

**MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION**

Grid Iron BLI Federal #3
990' FSL and 330' FWL, Unit M (SW/SW)
Section 6-T12S-R27E
Chaves County, New Mexico

30-005-64145

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 20 miles southeast of Roswell, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go east of Roswell, NM on Highway 380 for approximately 11.2 miles to NM 409. Turn right (south) and continue for approximately 6.5 miles to Wichita Road. Turn left onto Wichita Road and continue south for approximately 2.1 miles. Turn left (east) here onto existing lease road with a cattle guard and locked gates. Gates must remain closed and locked at all times. Combination to lock is 2112. Continue east on lease road for approximately 1 mile. Turn left here and follow lease road north for approximately 1 mile. Turn right here and follow lease road for go approximately .5 of a mile. From here follow lease road to the northeast for approx. .7 of a mile to the P/A'd Touchdown BCF #2 well location. From here continue east on lease road for approximately .1 of a mile while crossing a cattleguard. The new access road will start here going south for approximately .2 of a mile to the southwest corner of the proposed well location.

1. **PLANNED ACCESS ROAD:**

- A. The proposed existing access road is approximately .2 of a mile in length from the point of origin to the southwest corner of the drilling pad.
- B. The new access road will consist of approximately 40 feet coming off the existing access road to the northeast corner of the well location. The new road is bladed with drainage on both sides. One traffic turnout may be built if it is needed.
- C. The route of the road is visible.
- D. 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. Production from this well will be taken via 2" welded Schedule 40 steel buried pipeline to the Football BHL #2H. This flowline will have a working pressure of 200 psi and a volume of 200 bpd. The entire length of this pipeline will be 2329' and will be located on private surface. Note attached exhibit for placement of production equipment on the well location.

- 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. Pipeline Right-Of-Way has been applied under this APD.

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 attached exhibits.

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. Drill cuttings will be collected in tanks until hauled to an approved disposal system being Gandy/Marley, Lea Land Farm or CRI.
- 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.
- 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 closed loop design plan, the location of the drilling equipment, 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. 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: Fee Surface

Elliott G. McMaster and Evelyn McMaster
Trust under Trust Agreement dated December 18, 1990
PO Box 176
Datil, NM 87821

A Surface Use, Damage and Access Agreement has been entered into between Elliott G. McMaster and Evelyn McMaster Trust under Trust Agreement dated December 18, 1990 and Yates Petroleum Corporation, executed on May 6th, 2008.

Minerals: NM-106905
Federal - Administered by Bureau of Land Management, Roswell Field Office,
2909 W. Second Street, Roswell, NM 88201-2019
Phone: 575-627-0272 FAX: 575-627-0276

12. OTHER INFORMATION:

- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, and historical and cultural sites.
- B. The primary surface use is for grazing.

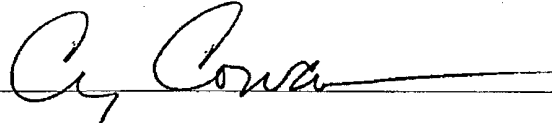
Plans for Interim and Final Surface Reclamation.

