

MULTI-POINT SURFACE USE AND OPERATIONS PLAN  
YATES PETROLEUM CORPORATION  
Melson "ZS" Federal #2H  
330' FSL & 660' FEL, Surface Hole  
330' FNL & 660' FEL, Bottom Hole  
Section 8-T26S-R30E  
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 38 miles east of Carlsbad, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

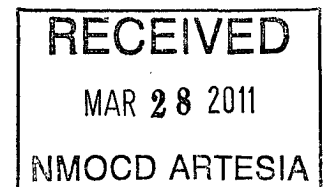
DIRECTIONS: Go south out of Carlsbad, New Mexico on the Pecos Highway (285) for approximately 28.5 miles to Whitehorn Road (CR-725). Turn left on Whitehorn and go 3.9 miles. At this point there will be a sign that says CRW SWD. Turn left here off of CR-725 on a pipeline road going east. Go east on this road for approximately 5.8 miles. At this point will be Yates' Banjo BNO Federal #1-H well location and a lease road going right. Turn right here and go south for about 0.9 of a mile. Turn right here on access road and go about 0.1 of a mile to the Melson ZS Federal #1-H well. The #2-h well shares the pad with the #1 well.

2. PLANNED ACCESS ROAD:

- A. The access road is existing and no new construction will be needed on the road.
- B. 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 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, the reserve pits, the location of the drilling equipment, pulling unit orientation and access road approach. Note: Pits to north.
- B. The temporary reserve pit 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. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the 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.

11. SURFACE OWNERSHIP:

Federal Lands under the supervision of the Carlsbad BLM.

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.

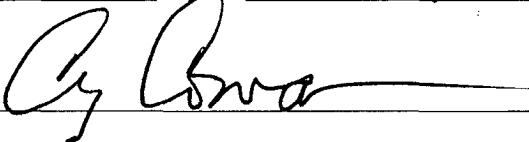
### Plans for Interim and Final Surface Reclamation.

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.
11. After the well has been drilled and completed Yates' Production Department Personnel will meet with BLM Personnel on each individual well location to discuss the specifics of downsizing the well pad at that time. This information will not be available at the time the Application for Permit to Drill is submitted to the Bureau of Land Management office.

