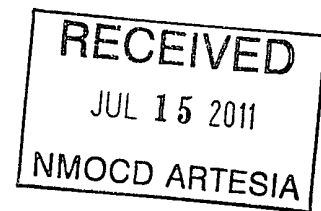


30-015-39241

YATES PETROLEUM CORPORATION  
Surface Use Plan of Operations  
Nucleus BGN Federal Com. #1-H  
1750' FNL and 330' FWL, Surface Hole  
1980' FNL and 330' FWL, Bottom Hole



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 41 miles, east 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, NM on Highway 82 for approximately 14 miles to the intersection of 82 and 360 (Bluestem Road). Turn right on Bluestem and go approximately 20 miles to Curry Comb Road. Turn right on Curry Comb Road and go approximately 4.4 miles. Turn right here still on Grubbs Road and go 0.4 of a mile. At this point there will be a lease road on the left and a St. Marys sign. Go left on lease road for 0.5 of a mile. Go right here for 0.1 of a mile. Turn left here crossing a cattle guard and go south here for 0.7 of a mile. The road will "T" here. Turn left and go 0.6 of a mile. Turn left here and go 0.3 of a mile crossing a cattle guard and continue going toward a Mewbourne well site for about 0.1 of a mile. The new road will start here going east for approximately 300 feet to the southwest corner of the proposed well pad.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 300 feet in length from the point of origin to the southwest corner of the drilling pad.
- B. **The new road right-of-way will be 60 feet in width with 16 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion. You cannot build a 14' wide driving surface and only disturb 20' unless you flat blade with out water drainage. You cannot adequately control drainage within 20'.**
- C. The new road will be bladed with drainage on both sides if needed. No traffic turnouts will be needed.
- D. The route of the road is visible.
- E. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL:

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

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. There are no production facilities on this lease at the present time.
- B. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power until an electric line can be built, if needed. Power should not be required if the well is productive of gas.
- C. Should a Pipeline Right-Of-Way be required it will be filed under a separate application and/or by 3<sup>rd</sup> party if applicable.
- D. **If the well is productive a tank battery will be built on this location.**

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:

- A. Dirt contractor will locate nearest pit and obtain any permits and materials needed for construction.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be collected in tanks until hauled to an approved disposal system.
- B. A closed loop system will be constructed, maintained and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division—the "Pit Rule" 19.15.17 NMAC. Form C-144 attached – Exhibit E.
- C. Drilling fluids will be removed after drilling and completions are finalized.
- D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- E. Oil produced during operations will be stored in tanks until sold.
- F. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- G. 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 landfill. 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 closed loop design plan, the location of the drilling equipment, orientation and access road approach (Approximately 4.5 acres)
- B. The closed loop system will be constructed, maintained, and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division – the "Pit Rule" 19.15.17 NMAC. Form C-144 is attached – Exhibit E.
- C. A 600' x 600' 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 well site in as aesthetically pleasing a condition as possible.
- B. If the proposed well is plugged and abandoned, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible.

11. SURFACE OWNERSHIP: Federal

Minerals: USA-Federal-NM-82902

Administered by: Bureau of Land Management  
Carlsbad Field Office  
620 E. Greene Street  
Carlsbad, NM 88220-6292

12. OTHER INFORMATION:

- A. The primary use of the surface is for grazing.
- B. Refer to the archaeological report for a description of the topography, flora, fauna, soil

Yates Petroleum Corporation  
Nucleus BGN Federal Com. #1-H

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Plans for Interim and Final Surface Reclamation.

1. Well location will be contoured to resemble the original topography as closely as possible. Surface reclamation measures will be taken to avoid new erosion on the well location and the area surrounding the well location. These measures will be overseen by Yates' personnel following a structured plan for the reclamation of each individual site.
2. Major drainage systems will be avoided as determined at the onsite with the BLM. Minor drainages may be rerouted around the well site within the 600' x 600' cleared area to avoid moving the well location.
3. Segregation of topsoil or like soils will be placed in low lift rows rather than in a stockpile just off the caliche well pad. Placement of these lift rows will be determined at the BLM onsite or at the time of construction by Yates Personnel.
4. Yates will use prudent oil field practices when constructing well locations and related facilities. Yates personnel will determine the size of the well location needed for safe working conditions for personnel during all aspects on the drilling and production process.
5. Back fill requirements for above ground reserve pits will be met by using cut, fill, and contouring of available top soil and like soils from the pit area. Should additional material be needed it will be brought in from a BLM approved source.
6. All topsoil will be spread over the area reclaimed during interim reclamation using a front end loader. For final reclamation enough topsoil will be evenly distributed between the interim reclaimed area and the final reclaimed area. This method of soil stabilization should help maintain the productivity and viability of the topsoil.
7. Soil treatments will be determined at the time of final reclamation by Yates' Environmental Specialist or other designated personnel to meet BLM final reclamation goals.
8. Reseeding of disturbed areas will be accordance with the seed mixtures attached to the approved APD as Conditions of Approval. Planting and soil preparation will be done during the rainy season between June 1st and September 1st.
9. Yates' personnel will control weeds during the productive period through final abandonment of the well. Yates may also use the option to hire a third party to be in charge of weed control or participate in the Chaves Soil and Water District program to pool monies for weed control.
10. Well pads, roads and related facilities with caliche or other surfacing material will be picked up or turned over at the time of final abandonment. These materials may be used on other projects in the area if possible or placed back in the caliche pit or other designated site. Buried pipelines will be left in place after being bled down and purged. Above surface support equipment will be removed or cut down below plow depth and removed. Pipeline right-of-ways will be reseeded according to BLM Best Management Practices.

