

30-015-39448

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Groovy BQG Federal Com. #1H
1860' FSL & 200' FWL, Surface Hole Location
1700' FSL & 330' FEL, Bottom Hole Location
Section 35-T16S-R27E
Eddy County, New Mexico

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 well site is located approximately 9 miles northeast 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 285 for about 8 miles to the power station at Southern Union Road. Turn left on Southern Union Road and go about 2.8 miles. Follow the road to the right for about 1.1 miles to a white compressor site. Turn left here and follow lease road for approximately 0.1 of a mile. The road will make a "Y" at this point. Follow left road to the north for about 2.1 miles. There will be a white tank on the right side of the road and a cattleguard. Turn left here on existing lease and go approximately .7 of a mile. Turn south here on existing lease and go approximately .3 of a mile. Turn left on lease road that goes to the Gem Dandy BCG State #1 well and go approximately 400 feet to the southwest corner of the proposed well location.

2. PLANNED ACCESS ROAD:

- A. There will not be any new access road to this well location. The existing access road will be used.
- B. The existing road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The road will be bladed with drainage on both sides. One traffic turnout may be needed.
- D. The route of the road is visible.

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. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. 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.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with a brine 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:

The dirt contractor will be responsible for finding a source of material for construction of road and pad and will obtain any permits that may be required.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. This well will be drilled with a closed loop system
- 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.
- C. Drilling fluids will be removed after drilling and completions are completed.
- 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, close loop mud system, location of the drilling equipment, pulling unit orientation and access road approach.
- 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.
- 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. Unguarded pits, if any, containing fluids will be fenced until they have dried and have been leveled.
- C. 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:

Surface Estate Bogle Limited Company
P.O. Drawer 460, Dexter, NM 88260.

Mineral Estate: Bureau of Land Management
620 East Greene Street, Carlsbad, NM 88220

Please be advised that Yates Petroleum Corporation has entered into and has agreed upon a surface use and damage agreement with Mr. Lewis Derrick, Representative for Bogle Limited Company for the access, drilling and producing of the Groovy BPG Federal Com. 1H well.

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 characteristics, dwellings, and historical and cultural sites.

CERTIFICATION
YATES PETROLEUM CORPORATION
Groovy BQV Federal Com. #1H

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; and an someone under employment of Yates Petroleum Corporation has 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 I, or the company I represent, am 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 18TH day of APRIL 2011