CERTIFICATION  
YATES PETROLEUM CORPORATION  
Melson ZS Federal #2H

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 19th day of January 2011

Signature 

Name Cy Cowan

Position Title Land Regulatory Agent

Address 105 South Fourth Street, Artesia, New Mexico 88210

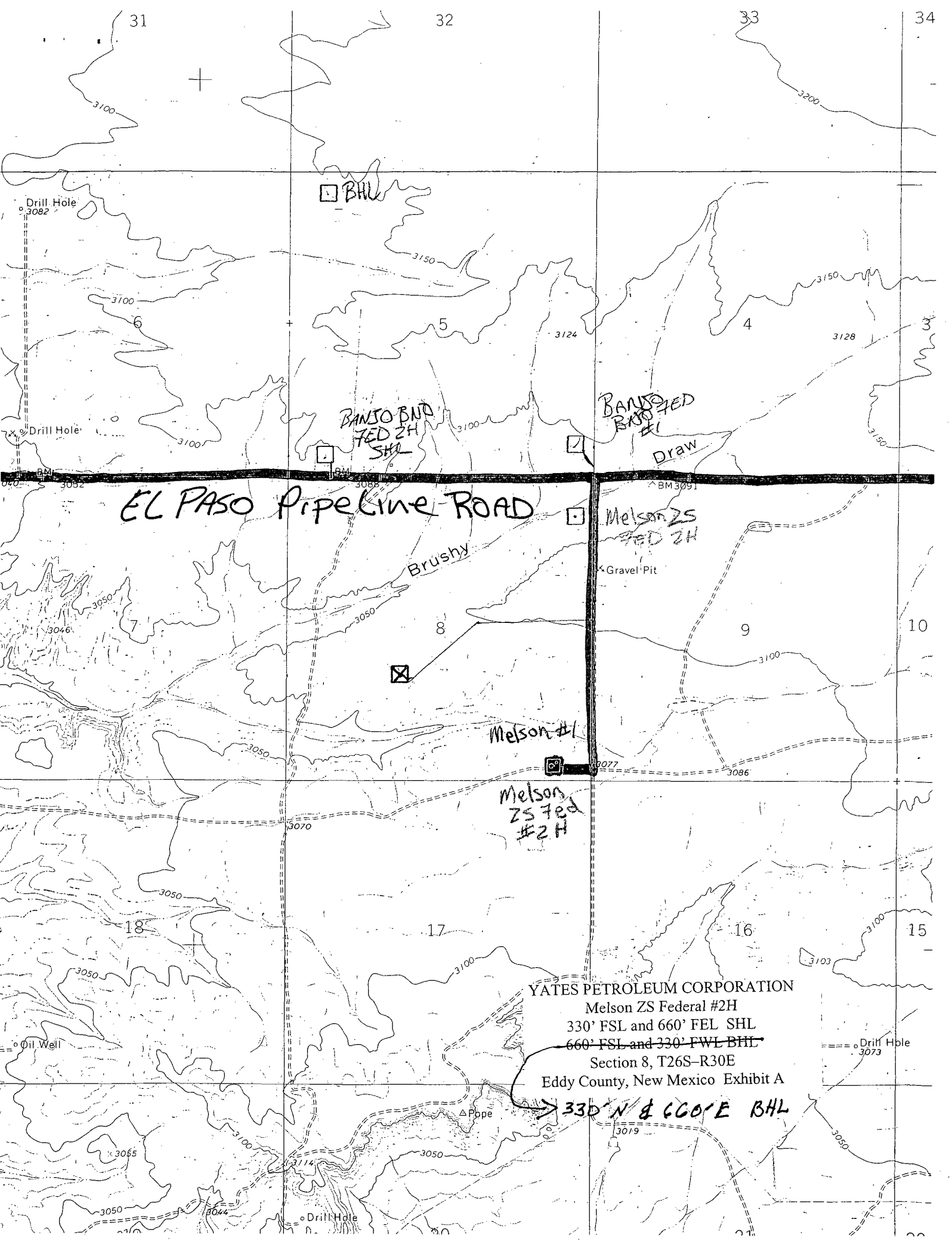
Telephone (505) 748-4372

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) \_\_\_\_\_



EL PASO Pipeline Road

Brushy

Melson ZS  
Federal #2H

Melson #1

Melson  
ZS Fed  
#2H

YATES PETROLEUM CORPORATION  
Melson ZS Federal #2H  
330' FSL and 660' FEL SHL  
~~660' FSL and 330' FWL BHL~~  
Section 8, T26S-R30E  
Eddy County, New Mexico Exhibit A

