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**HEYCO ENERGY GROUP, INC.**

Harvey E. Yates Company • Rosetta Energy Partners, L.P. • HEYCO International, Inc.  
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May 31, 2013

Bureau of Land Management  
Las Cruces District Office  
1800 Marquess Street  
Las Cruces, New Mexico 88005

Attention: Bill Childress,  
District Manager

Re: **Bennett Ranch Unit**  
Unit Agreement #NMNM94469X  
T-26S, R-12 & 13E, N.M.P.M.  
Otero County, New Mexico  
**Revised Plan of Development 2013**

Ladies and Gentlemen:

By cover letter dated January 31, 2013, Harvey E. Yates Company (HEYCO) submitted its 2013 Plan of Development and Operation, as prescribed by Bill Childress, District Manager, in his Decision letter, dated October 2, 2012, and in accordance with Section 10 of the Bennett Ranch Unit (BRU) Agreement. On April 8, 2013, HEYCO received a reply in the form of a letter entitled "Plan of Development Returned As Deficient And Sundry Notice Request For Liquid Natural Gas Facility Returned Unapproved." Please accept this letter, timely submitted, as HEYCO's Revised 2013 Plan of Development.

In this regard, we are enclosing a) a map of current lease information, b) a current Unit map showing the existing wells, roads and flowlines, c) maps (2) showing each of the current Participating Area boundaries, d) CONFIDENTIAL maps (3) showing possible proposed development and exploratory location(s) and geologic data pertinent to the producing formations, e) a complete well listing showing the status of all wells through 2013, f) all Planned Wells, and g) Notice of Staking for Bennett Ranch Unit #3.

Existing Unit Wells - The BRU currently has two shut-in gas wells capable of production and one plugged out Junked & Abandoned (J&A) well within its boundaries. The two active but shut-in wells are perforated in different formations and have overlapping Participating Areas that have been approved, based upon testing and geologic submittals to the BLM. The BRU #1-Y (currently shut-in) is capable of commercial production from the Upper Mississippian Helms Formation. The BRU #25-1 (also currently shut-in) is capable of commercial production from the Upper Pennsylvanian Canyon Formation.

The Initial Unit Well (Bennett Ranch Unit #1Y) was drilled and completed in 1997 and the second well was drilled and completed on December 18, 2001.

<u>Date</u>	<u>Well No.</u>	<u>Operation/Result</u>	<u>Unit Letter/Sec.</u>
11/97	#1-Y	Drilled & Completed in Mississippian I.P. 2200 MCFGPD	B-14
12/01	#25-1	Drilled & Completed in Canyon Formation I.P. 3000 MCFGPD	G-25

Unit Operations Completed for Calendar Year 2012 – No unit operations were conducted by HEYCO in 2012, as the Unit was in an approved suspense status. The locations were inspected by company personnel and wellhead shut in pressures on both gas wells continued to be monitored on a regular basis.

Unit Operations Planned for the Calendar Year 2013 – HEYCO plans to stake and file an Application to Drill (APD) the Bennett Ranch Unit #3 well.

Technology Ideas - HEYCO is currently evaluating recent technological advances in drilling operations, reservoir stimulation, and stranded gas production through the utilization of mini LNG gas processing facilities and is establishing a new internal economic guideline for successful well completions utilizing such technology. The productively capable reservoirs within the BRU have not seen nearby industry activity since 2005, when the last Trail Mountain exploratory test was drilled in neighboring Hudspeth County, Texas.

Plans for a Liquid Natural Gas (LNG) Facility - Both Unit wells are presently shut-in due to lack of a pipeline and uncertainty of unit development attributable to delays in approving the drilling of the next unit well (BRU #6). HEYCO has been working diligently to gather information and interest by industry to place a mini Liquid Natural Gas (LNG) processing facility on the existing pad of the Bennett Ranch Unit #1-Y well. A Sundry has been submitted for your approval of this facility. Upon approval of the Sundry, HEYCO anticipates it will be able to place the LNG facility into operation on the BRU #1-Y location. With the success of the BRU #1-Y, a similar setup will be placed on the BRU #25-1 wells and both wells will be placed in producing status.