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
Grid Iron BLI Federal #3

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 14th day of March 2011

Signature 
Name Cy Cowan

Position Title Land Regulatory Agent

Address 105 South Fourth Street, Artesia, New Mexico 88210

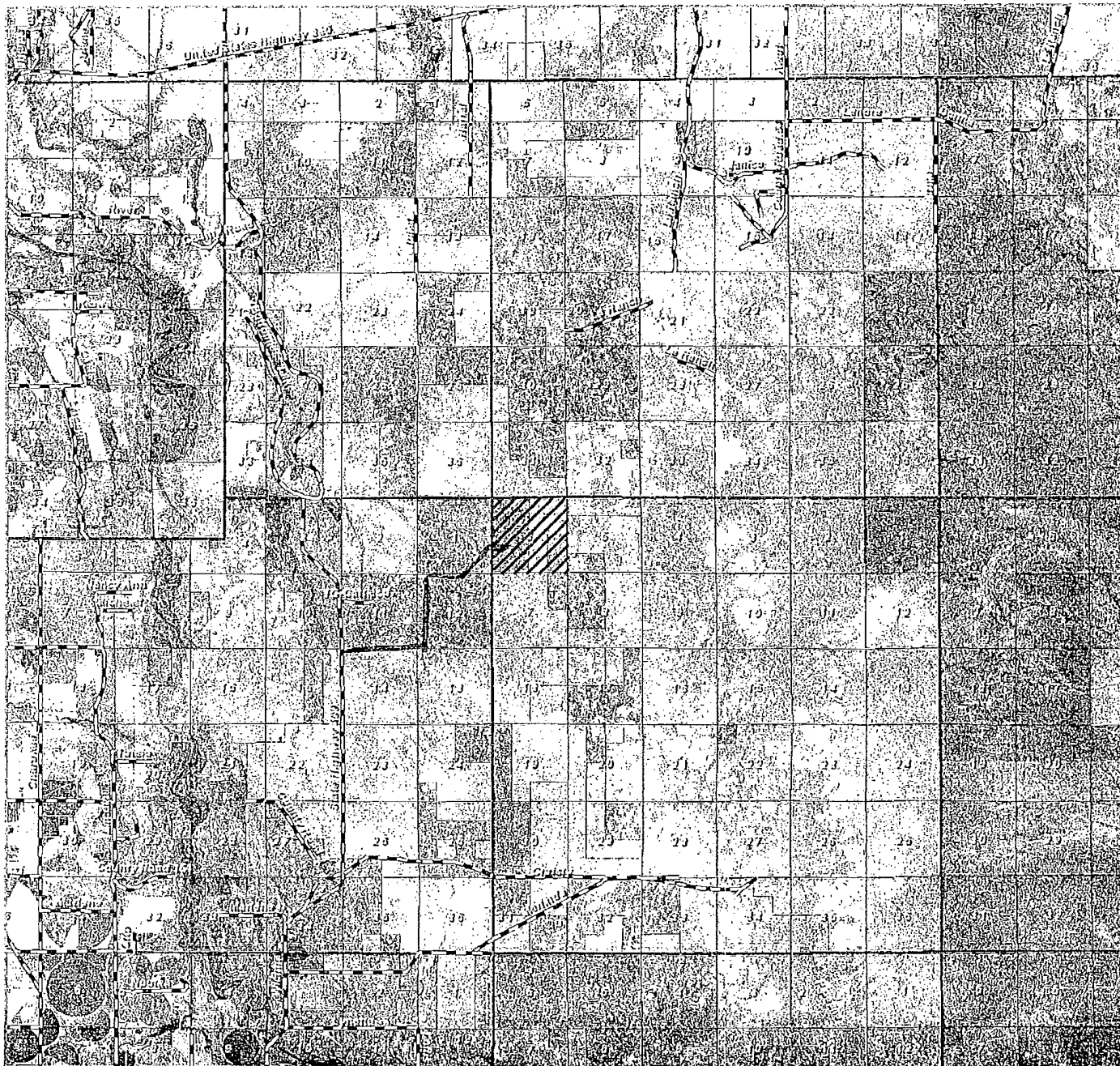
Telephone (505) 748-4372

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) _____



GRID IRON "BLI" FEDERAL #3

Located 990' FSL and 330' FWL

Section 6, Township 12 South, Range 27 East,
N.M.P.M., Chaves County, New Mexico.