CERTIFICATION  
YATES PETROLEUM CORPORATION

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have full knowledge of state and federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that the company I represent, is responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20 11.

Printed Name Cy Cowan

Signature \_\_\_\_\_

Position Title Land Regulatory Agent

Address 105 South Fourth Street, Artesia, NM 88210

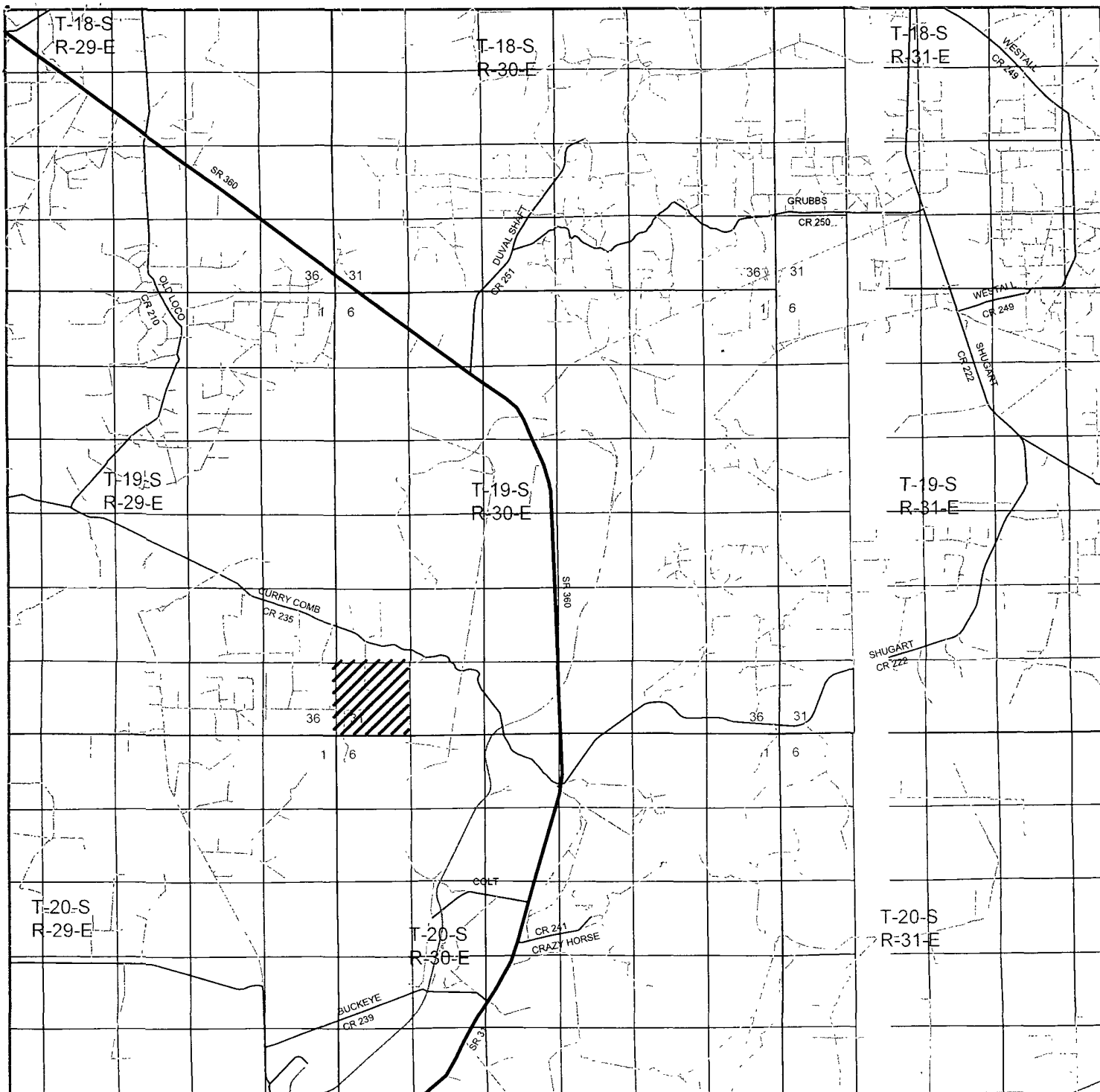
Telephone 575-748-4372

E-mail (optional) cy@ypcnm.com

Field Representative (if not above signatory) Tim Bussell