BRU #6 APD - On September 14, 2006, HEYCO submitted an Application To Drill its Bennett Ranch Unit #6 well, also shown on the enclosed Unit map, as the next exploratory well for the unit. To date, the APD for this well has not been approved. To add to a long list of constraints in the BRU #6 APD approval process, by letter dated October 24, 2012, the August 2012 Environmental Assessment for the BRU #6 received formal objection and a request by The Wilderness Society, et al for a State Director Review (SDR), which was held on January 23, 2013. HEYCO intervened in this action and is uncertain of the final outcome of the SDR.

As part of earlier consultation between John Bessee, Surface Specialist of the LCDO, and Vernon Dyer, Land Manager of HEYCO, in August, 2007, and by letter dated October 9, 2008 from Angel Mayes, Assistant Field Manager of the Roswell District Office (who was the Authorized Officer at that time), drilling of the BRU #6 within ninety (90) days of the approval


date of the APD will prevent automatic contraction of the Unit, thus indicating BLM acceptance of the BRU #6 as an exploratory well. HEYCO has been proceeding based upon that acceptance that the BRU #6 would be the next exploratory unit well and it is the only well that can realistically be drilled in the next twelve (12) months assuming, of course, APD approval.

Un-Issued Federal Oil & Gas Lease - HEYCO successfully bid on a federal lease (approximately 1,600.0 acres) located within the existing Unit boundaries at the July 2005 BLM Oil & Gas Lease sale, with the intent to continue its exploration program within the Unit, as originally planned. This lease has not been issued by the United States Department of the Interior. Without the issuance of this lease, HEYCO is unable to understand how it can proceed with best practices for proper development of the Unit.

Unit Status and Summary - Pursuant to the October 2, 2012 Decision letter, Unit contraction remains in suspense and Unit operations are lifted, with the requirement HEYCO provide a plan to place its BRU #1-Y and BRU #25-1 wells into production. Once the Sundry is approved for HEYCO's mini LNG Facility, HEYCO will proceed with its plan to place the facility on the BRU #1-Y location, perform MIT testing and place that well into production. Once deemed a successful installation of the LNG facility on the BRU #1-Y location, HEYCO will then initiate operations to perform MIT testing in the BRU 25 #1 to place that well on production. Further, once the APD for the BRU #6 is approved, HEYCO intends to develop a surface plan of operations for the drilling of additional Unit wells (see enclosed Map and Table describing such wells) so that future wells can be approved for drilling. Given the history of delays in obtaining APD approval, HEYCO believes it would be beneficial to meet with the BLM staff to discuss the surface plan of operations so that future unit plans of operations are acceptable to the LCDO. At this point, however, no other drilling or surface disturbance operations are planned for the Unit in the next twelve (12) months. If changes in HEYCO's plans for the coming year change, this Unit Plan of Development will be supplemented to outline such changes.

Based on the information submitted herewith, subject to contingencies presented by the IBLA appeal and approval of this 2013 Revised Plan of Development, HEYCO respectfully requests the BLM approve this Revised 2013 Plan of Development and Operation.

Respectfully submitted,

  
Arlene T. Rowland  
Vice President

MVR/vw  
Enclosures

BennettPOD2013Revised.doc/Land:BennettRanch#3

xc: Oil Conservation Division (w/encl.)  
1220 S. St. Francis Dr.  
Santa Fe, New Mexico 87505  
Attn: Senior Petroleum Geologist

Commissioner of Public Lands (w/encl.)  
Attn: Pete Martinez  
P.O. Box 1148  
Santa Fe, New Mexico 87504-1148







**HEYCO ENERGY GROUP - BENNETT RANCH UNIT WELLS - FLOWLINES - ROADS 1" = 16,000 FT.**



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(Expansion Approved 2007)

