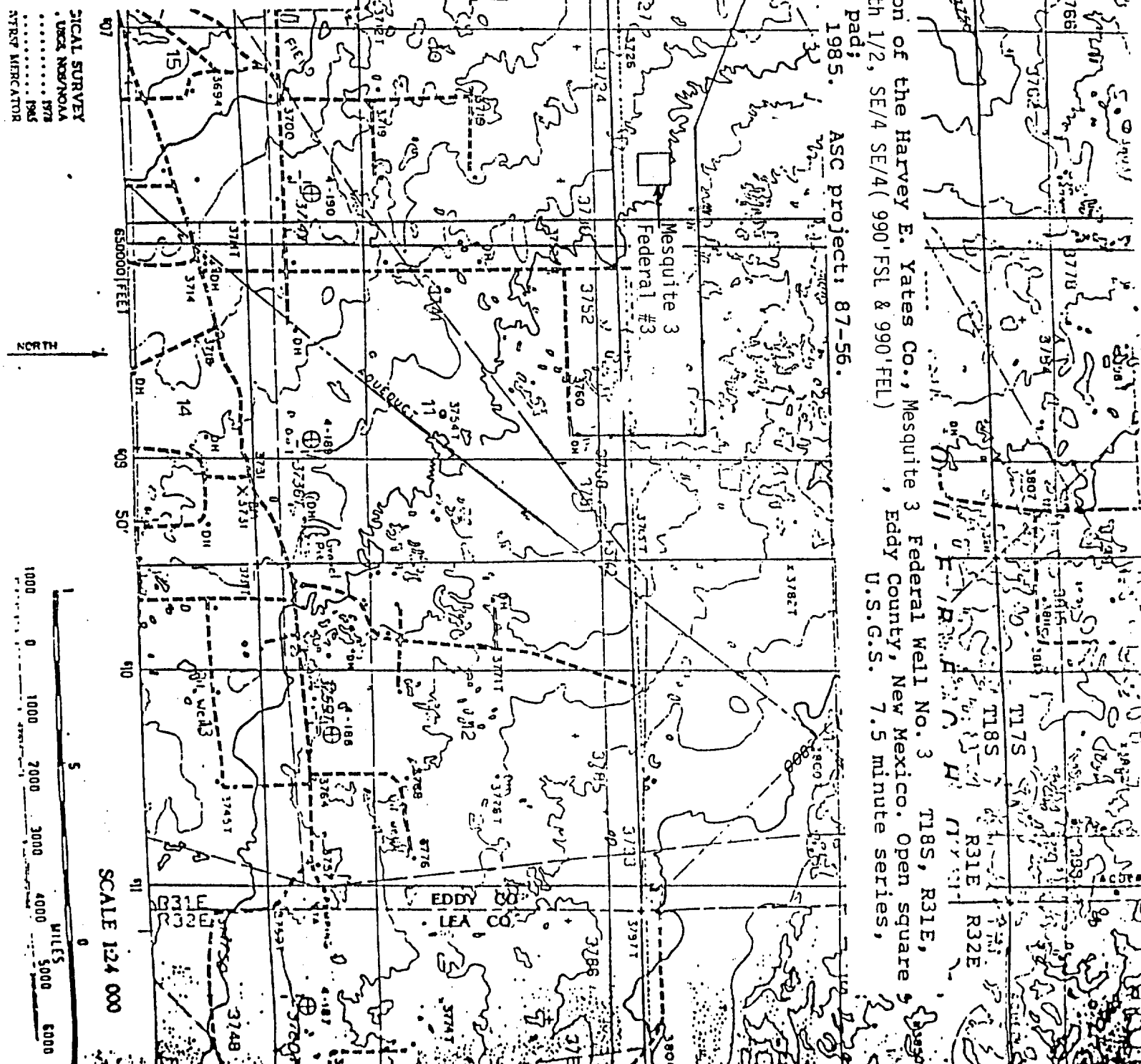


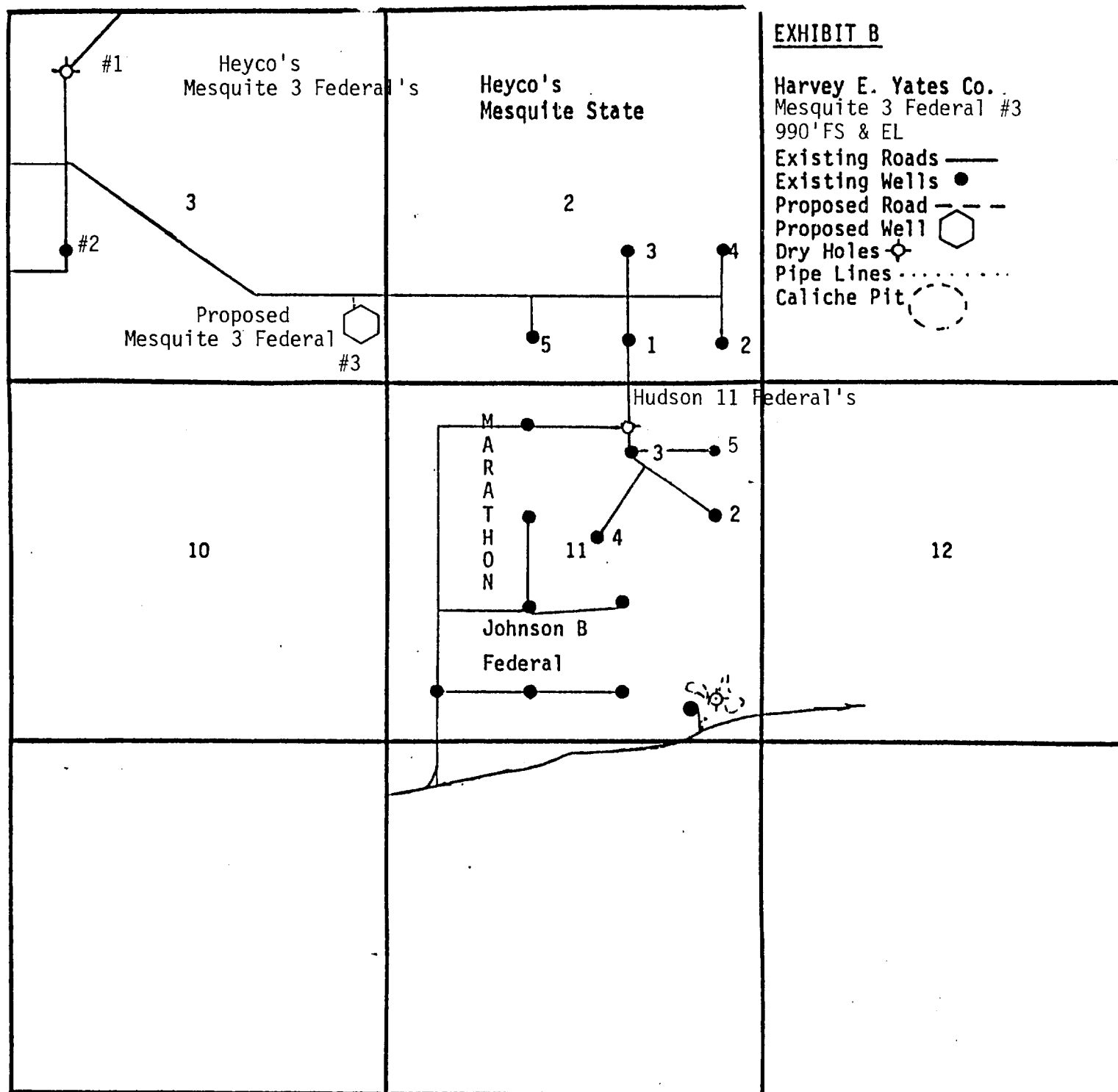
N.M. Young
Drilling Superintendent

Harvey E. Yates Co.
Mesquite 3 Federal #3
990' FS & EL
Sec. 3 T-18S R-31E
Eddy Co., New Mexico

ASC project: 87-56.

3 Federal Well No. 3 T18S, R31E,
Eddy County, New Mexico. Open square
U.S.G.S. 7.5 minute series,