330' N & 660' E BHL

BHL

BANTO BND  
Federal #2H  
SHL

BANTO BND  
Federal #1

Draw

Drill Hole  
3082

Drill Hole

BM 3091

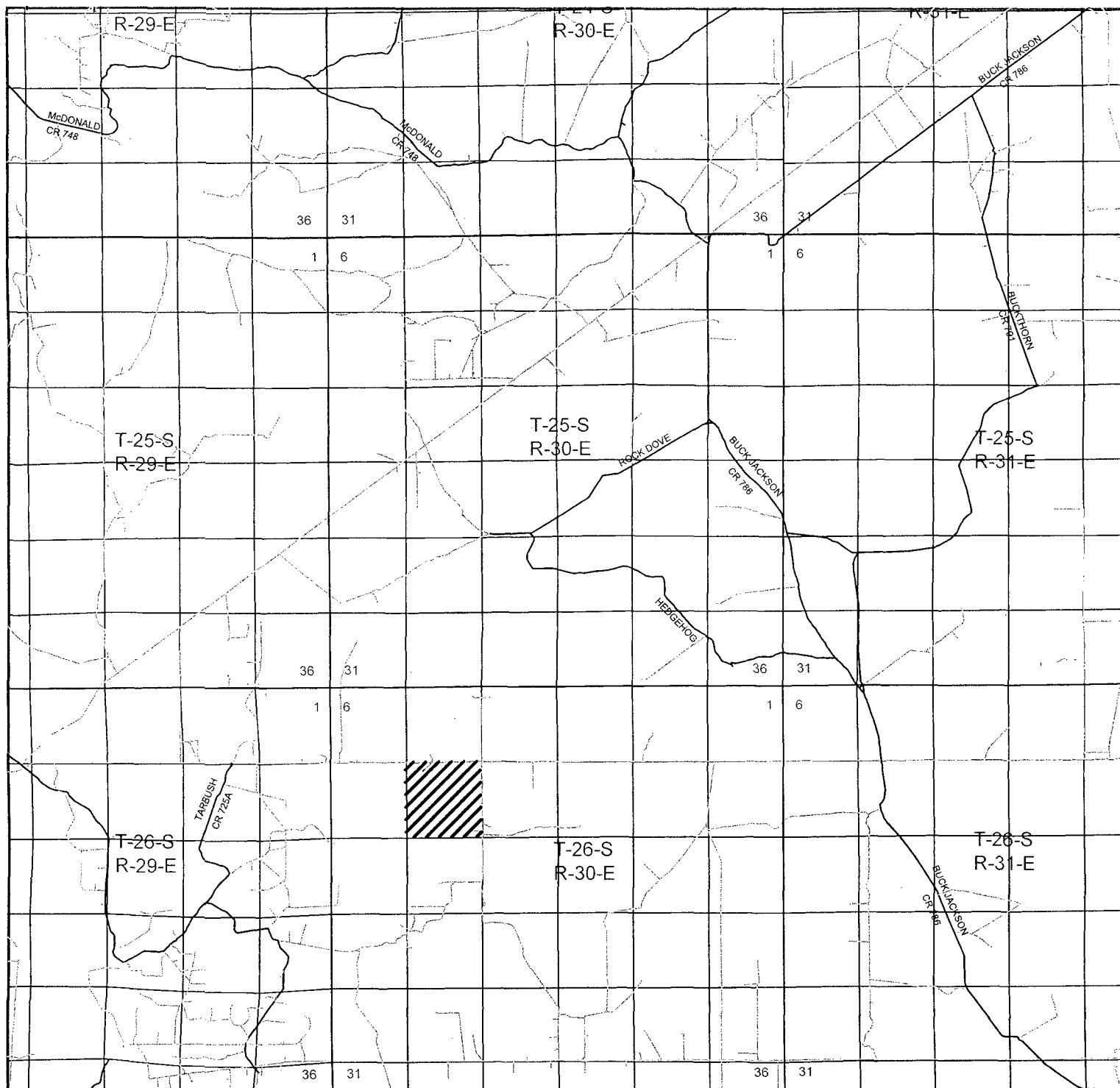
Gravel Pit

Oil Well

Drill Hole  
3073

Pope

Drill Hole



**MELSON "ZS" FEDERAL #2H**  
 Located 330' FSL and 660' FEL  
 Section 8, Township 26 South, Range 30 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: BJN 23639