Address (if different from above) Same

Telephone (if different from above) 575-748-4221



NUCLEUS BGN FEDERAL COM #1H  
 Located 1750' FNL and 330' FWL  
 Section 31, Township 19 South, Range 30 East,  
 N.M.P.M., Eddy County, New Mexico.



focused on excellence  
 in the oilfield

P.O. Box 1786  
 1120 N. West County Rd.  
 Hobbs, New Mexico 88241  
 (575) 393-7316 - Office  
 (575) 392-2206 - Fax  
 basinsurveys.com

W.O. Number: BJN 23550

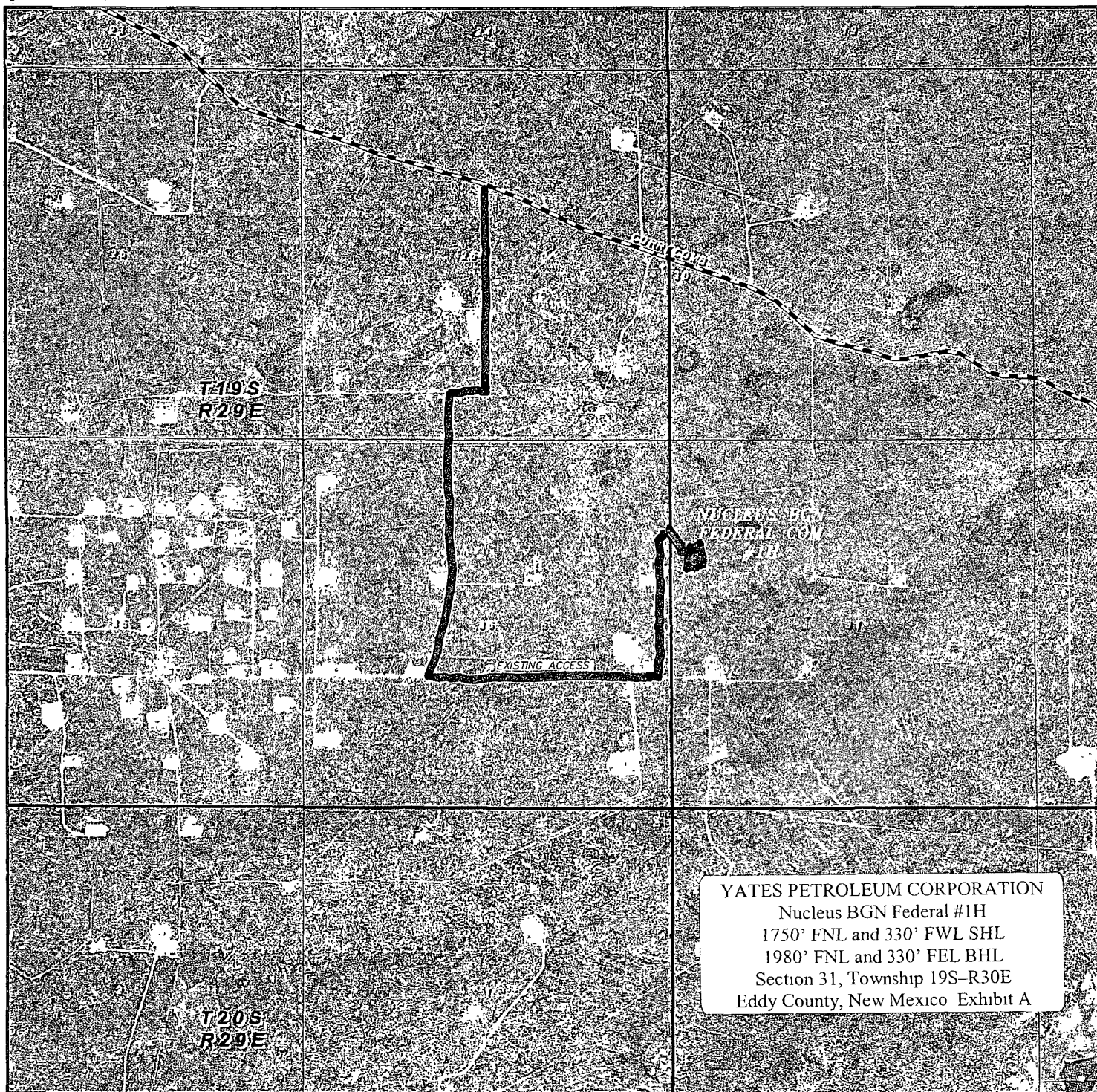
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Scale: 1" = 2 Miles