SECTION 3, 2, & 11 **TOWNSHIP** 18 S **RANGE** 31 E

COUNTY Eddy **STATE** New Mexico

EXHIBIT C

Harvey E. Yates Co.
990' FS & EL
Sec. 3 T-18S R-31E
Eddy Co., New Mexico

900 Series

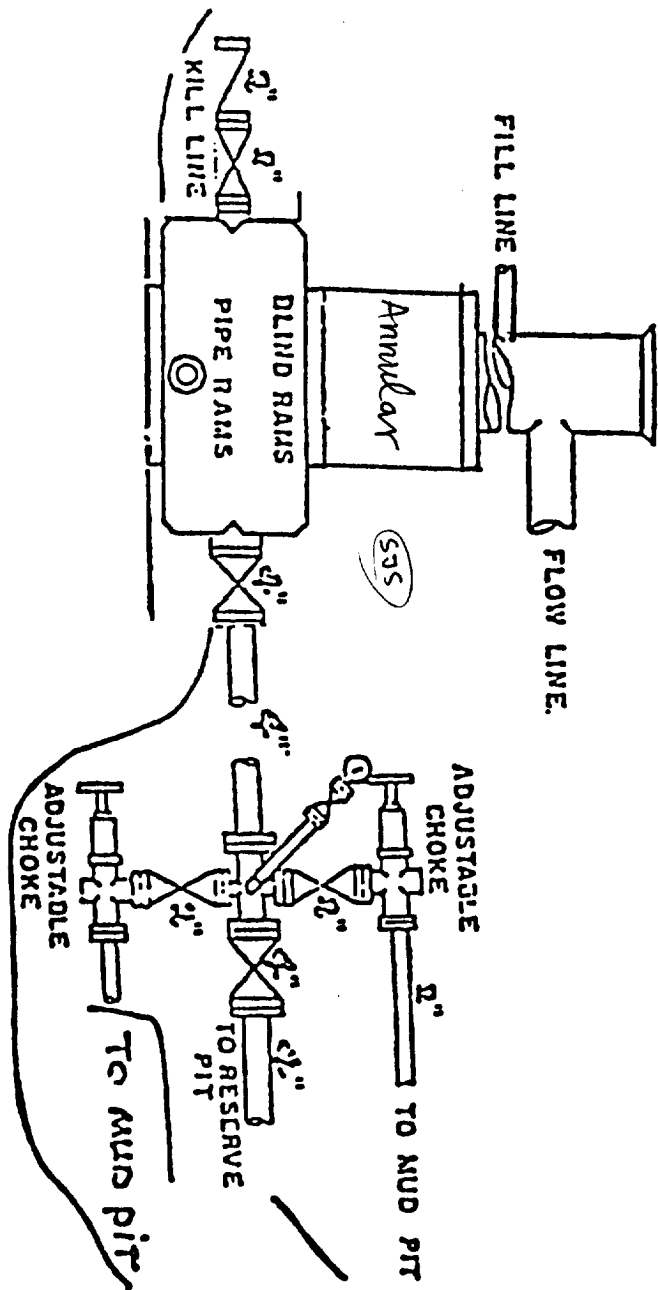


EXHIBIT D

Harvey E. Yates Co.
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