Survey Date: 11-08-2010

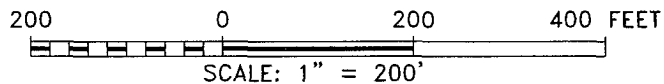
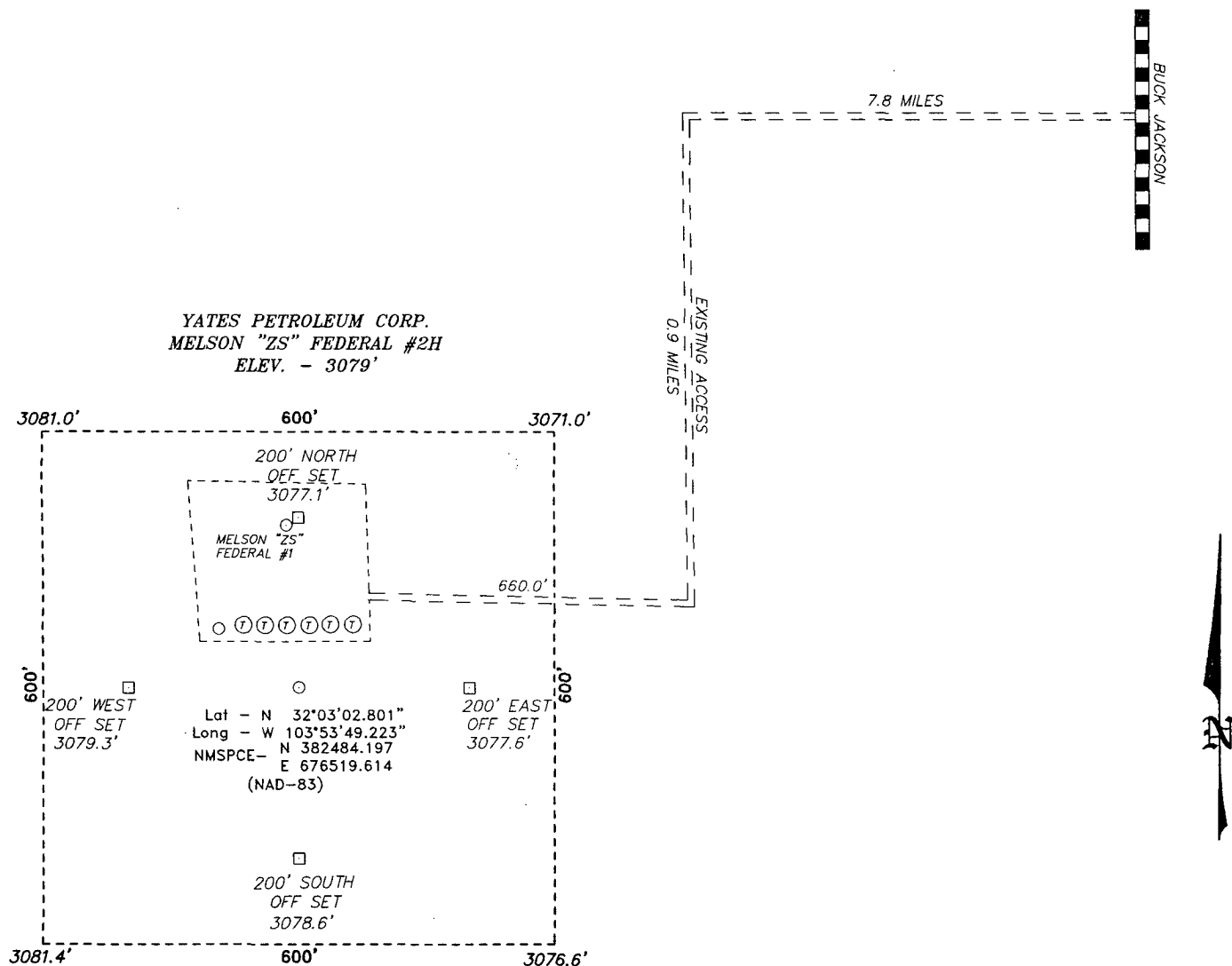
Scale: 1" = 2 Miles

Date: 11-08-2010



**YATES**  
**PETROLEUM**  
**CORP.**

SECTION 8, TOWNSHIP 26 SOUTH, RANGE 30 EAST, N.M.P.M.,  
EDDY COUNTY, NEW MEXICO.