FEDERAL EXPLORATORY UNIT BOUNDARY

**CONFIDENTIAL****BENNETT RANCH UNIT**

4

3

2

1

6

5

State

State

U. MISSISSIPPIAN  
Participating Area

9

10

11

12

7

8

16

15

14

13

18

17

State

**26S/12E**

21

22

23

24

19

20

HEYCO  
BENNETT RANCH UNIT

6

28

27

26

25

HEYCO  
BENNETT RANCH UNIT

25-1

30

29

State

33 NM

34

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TX

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HARVEY E. YATES COMPANY

Bennett Ranch Unit  
Upper Miss. Participating Area

Division	27 & 28	3 & 4
Section	1 & 2	3 & 4

C1

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(Expansion Approved 2007)

FEDERAL EXPLORATORY UNIT BOUNDARY

**CONFIDENTIAL****BENNETT RANCH UNIT**

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State

State

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12

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CANYON (Penn)  
Participating Area

16

15

14

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State

**26S/12E**

21

22

23

HEYCO  
BENNETT RANCH UNIT

6

24

19

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HEYCO  
BENNETT RANCH UNIT

25-1

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State

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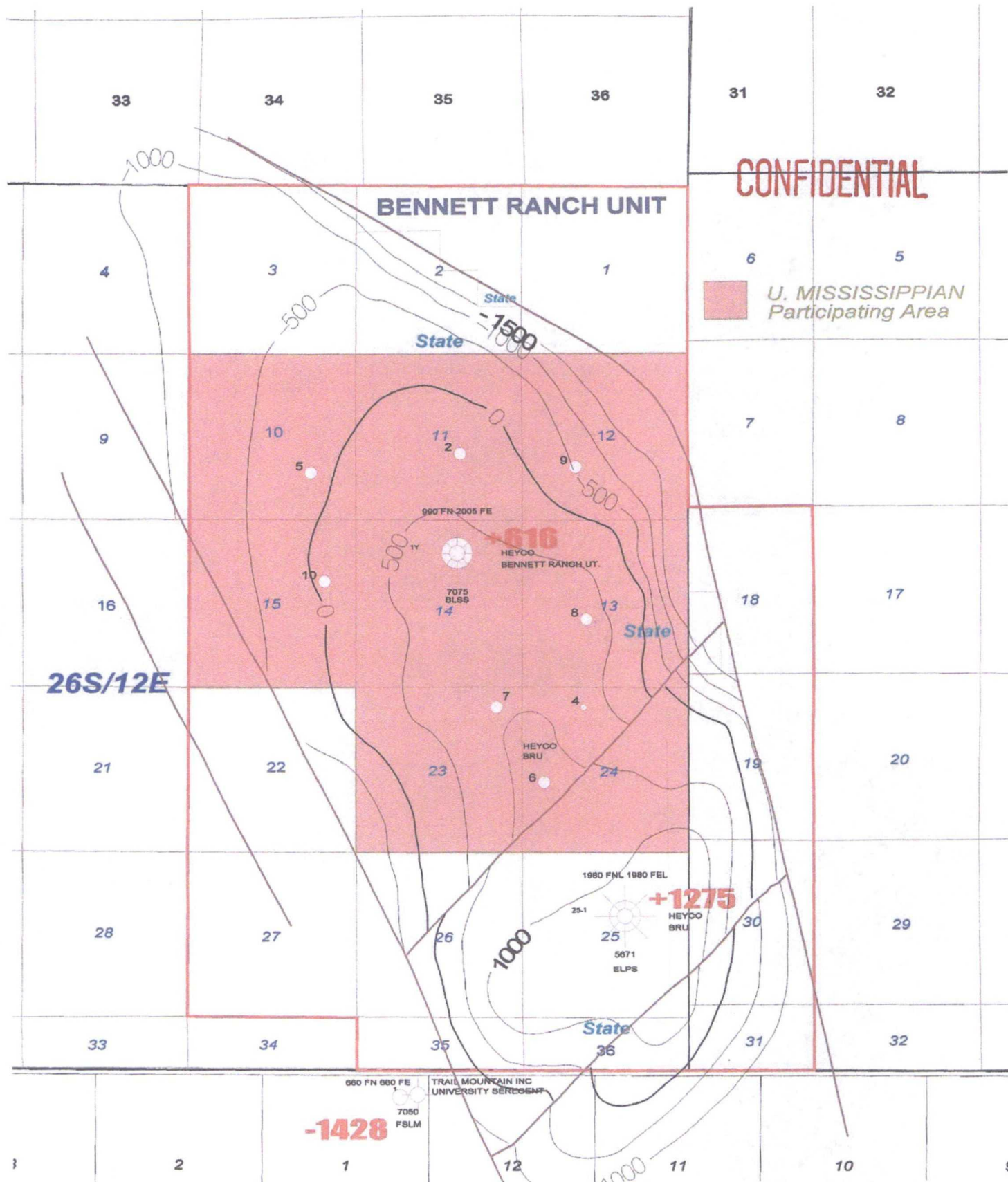
HARVEY E. YATES COMPANY