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

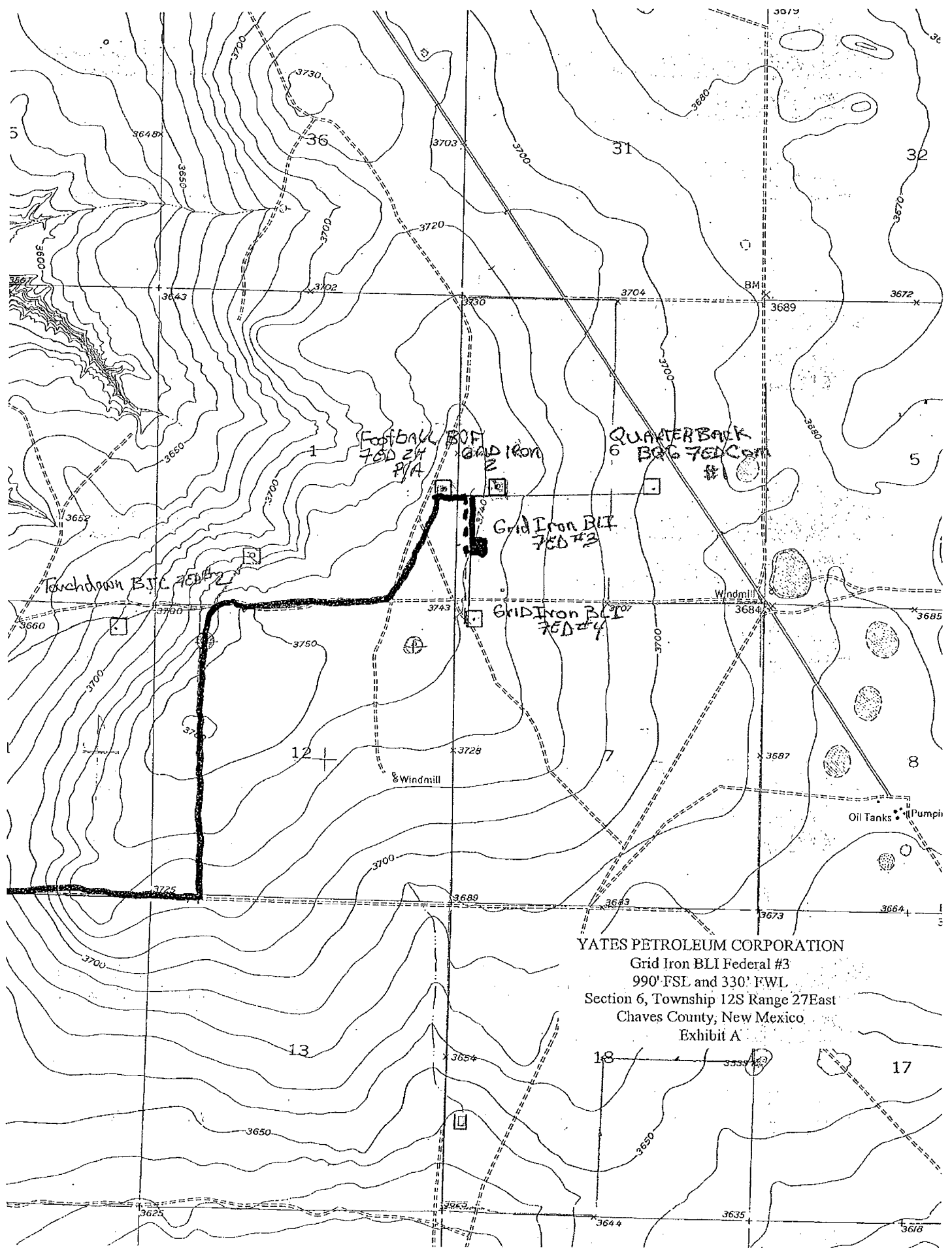
W.O. Number: BJN 23939

Survey Date: 01-11-2011

Scale: 1" = 2 Miles

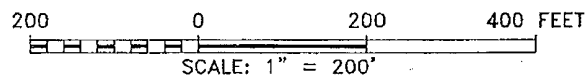
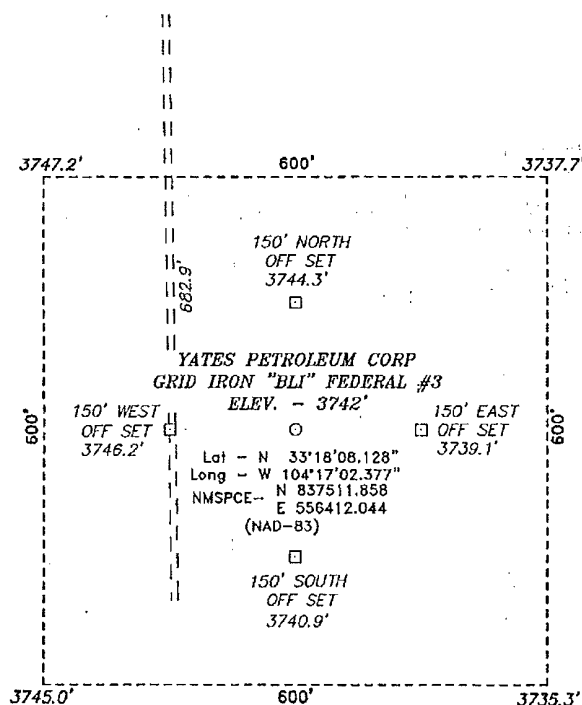
Date: 01-17-2011

YATES
PETROLEUM
CORP.



YATES PETROLEUM CORPORATION
Grid Iron BLI Federal #3
990' FSL and 330' FWL
Section 6, Township 12S Range 27East
Chaves County, New Mexico
Exhibit A

SECTION 6, TOWNSHIP 12 SOUTH, RANGE 27 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO.



YATES PETROLEUM CORP.

REF: GRID IRON "BLI" FEDERAL #3 / WELL PAD TOPO

THE GRID IRON "BLI" FEDERAL #3 LOCATED 990'
FROM THE SOUTH LINE AND 330' FROM THE WEST LINE OF
SECTION 6, TOWNSHIP 12 SOUTH, RANGE 27 EAST,
N.M.P.M., CHAVES COUNTY, NEW MEXICO.