Date: 11-10-2010



YATES  
 PETROLEUM  
 CORP.



YATES PETROLEUM CORPORATION  
 Nucleus BGN Federal #1H  
 1750' FNL and 330' FWL SHL  
 1980' FNL and 330' FEL BHL  
 Section 31, Township 19S-R30E  
 Eddy County, New Mexico Exhibit A

NUCLEUS BGN FEDERAL COM #1H  
 Located 1750' FNL and 330' FWL  
 Section 31, Township 19 South, Range 30 East,  
 N.M.P.M., Eddy County, New Mexico.

**basin**  
**surveys**  
 focused on excellence  
 in the oilfield

P.O. Box 1786  
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 (575) 392-2206 - Fax  
 basinsurveys.com

W.O. Number: BJN 23550

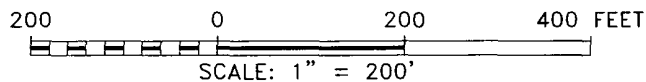
Scale: 1" = 2000'

YELLOW TINT - USA LAND  
 BLUE TINT - STATE LAND  
 NATURAL COLOR - FEE LAND



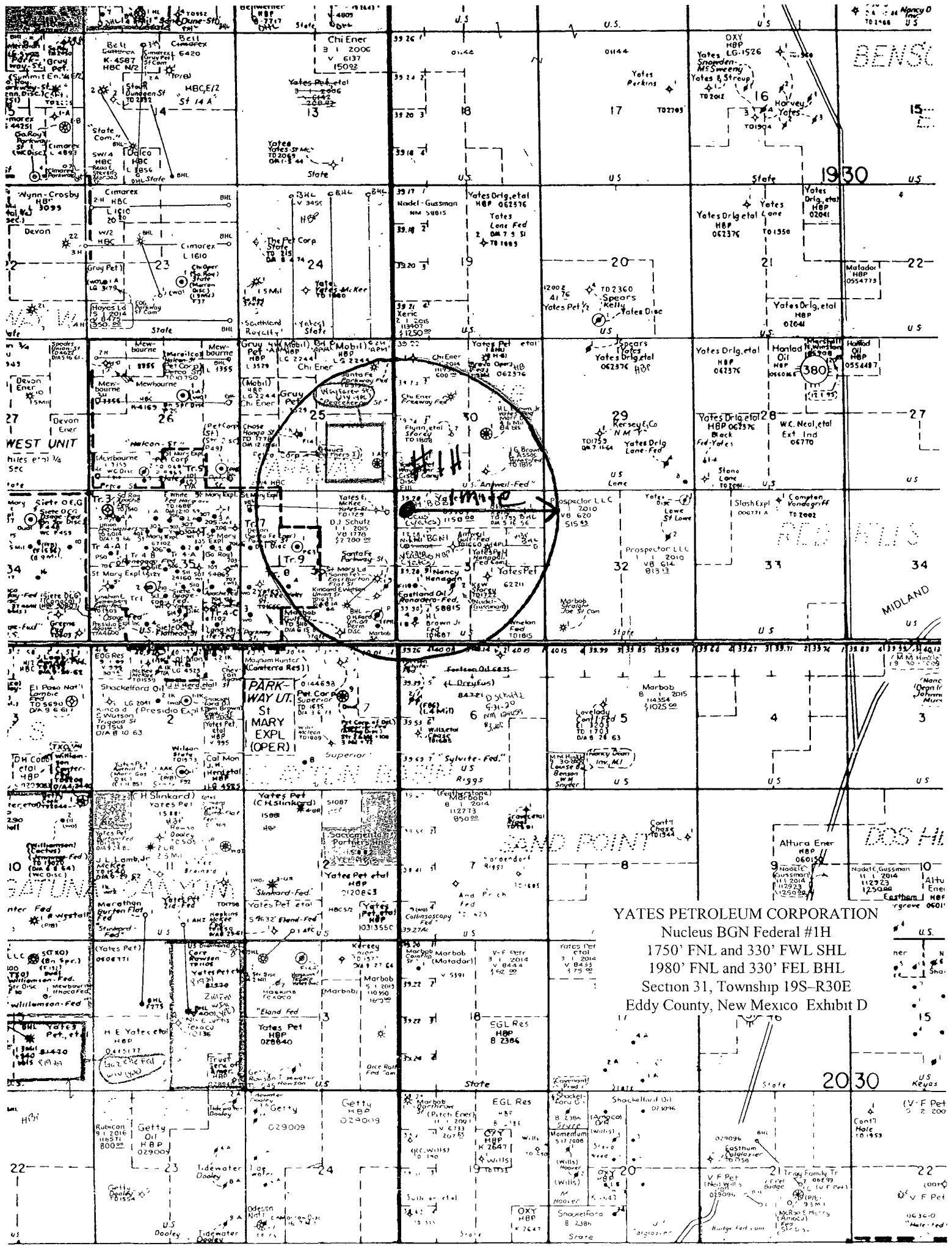
YATES  
 PETROLEUM  
 CORP.