Signature Clifton R. May

Name Clifton R. May

Position Title Land Regulatory Agent

Address 105 South Fourth Street, Artesia, New Mexico 88210

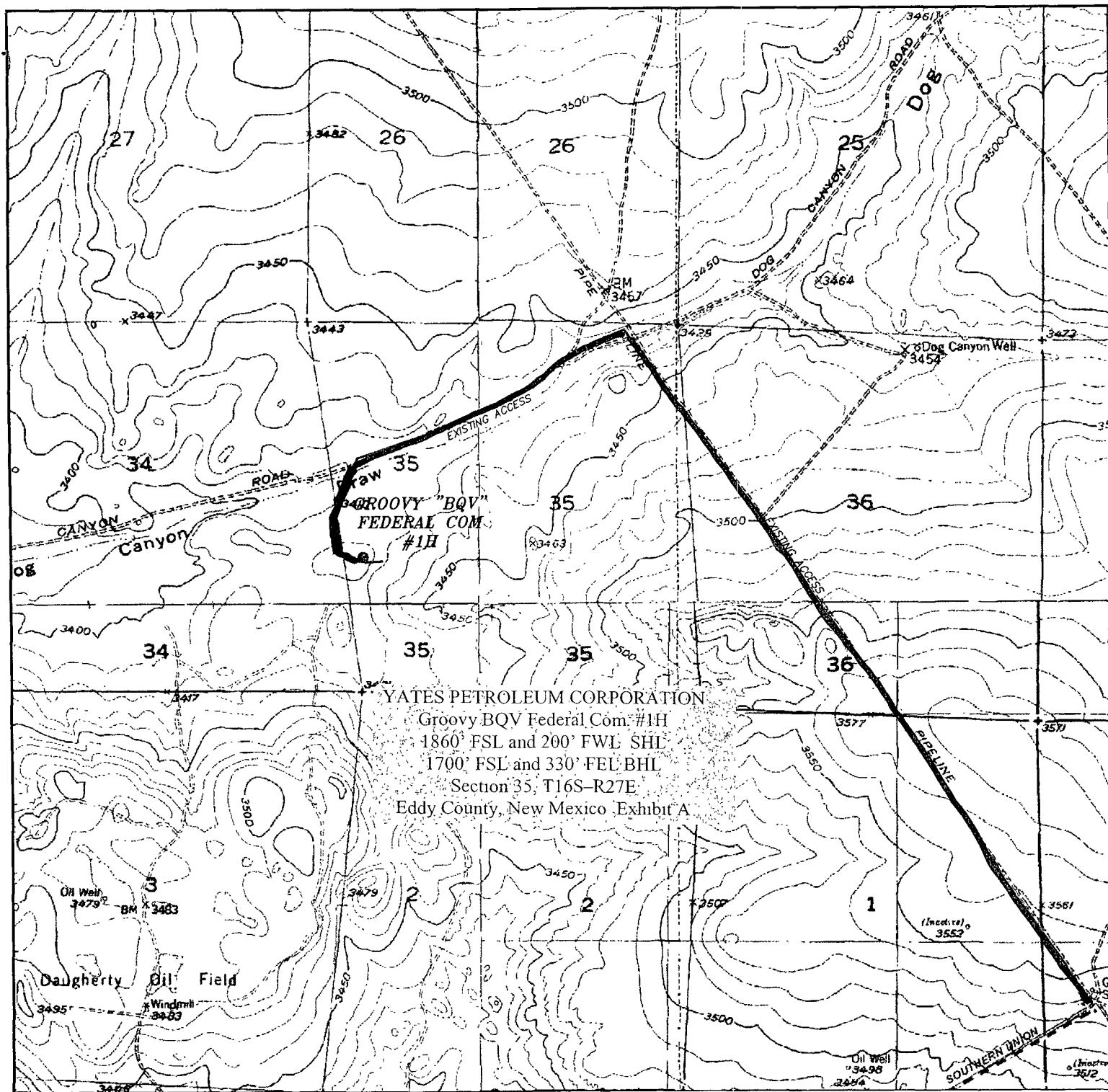
Telephone (505) 748-4347

Field Representative (if not above signatory) Tim Bussell, Drilling Supervisor

Address (if different from above) Same as above.

Telephone (if different from above) (505) 748-4221

E-mail (optional) _____



GROOVY "BQV" FEDERAL COM #1H
 Located 1860' FSL and 200' FWL
 Section 35, Township 16 South, Range 27 East,
 N.M.P.M., Eddy County, New Mexico.