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

W.O. Number: 23939

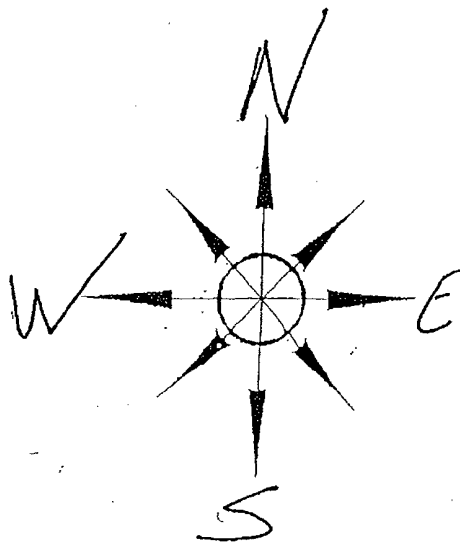
Drawn By: B. NIXON

Date: 01-17-2011

Disk: BJN 23939

Survey Date: 01-11-2011

Sheet 1 of 1 Sheets

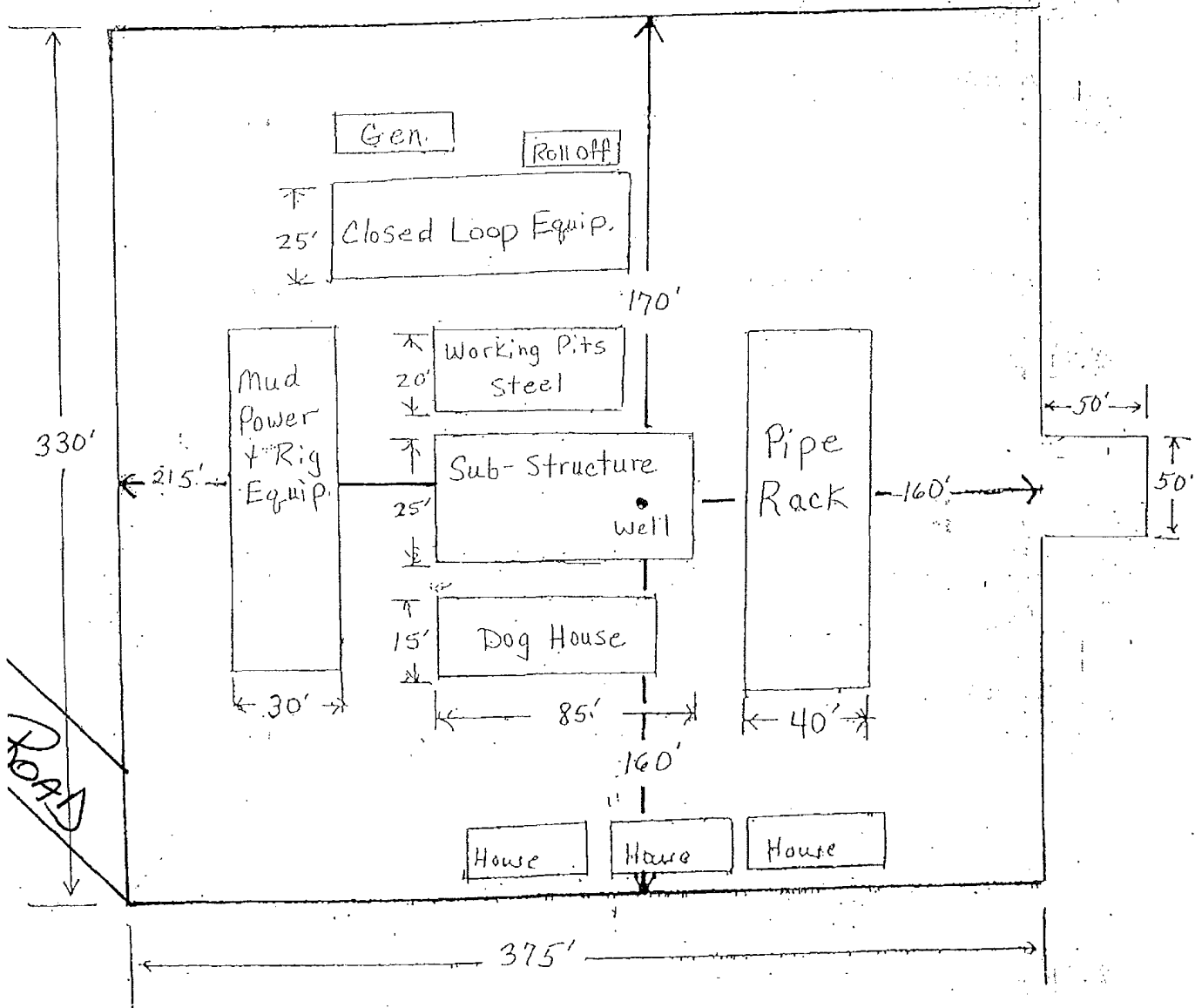


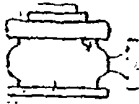
YATES PETROLEUM CORPORATION
Grid Iron BLI Federal #3
990' FSL and 330' FWL
Section 6, Township 12S Range 27East
Chaves County, New Mexico
Exhibit B

Yates Petroleum Corporation Location Layout for Permian Basin

Closed Loop Design Plan

* NOT TO SCALE





Yates Petroleum Corporation

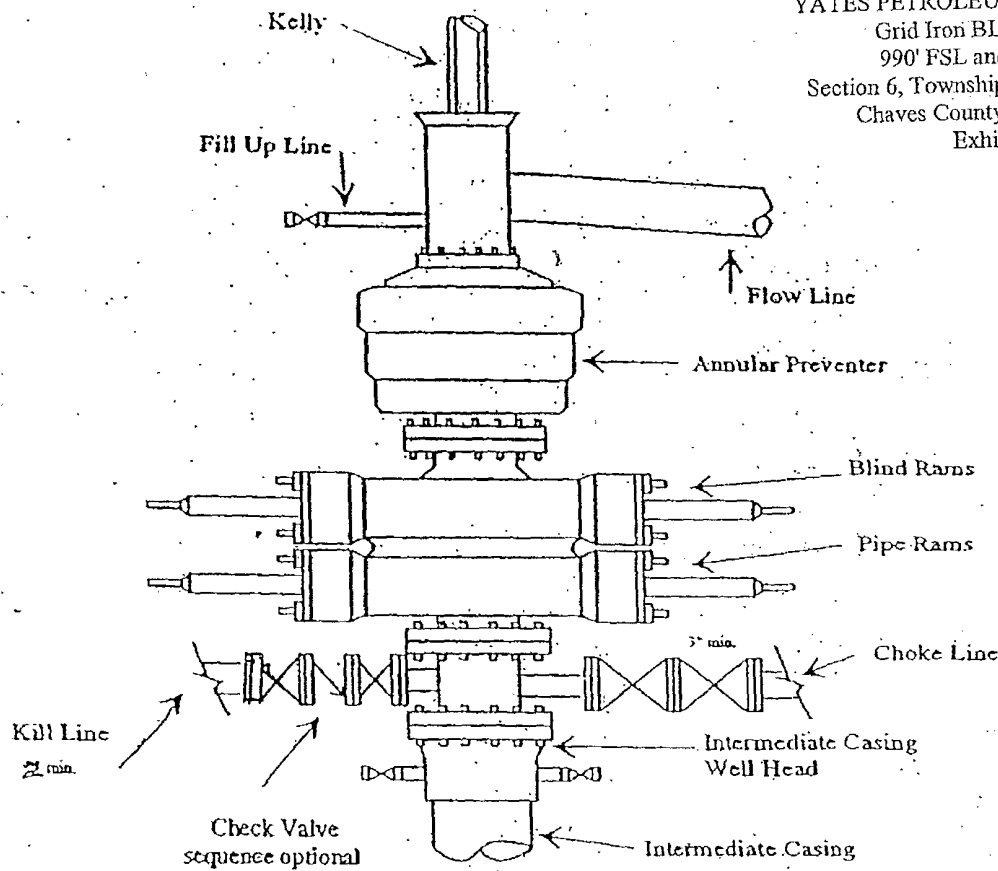
BOP-3

Typical 3,000 psi Pressure System

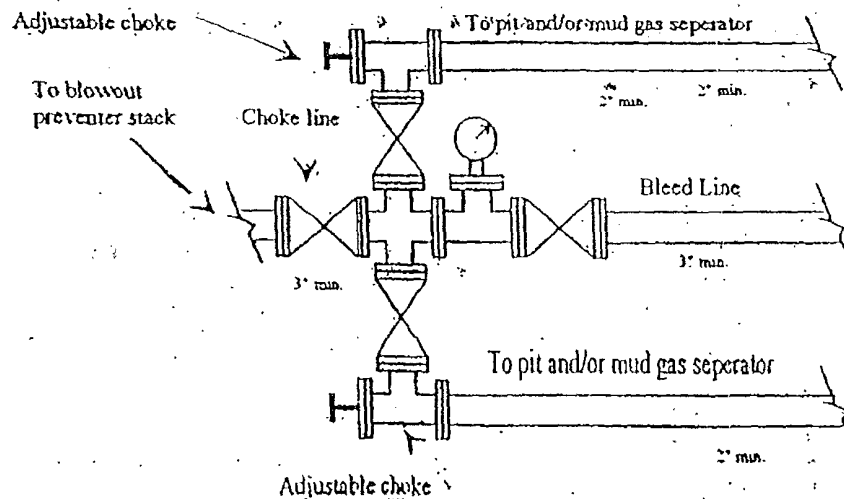
Schematic

Annular with Double Ram Preventer Stack

YATES PETROLEUM CORPORATION
Grid Iron BLI Federal #3
990' FSL and 330' FWL
Section 6, Township 12S Range 27East
Chaves County, New Mexico
Exhibit C