**YATES PETROLEUM CORP.**

REF: MELSON "ZS" FEDERAL #2H / WELL PAD TOPO

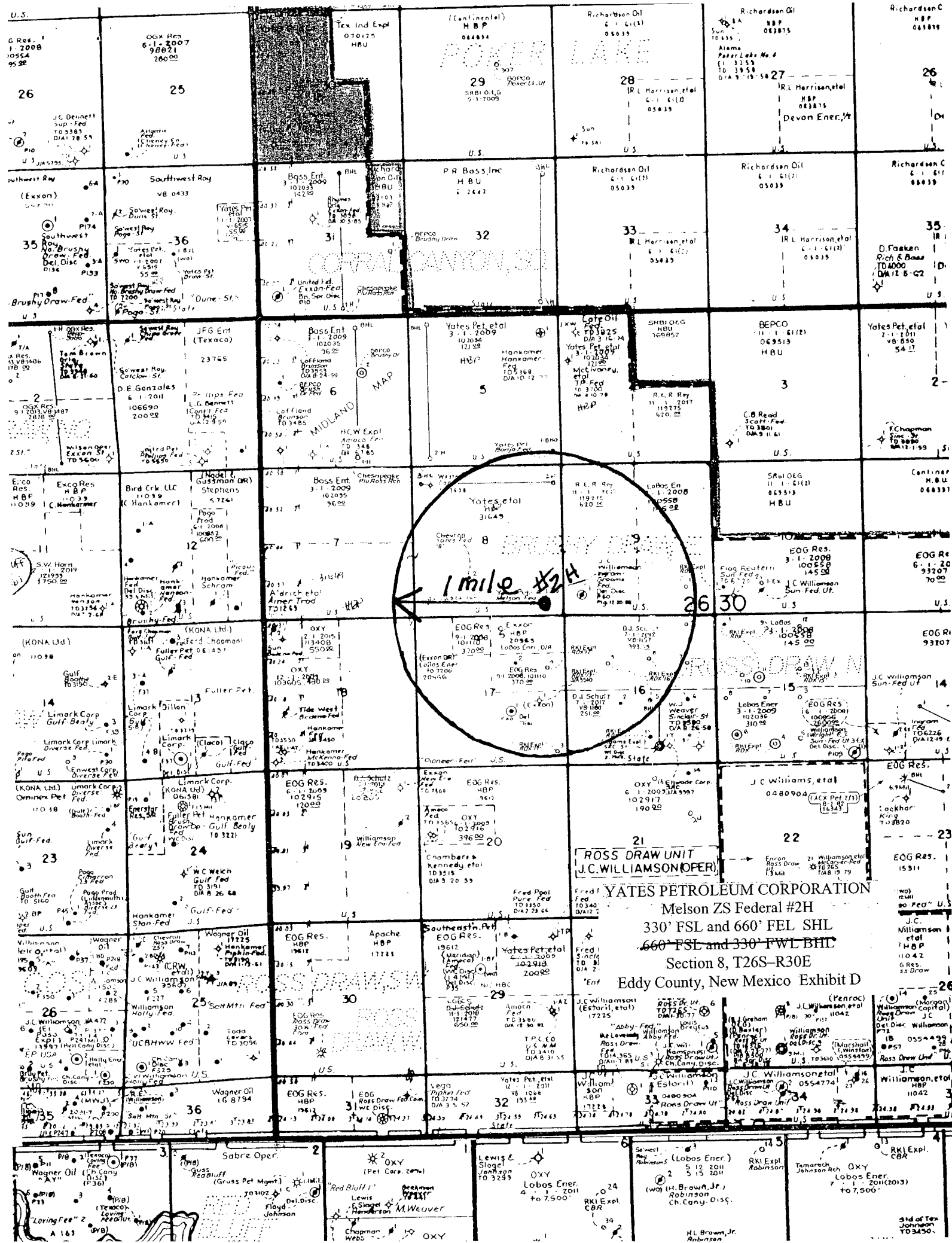
THE MELSON "ZS" FEDERAL #2H LOCATED 330'  
FROM THE SOUTH LINE AND 660' FROM THE EAST LINE OF  
SECTION 8, TOWNSHIP 26 SOUTH, RANGE 30 EAST,  
N.M.P.M., EDDY COUNTY, NEW MEXICO.