basin
surveys
 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: ERB 24154

Survey Date: 2-08-2011

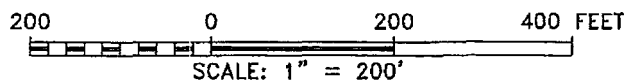
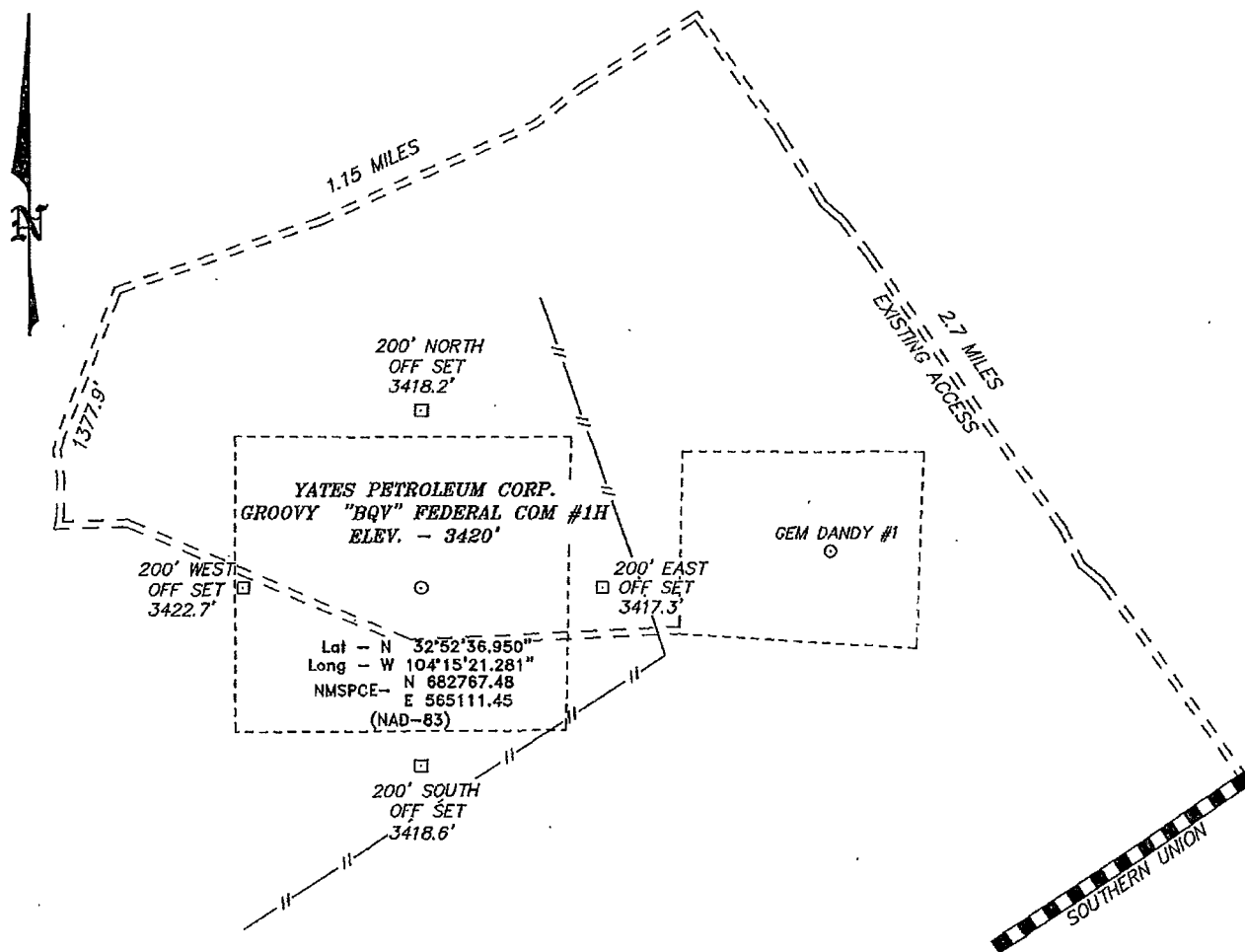
Scale: 1" = 2000'

Date: 2-09-2011



YATES
 PETROLEUM
 CORP.

SECTION 35, TOWNSHIP 16 SOUTH, RANGE 27 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



YATES PETROLEUM CORP.

REF: GROOVY "BQV" FEDERAL COM #1H / WELL PAD TOPO

THE GROOVY "BQV" FEDERAL COM #1H LOCATED 1860'
FROM THE SOUTH LINE AND 200' FROM THE WEST LINE OF
SECTION 35, TOWNSHIP 16 SOUTH, RANGE 27 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.

