



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

7 May 2004

Yates Petroleum Corp.
105 South 4th Street
Artesia, New Mexico 88210

RE: Approval of pit permit –

Jervis "AYB" Federal # 5

30-005-63468
1980 FSL & 660 FWL

SEC-24 T-8S R-26E

The Oil Conservation Division of Artesia is in receipt of your application to drill. Construction of a pit(s) for the purpose of drilling is approved under your current "General Plan" with the following provisions:

1. **Notice is to be given to the OCD prior to construction of the pit(s).**
2. The pit is not located in any watercourse, lakebed, sinkhole, playa lake, or wetland.
3. Upon cessation of drilling the freestanding fluid will be removed and disposed of in an OCD approved facility.
4. Pit encapsulations must meet all specific criteria including, but not limited to:
 - A. Site evaluation
 - B. Liner thickness and type must meet requirements as per guidelines.
 - C. Amount of and type of cover
 - D. Drill cuttings will be sampled as per guidelines. Notify OCD 48 hours prior to any sampling event
 - E. In the event that the integrity of the pit lining is breached in a manner such that soil contamination would result, the contents of the pit will have to be disposed of in an approved OCD facility.
5. The pit will not be used for any additional storage of fluids.
6. The Division may attach additional conditions to any permit upon a finding that such conditions are necessary to prevent the contamination of fresh water, or to protect public health or the environment. (19.15.2.50.C.3.G.1.)
7. Re-seeding mixture will must be approved or authorized by surface owner.

If I can be of any further assistance, please feel free to call (505) 748-1283 ext. 109.

Sincerely,

Van Barton