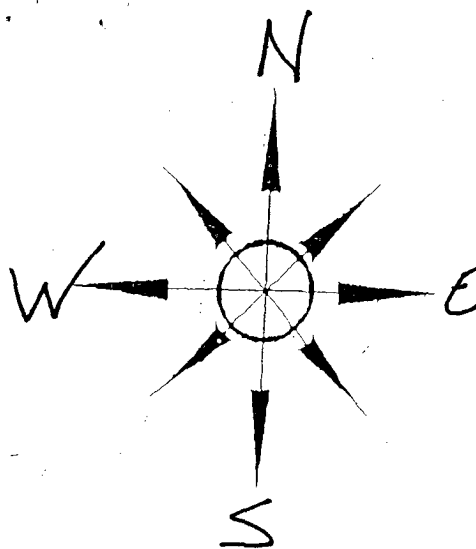
**BASIN SURVEYS** P.O. BOX 1786-HOBBS, NEW MEXICO

W.O. Number: 23639 Drawn By: B. NIXON

Date: 11-10-2010 Disk: BJN 23639

Survey Date: 11-08-2010 Sheet 1 of 1 Sheets





# Yates Petroleum Corporation

Location Layout for Permian Basin

YATES PETROLEUM CORPORATION

Melson ZS Federal #2H

330' FSL and 660' FEL SHL

