



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

8 June 2004

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

30-005-63659

RE: Pit Permit - Killer Bee State Com # 1 1980'FNL & 1500'FWL SEC-32 T-10S R-26E

The Oil Conservation Division of Artesia is in receipt of your application for permit 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. The pit is not located in any watercourse, lakebed, sinkhole, playa lake, or wetland.
3. Notice is to be given to the OCD prior to construction of the pit(s).
4. Pit(s) must meet all requirements of approved plan.
5. Liner must be a minimum of 12 mil. woven.
6. Depth to groundwater may cause the pit's contents and the liner to be removed and disposed of in a manner approved by the Division.
7. Pit encapsulations must meet all specific criteria including, but not limited to:
 - A. Site evaluation
 - B. Amount of and type of cover
 - C. Drill cuttings will be sampled as per guidelines. Notify OCD 48 hours prior to any sampling event
 - D. 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. 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.)

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

Sincerely,

Van Barton