Bennett Ranch Unit  
Canyon Participating Area

Section	17	18
Page	2	3

C2







CONFIDENTIAL

BENNETT RANCH UNIT

State

CANYON (Penn)  
Participating Area

26S/12E

+1802

HEYCO  
BENNETT RANCH UT.

900 FN 2005 FE

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BLSS

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# Bureau of Land Management-Las Cruces Field Office

## Unit POD Attachments

Status of all Wells drilled within the Bennett Ranch Unit

WELL NAME & NUMBER	API NUMBER	COMPLETION DATE	PRODUCING ZONE	STATUS
BENNETT RANCH UNIT #1	3003520027	6/20/1997	NONE	J&A PLUGGED
BENNETT RANCH UNIT #1Y	3003520028	12/12/1997	Upper Mississippian Helms Fm.	SHUT IN GAS
BENNETT RANCH UNIT #25-1	3003520031	12/11/2001	Canyon Fm.	SHUT IN GAS

# Bureau of Land Management-Las Cruces Field Office

## Unit POD Attachments

Status of all Previously Proposed Locations within the Bennett Ranch Unit

WELL NAME & NUMBER	APD YEAR	FOOTAGE	SECTION, TWP & RGE	STATUS
BENNETT RANCH UNIT #2	1998	1980 FSL & 1980 FEL	Sec. 11, T26S-R12E	Upper Miss Loc. Abandoned to be re-proposed
BENNETT RANCH UNIT #3	1998	990 FSL & 1650 FEL	Sec. 3, T26S-R12E	Multi-Target Expl. Loc. - To be Re-APD'd 2013
BENNETT RANCH UNIT #4	1998	660 FNL & 1980 FWL	Sec. 24, T26S-R12E	Currently Abandoned pending outcome #6
BENNETT RANCH UNIT #5	1998	1390 FSL & 1390 FWL	Sec. 10, T26S-R12E	Upper Miss Loc. Abandoned to be re-proposed
BENNETT RANCH UNIT #6	2006	2130 FSL & 660 FWL	Sec. 24, T26S-R12E	Multi-Target Exploration Location - Pending
BENNETT RANCH UNIT #7	--	660 FNL & 660 FWL	Sec. 23, T26S-R12E	Internal - Lease not Issued - Best Alt. Loc. for #6

Additional U. Mississippian Development Locations within the Bennett Ranch Unit

WELL NAME & NUMBER	APD YEAR	FOOTAGE	SECTION, TWP & RGE	STATUS
BENNETT RANCH UNIT #8	-	1980 FSL & 1980 FWL	Sec. 13, T26S-R12E	-Internal-
BENNETT RANCH UNIT #9	-	1650 FSL & 1650 FWL	Sec. 12, T26S-R12E	-Internal-
BENNETT RANCH UNIT #10	-	1980 FNL & 990 FEL	Sec. 15, T26S-R12E	Internal - Lease not Issued & Open Acreage