~~660' FSL and 330' FWE BHL~~

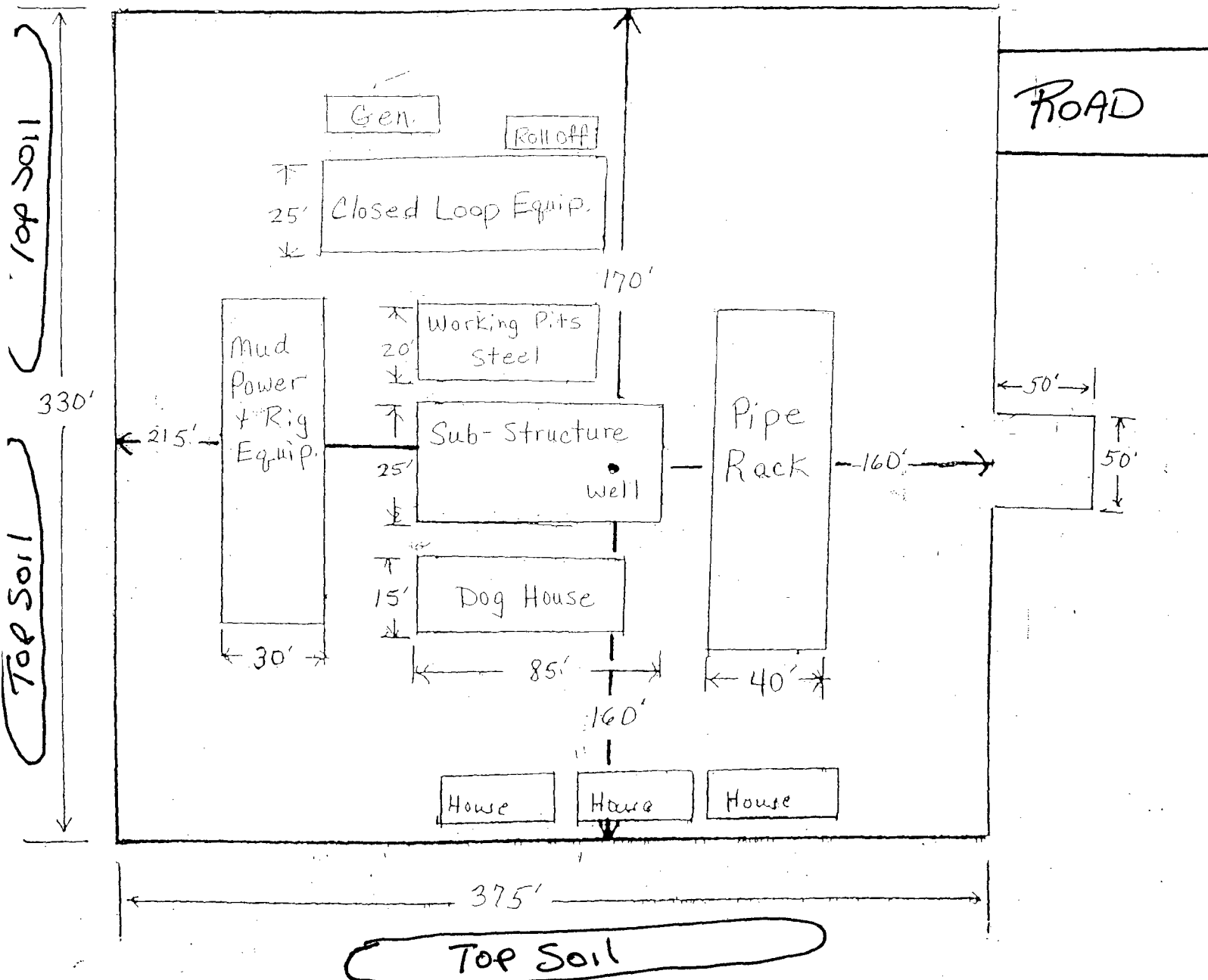
Section 8, T26S-R30E

Eddy County, New Mexico Exhibit B

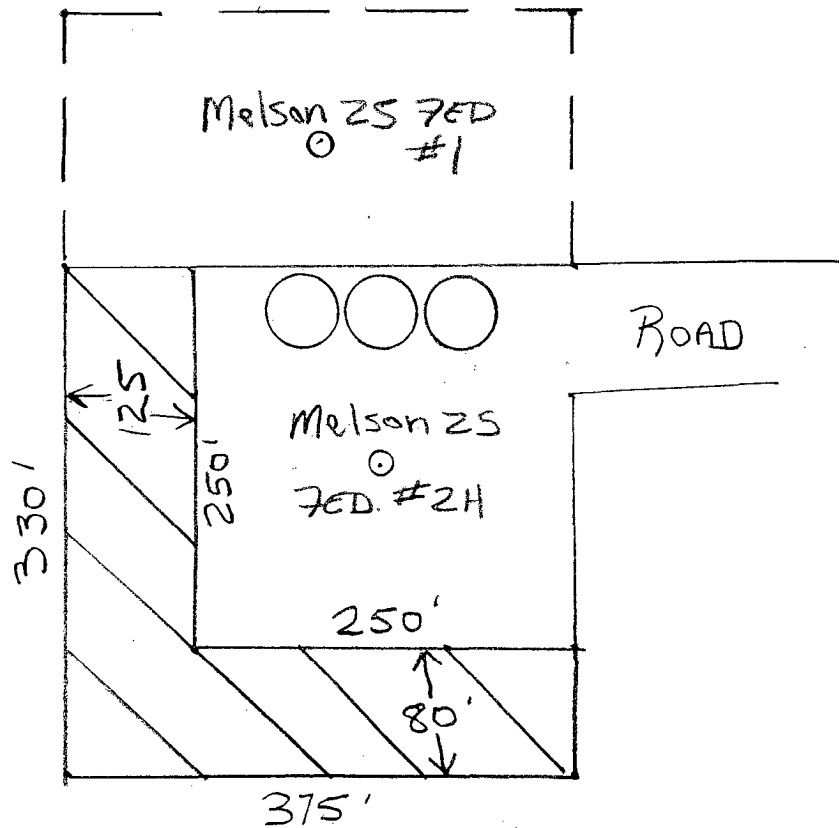
Closed Loop Design Plan

BAL: 330' N & 660' E

\* NOT TO SCALE



YATES PETROLEUM CORPORATION  
Melson ZS Federal #2H  
Plan for Surface Interim Reclamation  
Exhibit F