**N**



N.M.P.M., EDDY COUNTY, NEW MEXICO.

Sheet 1 of 1 Sheets

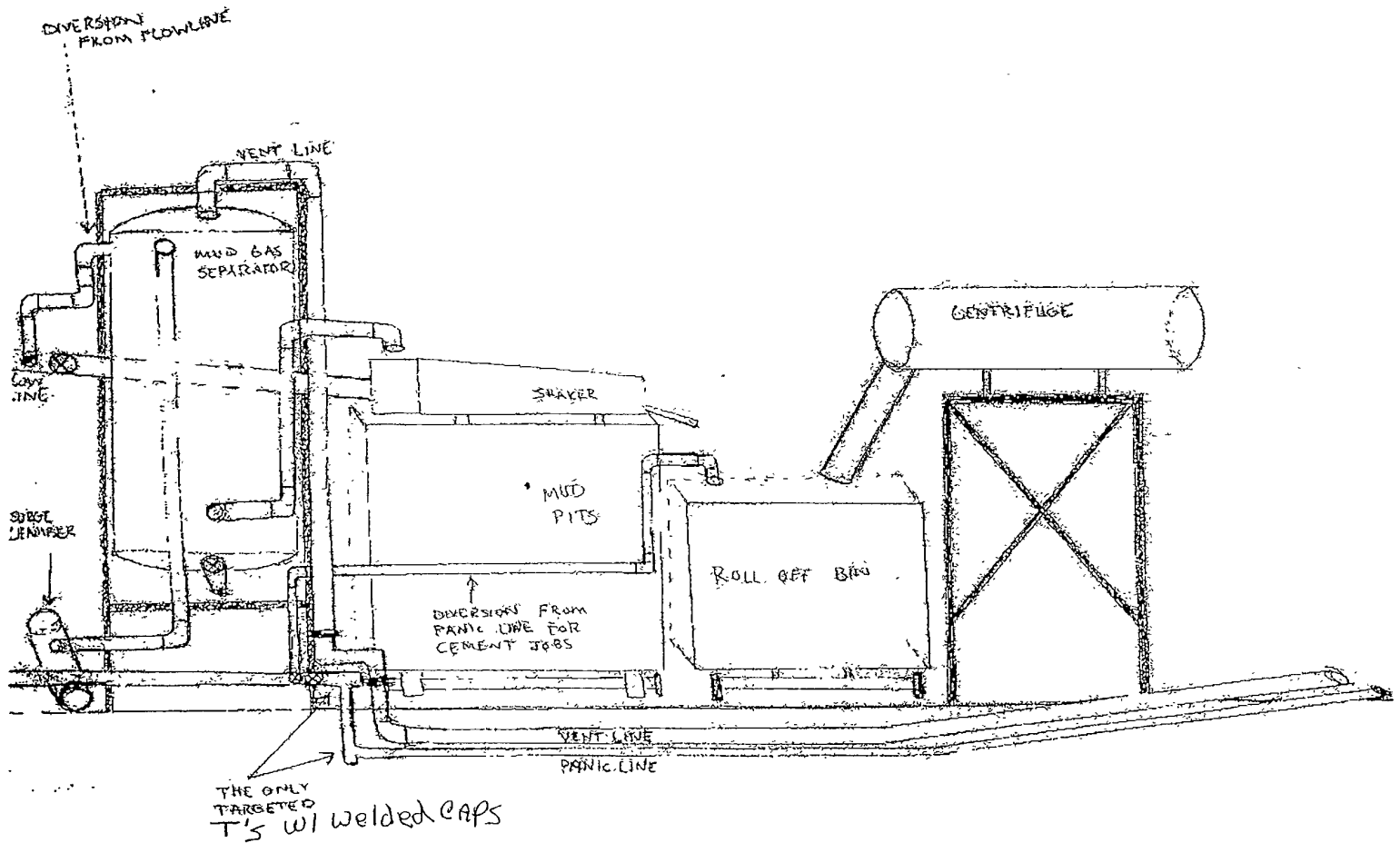


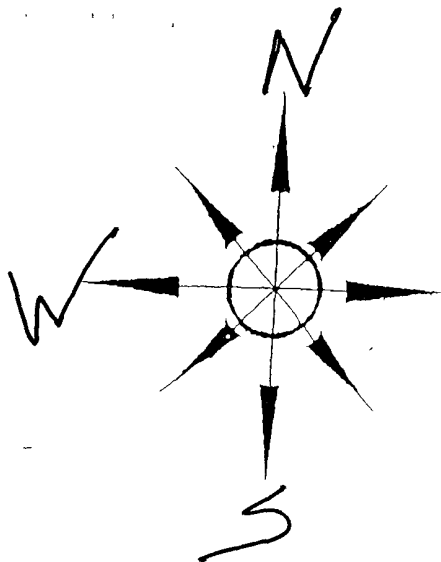
YATES PETROLEUM CORPORATION  
Nucleus BGN Federal #1H  
1750' FNL and 330' FWL SHL  
1980' FNL and 330' FEL BHL  
Section 31, Township 19S-R30E  
Eddy County, New Mexico Exhibit D



YATES PETROLEUM CORPORATION  
Piping from Choke Manifold  
to the Closed-Loop Drilling Mud System

YATES PETROLEUM CORPORATION  
Nucleus BGN Federal #1H  
1750' FNL and 330' FWL SHL  
1980' FNL and 330' FEL BHL  
Section 31, Township 19S-R30E  
Eddy County, New Mexico Exhibit E