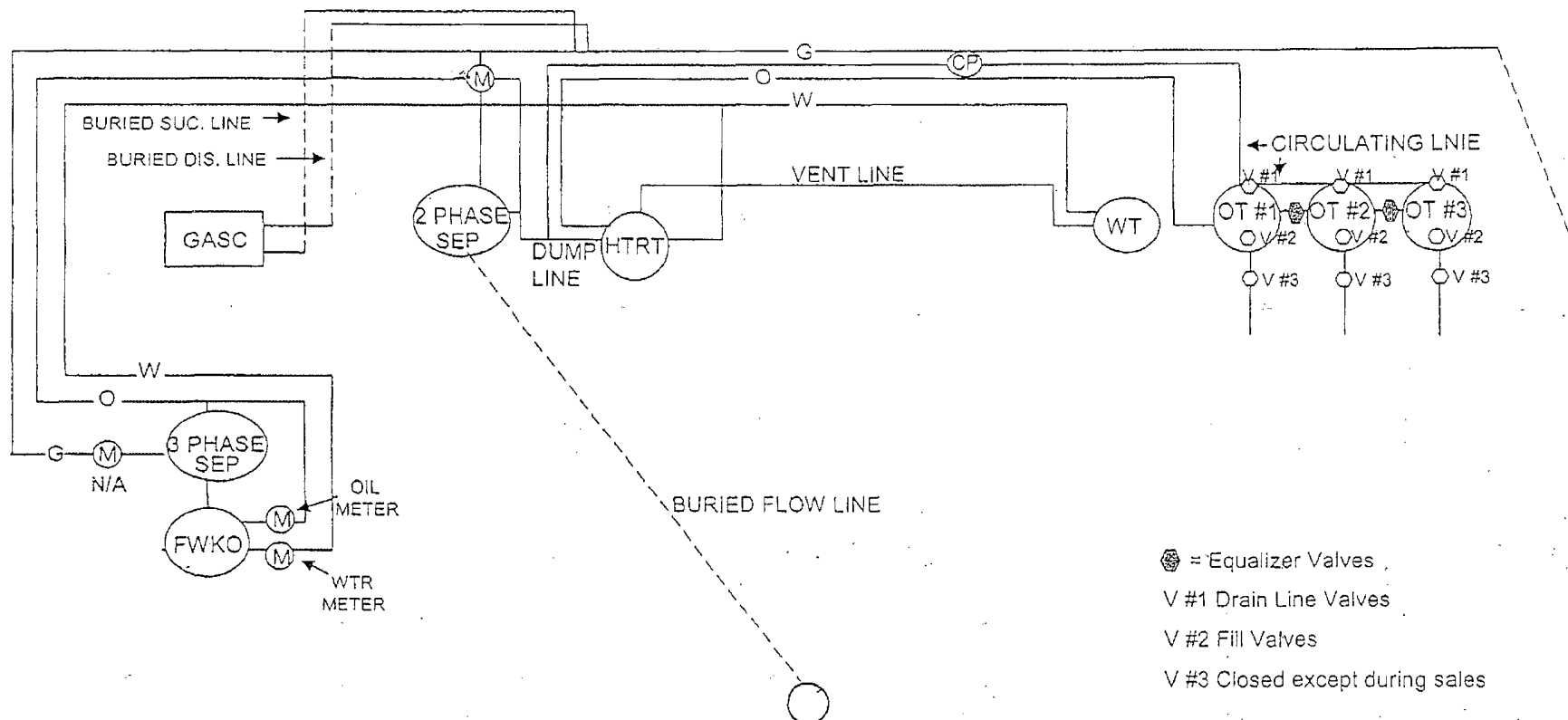
Typical 3,000 psi choke manifold assembly with at least these minimum features