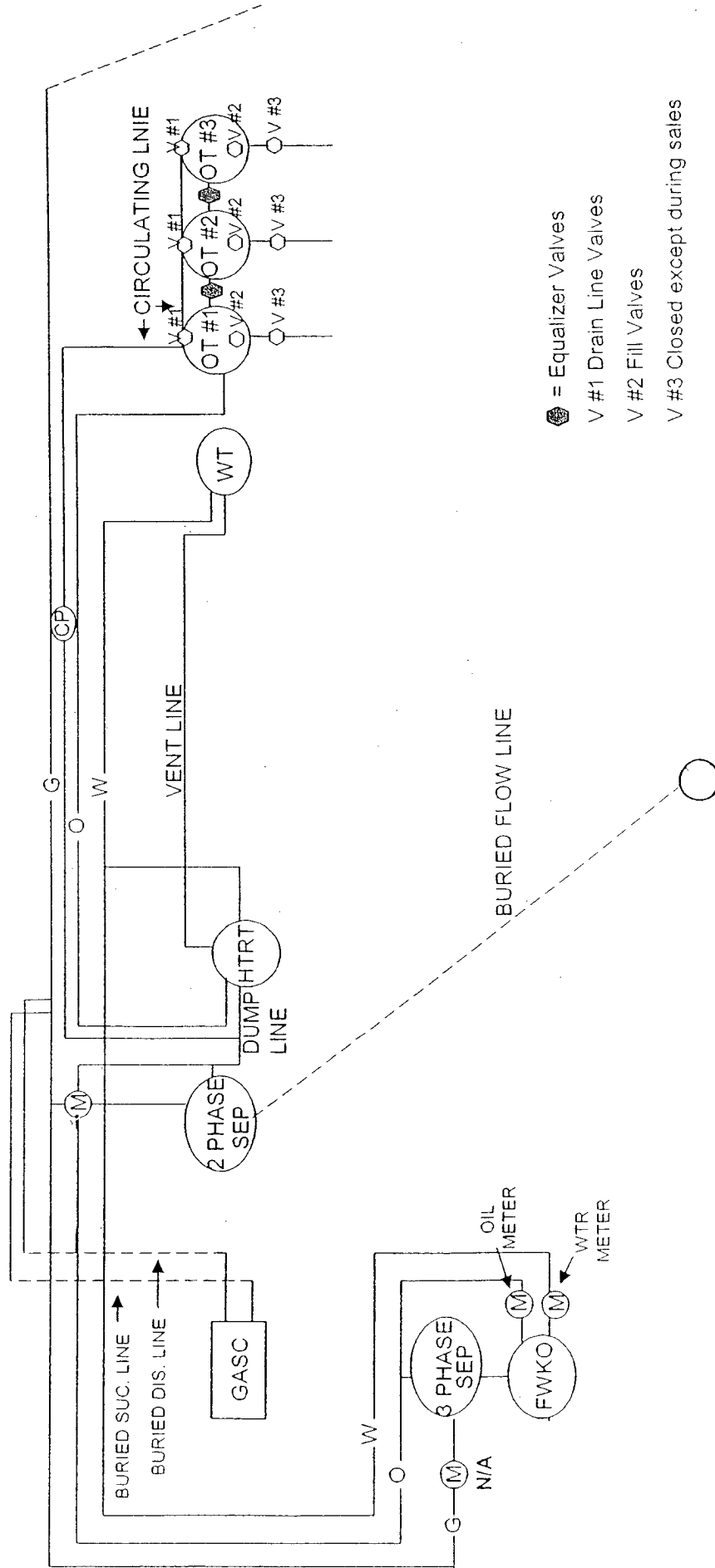
Possible  
Redistributed  
Top Soil

Not To Scale  
Exhibit may be  
different AFTER  
FINAL Reclamation



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

-Danny Matthews  
June, 2010



- ☐ = Equalizer Valves
- V #1 Drain Line Valves
- V #2 Fill Valves
- V #3 Closed except during sales

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

YATES PETROLEUM CORPORATION  
Melson ZS Federal #2H  
330' FSL and 660' FEL SHL  
~~660' FSL and 330' FWL BHL~~  
Section 8, T26S-R30E  
Eddy County, New Mexico Exhibit E