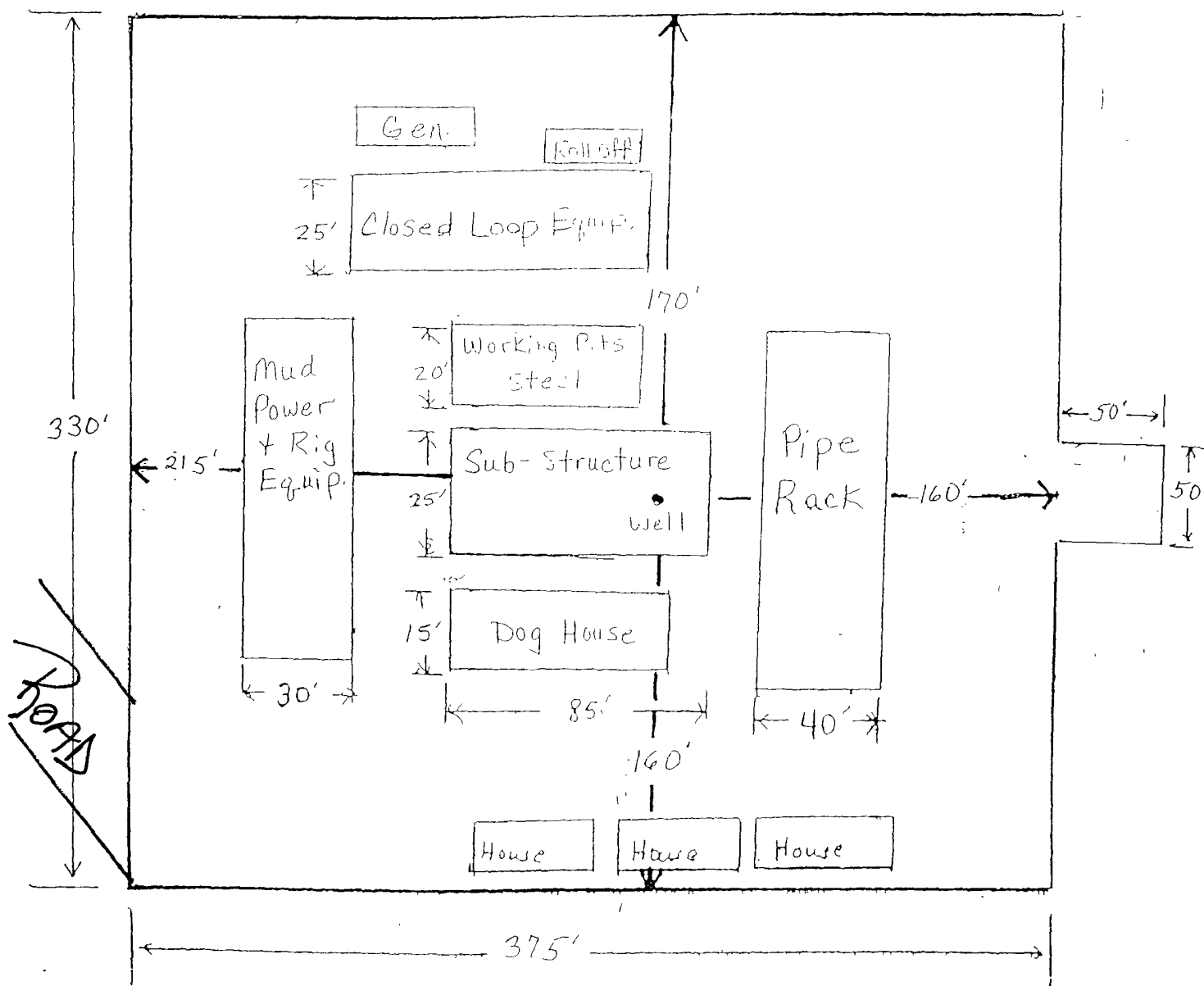


Yates Petroleum Corporation  
Location Layout for Permian Basin

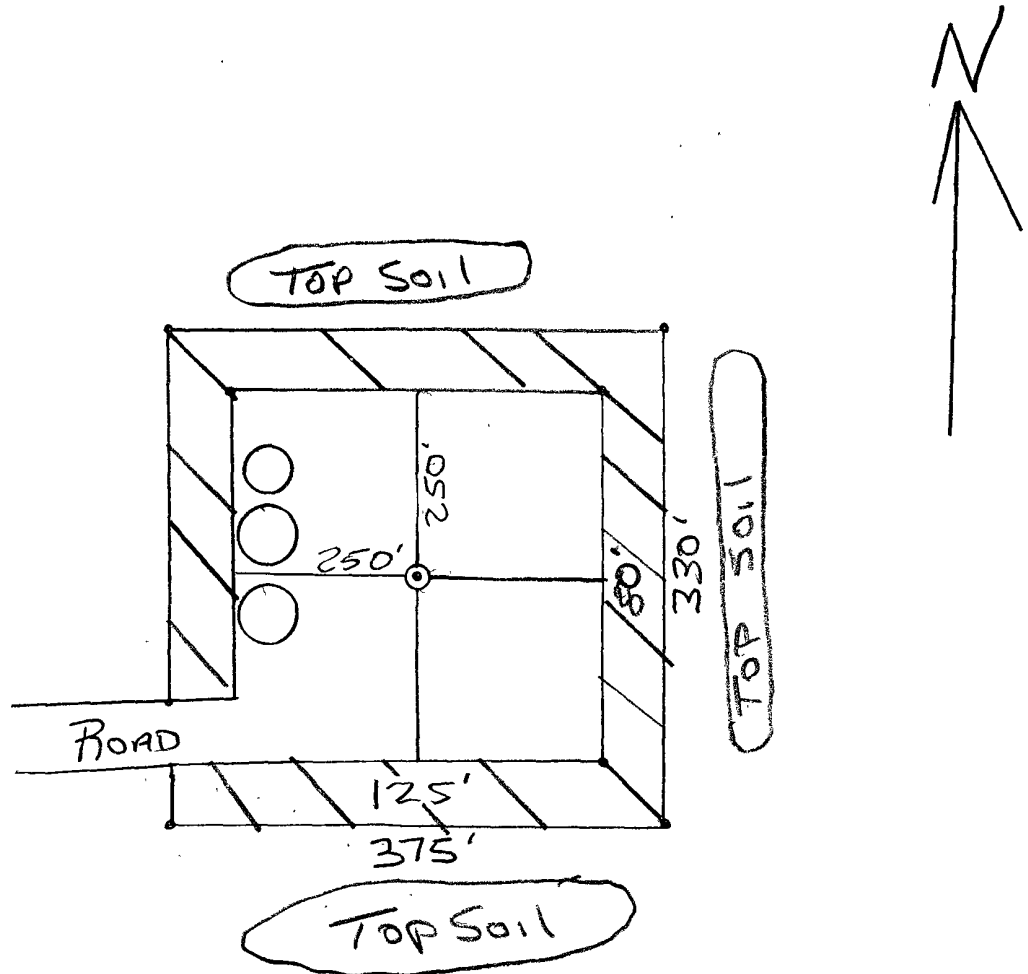
Closed Loop Design Plan

YATES PETROLEUM CORPORATION  
Nucleus BGN Federal #1H  
1750' FNL and 330' FWL SHL  
1980' FNL and 330' FEL BHL  
Section 31, Township 19S-R30E  
Eddy County, New Mexico Exhibit B

\*NOT TO SCALE



YATES PETROLEUM CORPORATION  
Nucleus BGN Federal #1H  
RECLAMATION PLAT  
FOR LOCATION



Final Reclamation  
may be different  
from this PLAT.