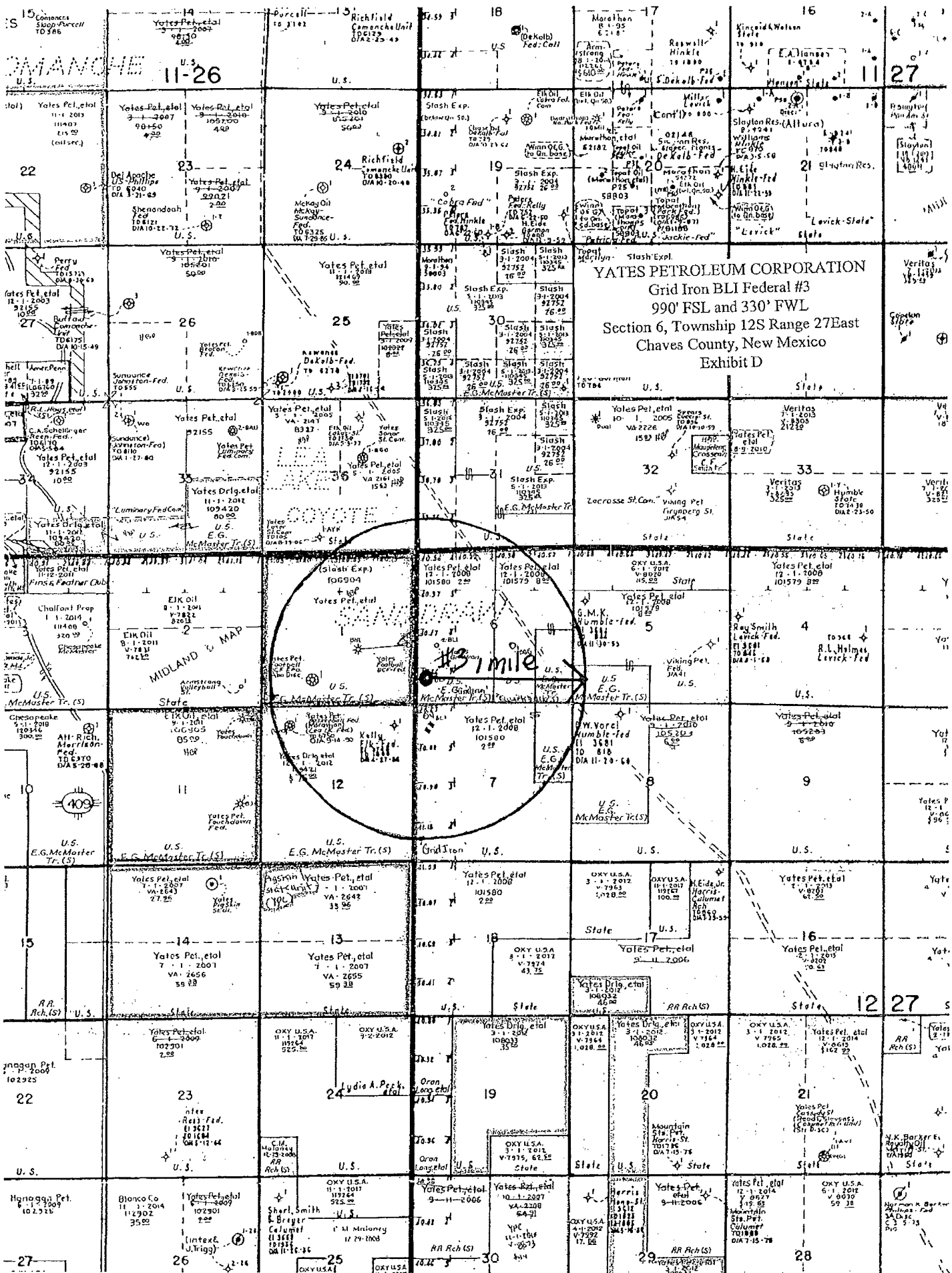


105 South 4th Street • Artesia, NM 88210
(575)-748-1471

-Danny Matthews
June, 2010



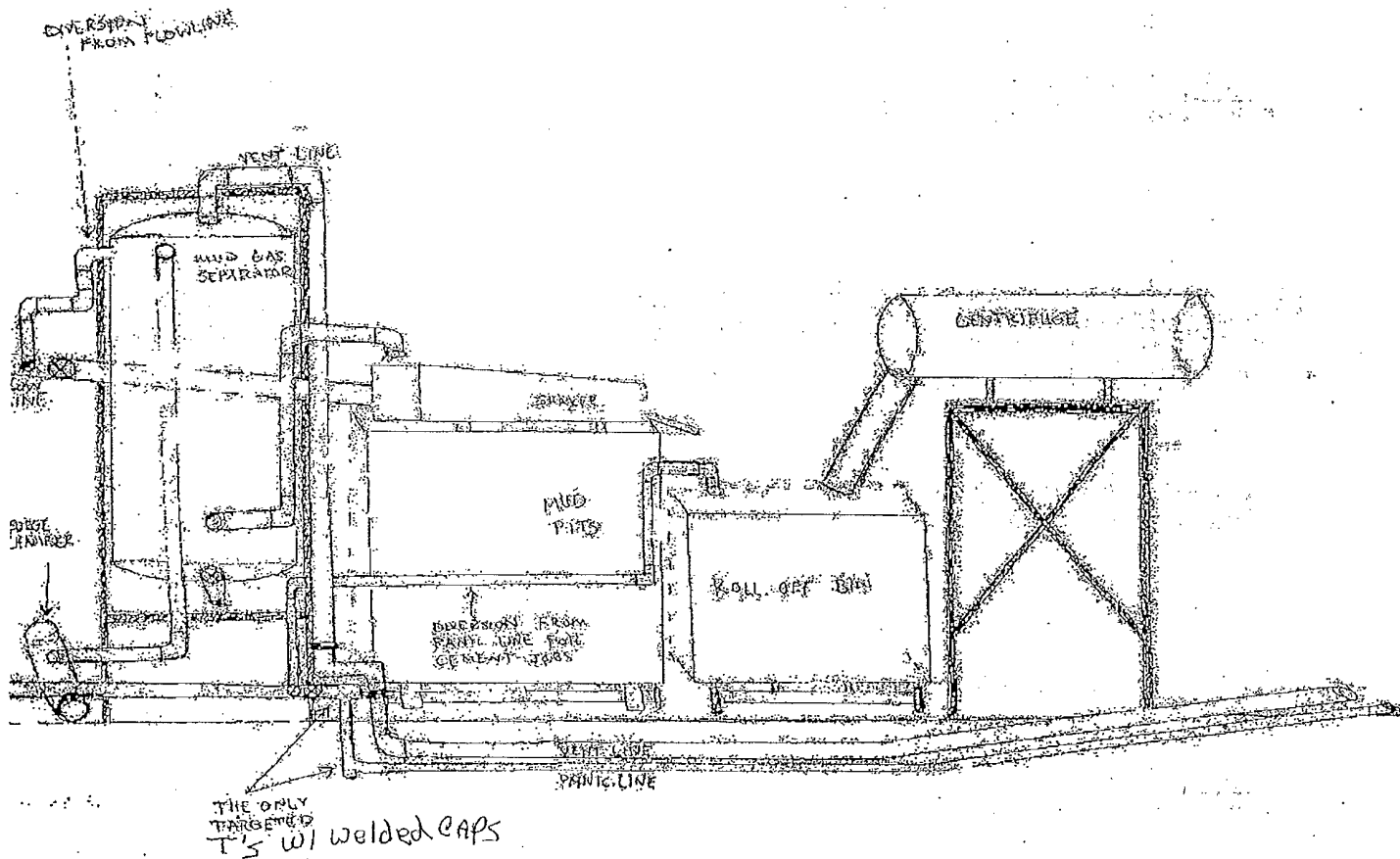
This diagram is subject to the Yates Petroleum Corporation August 1983 Security Plan
which is on file at 105 South 4th Street, Artesia, NM