Additional Canyon (Penn) Development Locations within the Bennett Ranch Unit

WELL NAME & NUMBER	APD YEAR	FOOTAGE	SECTION, TWP & RGE	STATUS
BENNETT RANCH UNIT #13-1	-	1650 FSL & 660 FWL	Sec. 13, T26S-R12E	-Internal-
BENNETT RANCH UNIT #14-1	-	1980 FSL & 2310 FWL	Sec. 14, T26S-R12E	-Internal-
BENNETT RANCH UNIT #23-1	-	330 FSL & 330 FEL	Sec. 23, T26S-R12E	Internal - Lease not Issued
BENNETT RANCH UNIT #24-1	-	990 FSL & 1980 FEL	Sec. 24, T26S-R12E	-Internal-
BENNETT RANCH UNIT #26-1	-	2310 FNL & 1650 FWL	Sec. 26, T26S-R12E	-Internal-
BENNETT RANCH UNIT #35-1	-	1310 FNL & 660 FEL	Sec. 35, T26S-R12E	-Internal-
BENNETT RANCH UNIT #36-1	-	660 FNL & 2310 FWL	Sec. 36, T26S-R12E	-Internal-
BENNETT RANCH UNIT #19-1	-	1980 FSL & 660 FWL	Sec. 19, T26S-R12E	-Internal-
BENNETT RANCH UNIT #30-1	-	2310 FSL & 660 FWL	Sec. 30, T26S-R12E	-Internal-

Exploratory Wells previously designated or outside existing PA's

WELL NAME & NUMBER	APD YEAR	FOOTAGE	SECTION, TWP & RGE	STATUS
BENNETT RANCH UNIT #6	2006	1980 FSL & 1980 FEL	Sec. 24, T26S-R12E	WO final approval
BENNETT RANCH UNIT #3	1998	990 FSL & 1650 FEL	Sec. 3, T26S-R12E	ABDN-LOC to be re-proposed, APD'd in 2013
BENNETT RANCH UNIT #13	-	660 FNL & 1980 FWL	Sec. 2, T26S-R12E	- Internal - Needs Agreement w/Jaquez
BENNETT RANCH UNIT #11	-	1390 FSL & 1390 FWL	Sec. 22, T26S-R12E	Internal - Lease not Issued & Open Acreage
BENNETT RANCH UNIT #12	-	2130 FSL & 660 FWL	Sec. 27, T26S-R12E	-Internal- Separate Fault Block
BENNETT RANCH UNIT #31-1	-	660 FNL & 660 FWL	Sec. 31, T26S-R13E	Multi-Target Exploration Location - Internal

No Other Locations are currently recognized, but testing of uphole gas zones known from the two existing wells may lead to additional locations.



# NOTICE OF STAKING

(NOT TO BE USED IN PLACE OF  
Application of Permit to Drill Form 5160-3)

1. Oil Well ☐ Gas Well ☒ Other  
(Specify)

2. Name of Operator

**Harvey E. Yates Company**

3. Name of Specific Contact Person:

**Keith Cannon, Drlg Supt.**

4. Address & Phone No. of Operator or Agent

**P.O. Box 1933  
Roswell, NM 88202  
(575) 623-6601**

5. Surface Location of Well

**990 FSL & 1650 FEL**

6. Lease Number

**NM - 71525**

7. If Indian, Alottee or  
Tribe Name

8. Unit Agreement Name  
**NMNM94469X**

**Bennett Ranch Unit**

9. Farm or Lease Name

10. Well No.

**#3**

11. Field or Wildcat Name

12. Sec., T., R., M., Blk  
and Survey or Area

**Sec. 3, T26S - R12E**

15. Formation Objective (s)

**Fusselman**

17. Estimated Well Depth

**6500'**

13. County, Parish

**Otero**

14. State

**New Mexico**

17. Additional Information (as appropriate; shall include surface owner's name,  
address and, if known, telephone number)

Federal Surface and Federal Mineral  
Surface Grazing Allottee: Mr. Thomas Cooper  
Las Cruces, New Mexico

18. Signed

  
**Arlene Rowland**

Title

**Vice President**

Date

**31-May-13**

Note:

Upon receipt of this Notice, the Bureau of Land Management (BLM) will schedule the date of the onsite predrill inspection and notify you accordingly. The location must be staked and access road must be flagged prior to the onsite.

Operators must consider the following prior to the onsite:

- 1) H<sub>2</sub>S Potential
- 2) Cultural Resources (Archeology)
- 3) Federal Right of Way or Special Use Permit