BASIN SURVEYS P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 24154

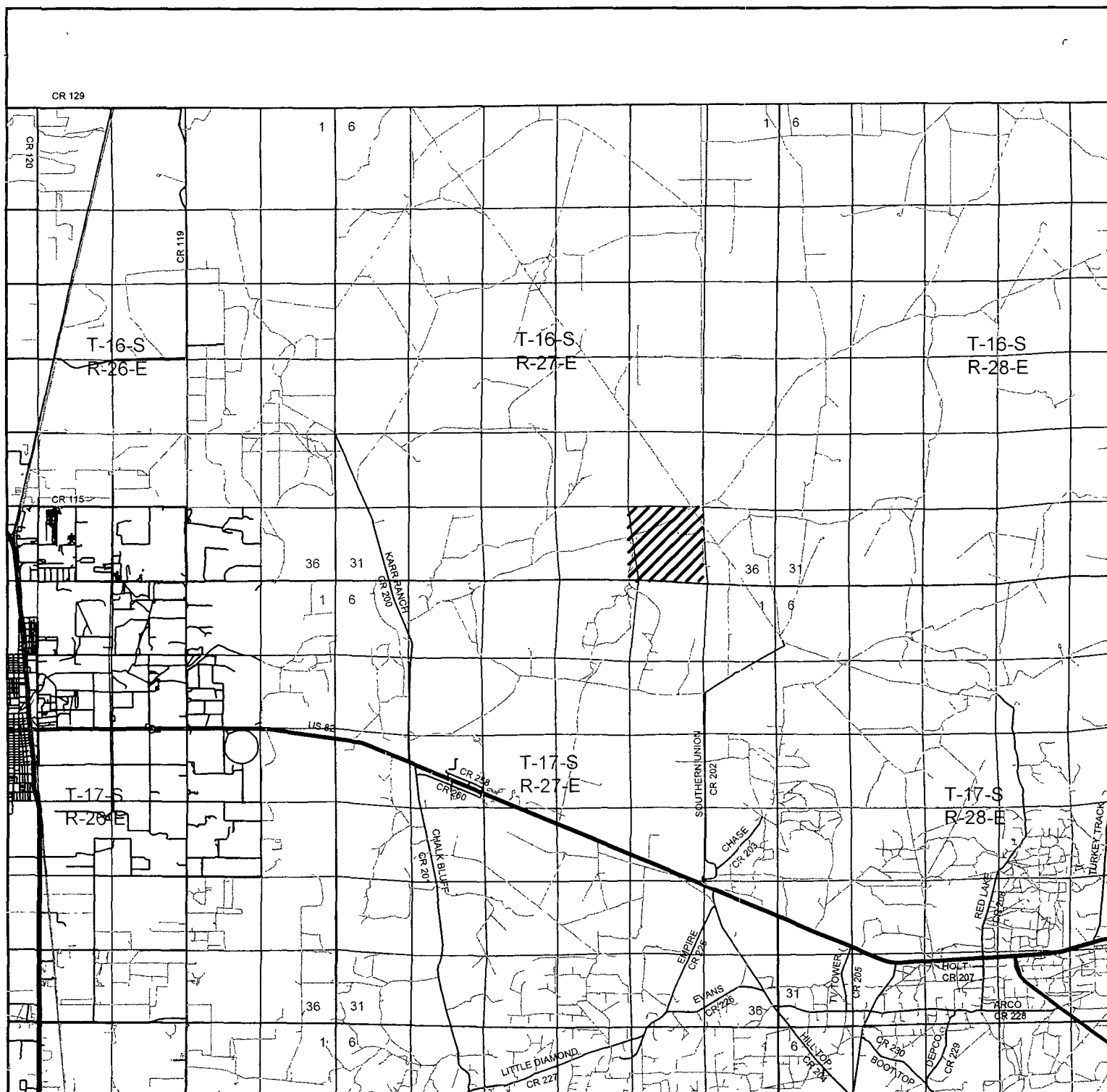
Drawn By: B. NIXON

Date: 2-09-2011

Disk: ERB 24154

Survey Date: 2-08-2011

Sheet 1 of 1 Sheets



GROOVY "BQV" FEDERAL COM #1H
 Located 1860' FSL and 200' FWL