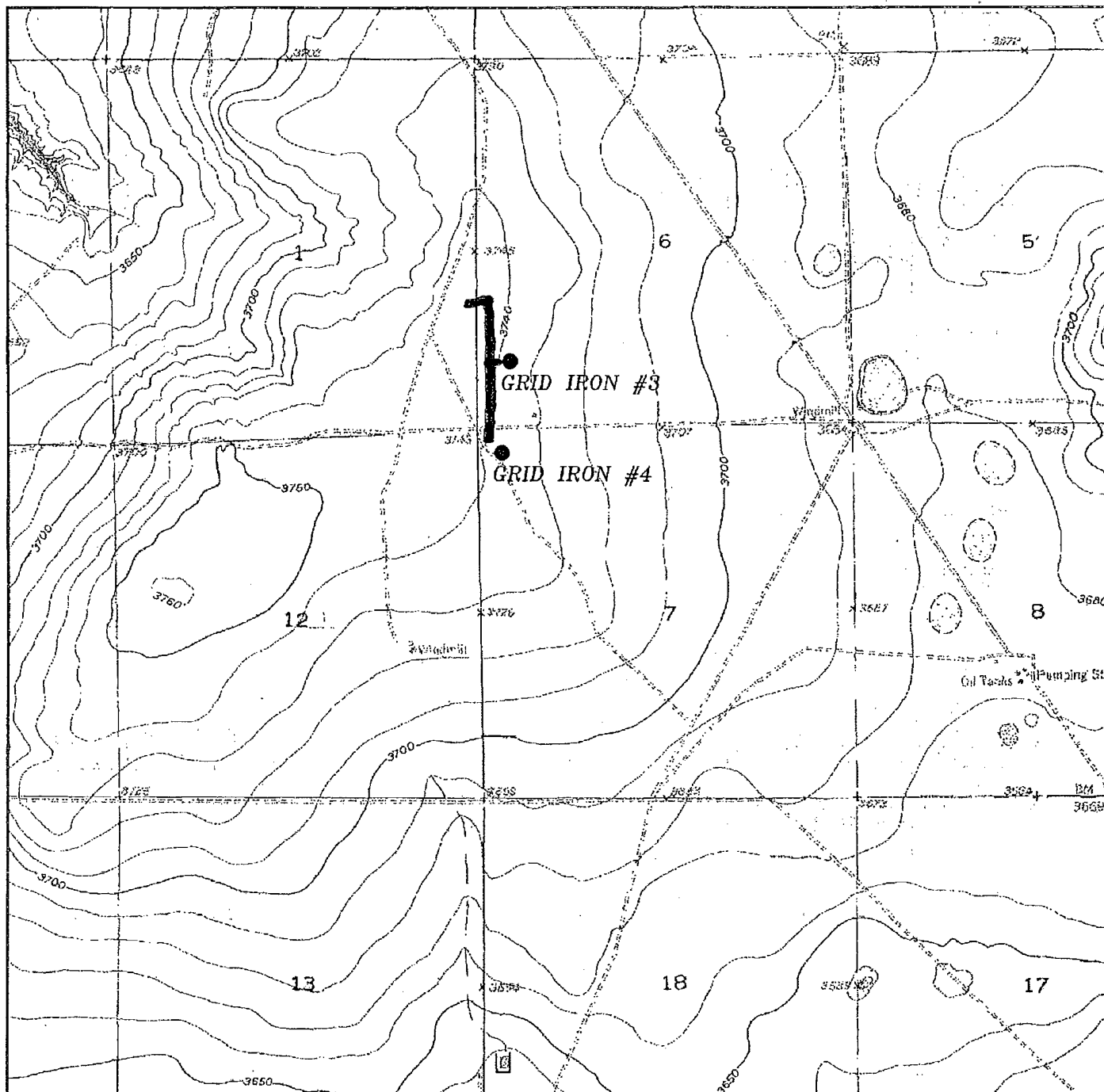


YATES PETROLEUM CORPORATION
Grid Iron BLI Federal #3
990' FSL and 330' FWL
Section 6, Township 12S Range 27East
Chaves County, New Mexico
Exhibit D

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

YATES PETROLEUM CORPORATION
Grid Iron BLI Federal #3
990' FSL and 330' FWL
Section 6, Township 12S Range 27East
Chaves County, New Mexico
Exhibit E





PROP. PIPELINE TO THE GRID IRON #3&4
 Section 1, Township 12 South, Range 26 East
 Sections 6&7, Township 12 South, Range 27 East,
 N.M.P.M., Chaves 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) 392-3074 - Fax
 basinsurveys.com

W.O. Number: KJG - 24018

Survey Date: 01-11-2011

Scale: 1" = 2000'

Date: 01-20-2011

YATES
PETROLEUM
CORP

SECTION 1, TOWNSHIP 12 SOUTH, RANGE 26 EAST, &
SECTION 6, TOWNSHIP 12 SOUTH, RANGE 27 EAST, N.M.P.M.
CHAVES COUNTY, NEW MEXICO.