Possible Reclaimed  
AREA

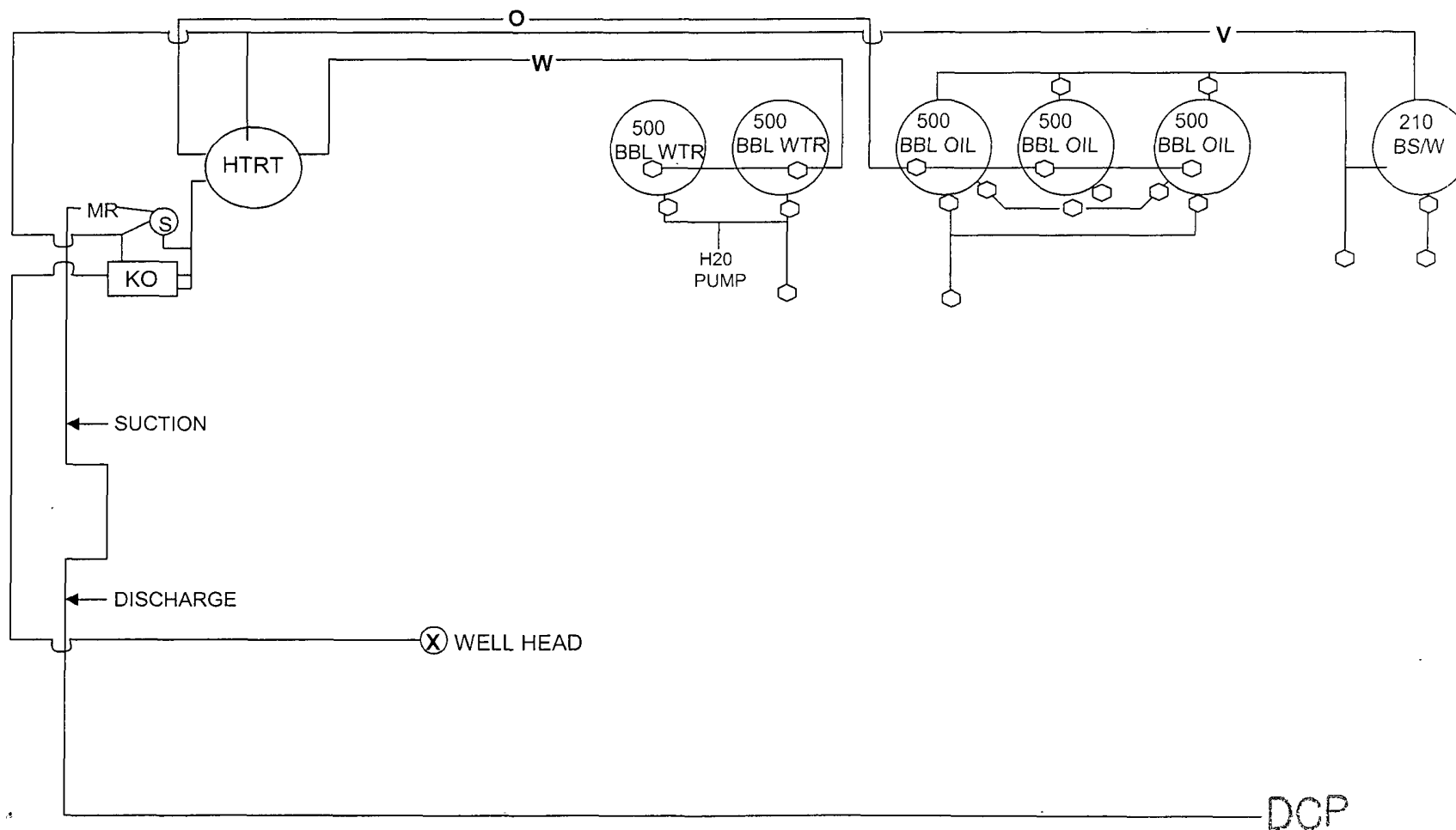
Not to Scale



105 South 4<sup>th</sup> Street \* Artesia, NM 88210  
(575)-748-1471

Junior Orquiz  
June, 2010

NUCLEUS BGN FED. COM. #HH



This diagram is subject to the Yates Petroleum Corporation August 1983 Security Plan  
which is on file at 105 South 4th Street, Artesia, NM