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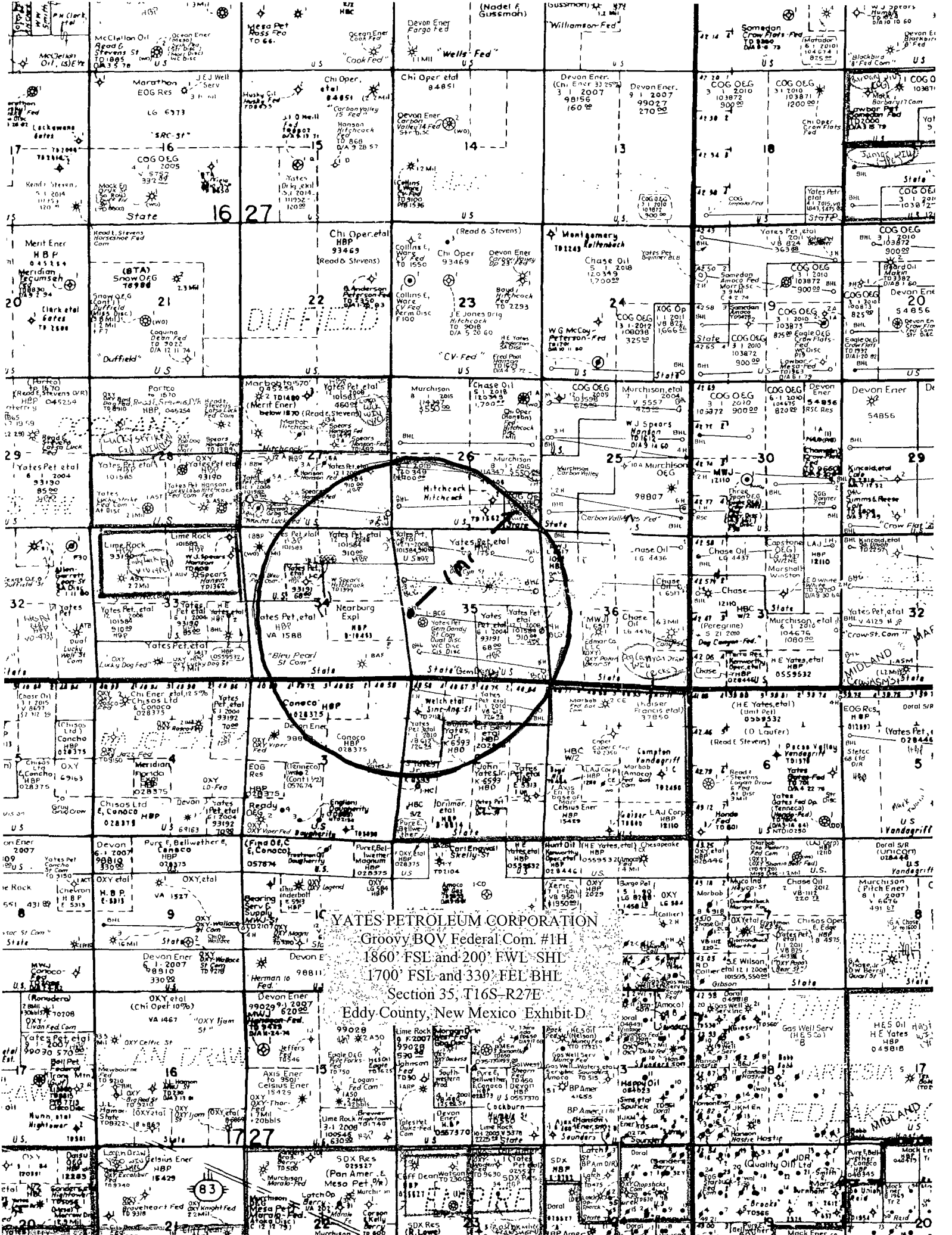
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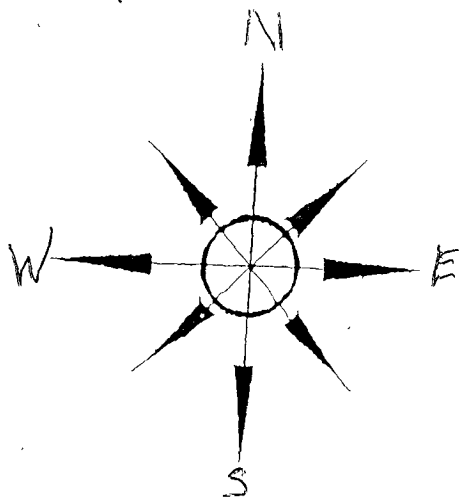
Survey Date: 2-08-2011

Scale: 1" = 2 Miles

Date: 2-09-2011

YATES
PETROLEUM
CORP.