T-11-S
T-12-S

R-26-E
R-27-E

OWNER: ELLIOTT G & EVELYN MCMASTER TRUST

S06°25'47"W
822.1'

N86°15'55"E
257.1'

FOOTBALL BHL #2

S00°19'22"W
1855.8'

GRID IRON #3

N33°18'16.47" W104°17'07.38"
0+00 BEGIN SURVEY AT BATTERY
0+42 YATES BPL
0+50 FENCE
0+88.7 SECTION LINE
2+57.1 PI 94°03'27" RT
2+69 YATES BPL
2+88 LEASE ROAD

21+05 LEASE ROAD
21+12.9 SECTION LINE

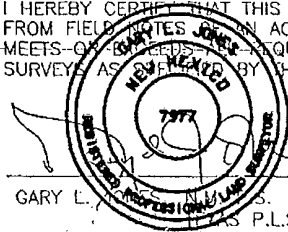
N89°04'07"E
165.6'

LEGAL DESCRIPTION

A STRIP OF LAND 30.0 FEET WIDE, LOCATED IN SECTION 1, TOWNSHIP 12 SOUTH, RANGE 26 EAST AND SECTION 6, TOWNSHIP 12 SOUTH, RANGE 27 EAST, N.M.P.M., CHAVES COUNTY, NEW MEXICO AND BEING 15.0 FEET LEFT AND RIGHT OF THE FOLLOWING DESCRIBED CENTERLINE SURVEY.

BEGINNING AT A POINT WHICH LIES S.06°25'47"W, 822.1 FEET FROM THE EAST QUARTER CORNER OF SAID SECTION 1; THENCE N.86°15'55"E, 257.1 FEET; THENCE S.00°19'22"W, 1855.8 FEET TO A POINT ON THE SOUTH SECTION LINE WHICH LIES N.89°04'07"E, 165.6 FEET FROM THE SOUTHWEST CORNER OF SAID SECTION 6. SAID STRIP OF LAND BEING 2112.9 FEET OR 128.05 RODS IN LENGTH.

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES OF AN ACTUAL SURVEY AND MEETS OR EXCEEDS THE REQUIREMENTS FOR LAND SURVEYS AS PRESCRIBED BY THIS STATE.



GARY L. JONES, S. No. 7977
CHAVES P.L.S. No. 5074

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

W.O. Number: 24018

Drawn By: K. GOAD

Date: 01-20-2011

Disk: KJG -- 24018P.DWG

1000 0 1000 2000 FEET

YATES PETROLEUM CORP.

REF: PROPOSED PIPELINE TO THE GRID IRON #4

A PIPELINE CROSSING FEE LAND IN

SECTION 1, TOWNSHIP 12 SOUTH, RANGE 26 EAST,
SECTION 6, TOWNSHIP 12 SOUTH, RANGE 27 EAST,

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

Survey Date: 01-11-2011

Sheet 1 of 2 Sheets

SECTION 7, TOWNSHIP 12 SOUTH, RANGE 27 EAST, N.M.P.M.
CHAVES COUNTY, NEW MEXICO.

N89°04'07"E
165.6'
S00°19'22"W
176.4'
S41°25'09"E
271.1'
S26°06'31"E
33.6'
21+12.9 SECTION LINE
21+19 FENCE
22+89.3 PL 26°25'53" LT
23+22.9 END OF SURVEY ON
NW CORNER OF PAD
GRID IRON #4 N33°17'56.26" W104°17'04.14"

R-26-E
R-27-E

OWNER: U.S.A.

LEGAL DESCRIPTION

A STRIP OF LAND 30.0 FEET WIDE, LOCATED IN SECTION 7, TOWNSHIP 12 SOUTH, RANGE 27 EAST, N.M.P.M., CHAVES COUNTY, NEW MEXICO AND BEING 15.0 FEET LEFT AND RIGHT OF THE ABOVE PLATTED CENTERLINE SURVEY.

210.0 FEET = 12.73 RODS = 0.04 MILES = 0.14 ACRES

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES ON AN ACTUAL SURVEY AND MEETS OR EXCEEDS THE REQUIREMENTS FOR LAND SURVEYS AS PRESCRIBED BY THIS STATE.



GARY L. YATES, S. No. 7977
P.L.S. No. 5074

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

W.O. Number: 24018 Drawn By: K. GOAD

Date: 01-20-2011 Disk: KJG - 24018P.DWG

1000 0 1000 2000 FEET

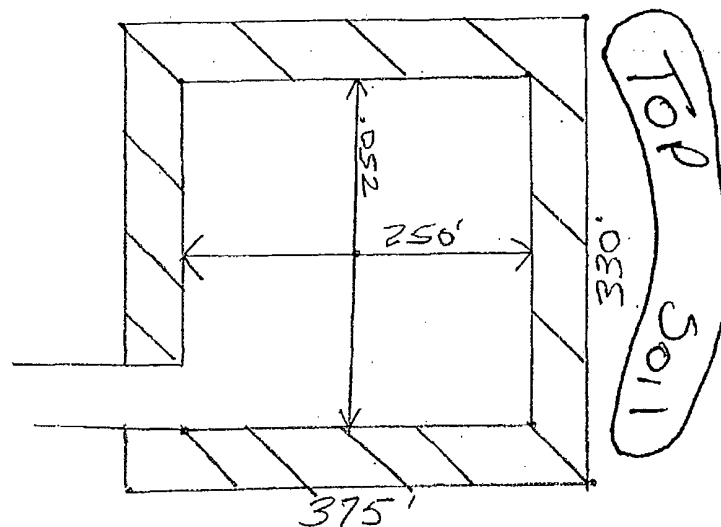
YATES PETROLEUM CORP.

REF: PROPOSED PIPELINE TO THE GRID IRON #4

A PIPELINE CROSSING FEE LAND IN
SECTION 7, TOWNSHIP 12 SOUTH, RANGE 27 EAST,
N.M.P.M., CHAVES COUNTY, NEW MEXICO.

Survey Date: 01-11-2011 Sheet 2 of 2 Sheets

YATES PETROLEUM CORPORATION
Grid Iron BLI Federal #3
RECLAMATION PLAT
FOR LOCATION



Not to Scale

Final Reclamation
May be different
from this Diagram

