



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

18 May 2004

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

RE: Approval of pit permit –
Country Club AYK # 1 1620 FSL & 590 FEL SEC-25 T-21S 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. Construction and closing of pit(s) must meet the criteria of Rule 19.15.2.50 and the Pit Guidelines.
2. Notice is to be given to the OCD prior to construction of the pit(s).
3. The pit is not located in any watercourse, lakebed, sinkhole, playa lake, or wetland.
4. Liner must be a minimum of 12 mil. woven.
5. Liner choice may cause the pit's contents and the liner to be removed and disposed of in a manner approved by the Division.
6. The integrity of the bottom liner may not be breached at any time for any reason.
7. 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.
8. 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