Yates Petroleum Corporation

Location Layout for Permian Basin

YATES PETROLEUM CORPORATION

Groovy BQV Federal Com. #1H

1860' FSL and 200' FWL SHL

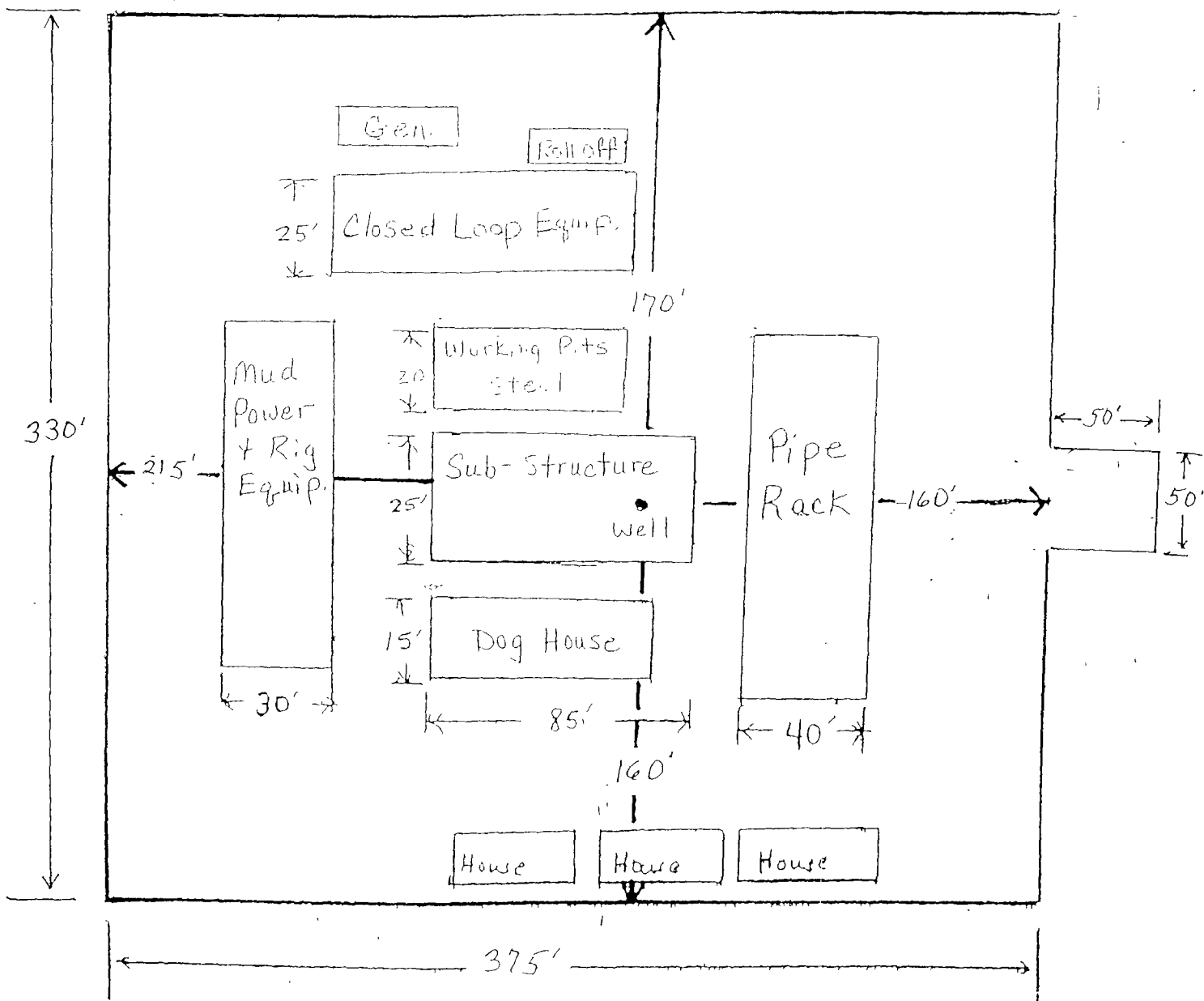
1700' FSL and 330' FEL BHL

Section 35, T16S-R27E

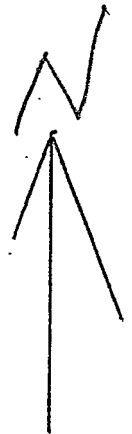
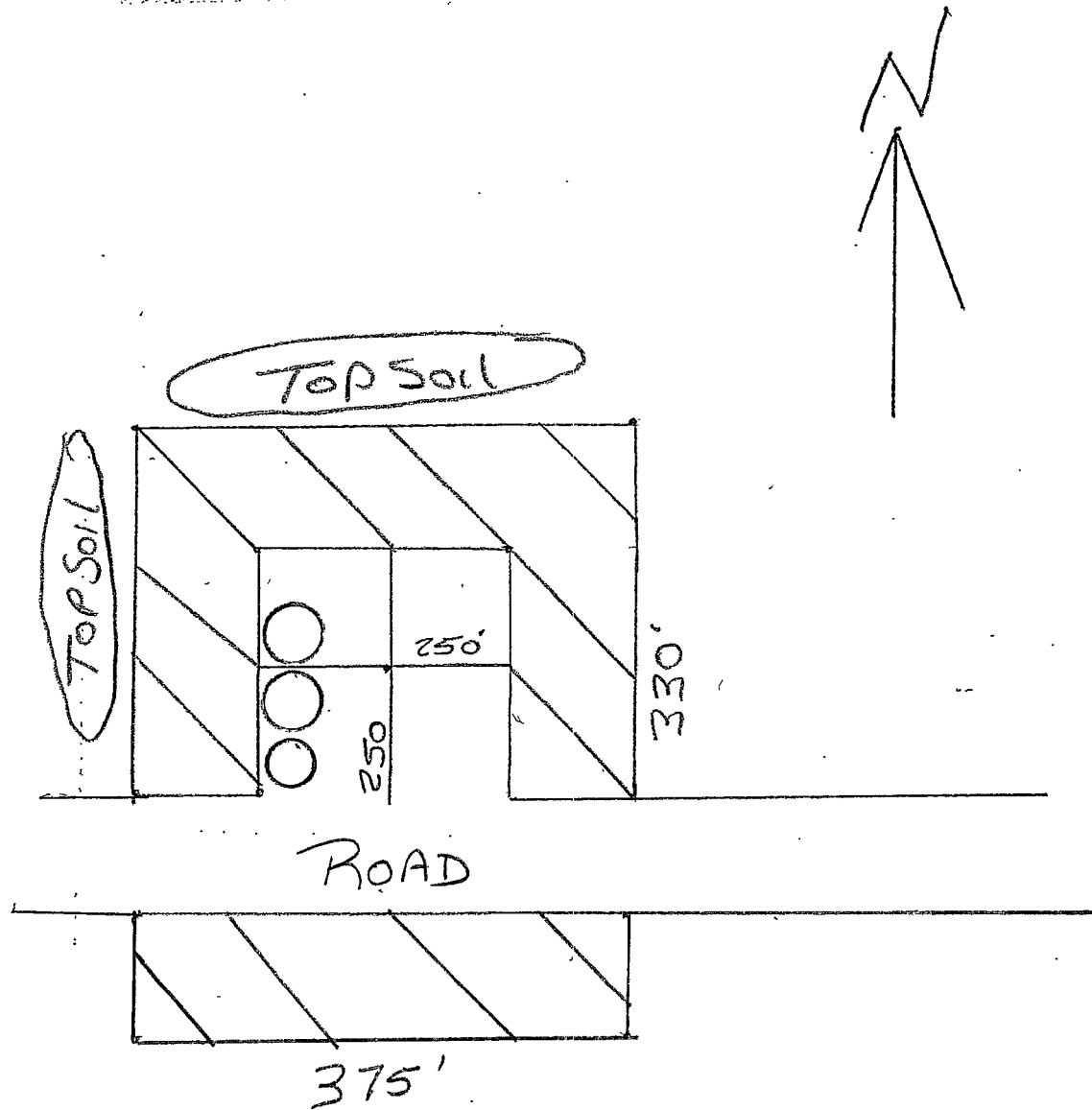
Eddy County, New Mexico Exhibit C

Closed Loop Design Plan

* NOT TO SCALE

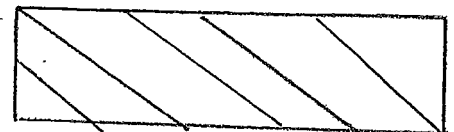


YATES PETROLEUM CORPORATION
Groovy BQV Federal Com #1H
Plan for Surface Interim Reclamation
Exhibit F



Not To Scale

PLEASE Note:
Final Reclamation
may look Different
Than This Plat.



Possible Reclaimed
Area