

BLM approves federal wells in potash area so we do not have to worry about this.

STATE & FEE LEASES

Post to map and if within the potash area outlined on map or within 1 mile of that area do the following:

- 1) Make certain operator has filed a plat of the area showing the potash lessees for the area where the well is located as well as the 1-mile radius referred to.
- 2) Make certain operator has notified all of the potash lessees by certified mail of the APD. They must send copy of delivery notice to us since 20-day waiting period starts from delivery date.
- 3) Send letter to BLM and SLO advising them of this APD and request they advise if this location is within LMR or buffer zone.

BUFFER ZONE -- shallow well is 1/4 mile of LMR
-- deep well is 1/2 mile of LMR

- 4) If application is within LMR or buffer zone you must DENY it under R-111-P unless, there is a mutual agreement of lessor and lessees of oil & gas and potash interests. Copy of this agreement must be submitted with APD.
- 5) If application is outside LMR or buffer zone and no objection is received within 20 days from date of receipt by potash lessees of certified notice, the APD may be approved.

CHECK LIST FOR PROCESSING APD IN POTASH AREA

OPERATOR: Ferguson Oil & Ranch Ltd

LEASE & WELL Quail 16 State Com #3H

LOCATION M-16-20s-34e PROPOSED DEPTH 5320'

DATE APD RECEIVED 11/21/11 WAS PLAT OF AREA ATTACHED _____

WERE ALL POTASH LESSEES NOTIFIED BY CERTIFIED MAIL? _____

20-DAY WAITING PERIOD BEGINS _____ ENDS _____

WERE WAIVERS RECEIVED? _____

DATE SLO NOTIFIED 11/28/11 DATE REPLY RECEIVED 11/30/11

DATE BLM NOTIFIED 11/28/11 DATE REPLY RECEIVED 12/16/11

IS LOCATION INSIDE LMR OR BUFFER ZONE? YES _____ NO X K2

IF LOCATION INSIDE LMR OR BUFFER ZONE WAS LESSEE/LESSOR AGREEMENT FURNISHED _____

DATE APD APPROVED 12/8/11 DATE APD DENIED _____

30-025-40361



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



Bureau of Land Management

ATT: Craig Cranston
P O Box 1778
Carlsbad, NM 88221

State Land Office

ATT: Joe Mraz
P O Box 1148
Santa Fe, NM 87504

RE: APPLICATION FOR PERMIT TO DRILL IN POTASH AREA

OPERATOR: Fasken Oil and Ranch LTD

LEASE NAME: Quail 16 State Com #3H

PROPOSED LOCATION: M-16-20s-34e, 660/S & 330/W

PROPOSED DEPTH: 15,320 MD; 10,950 TVD; BHL P-16-20s-34e

Gentlemen:

The application for permit to drill identified above has been filed with this office of the New Mexico Oil Conservation Division. Pursuant to the provisions of Oil Conservation Division Order R – 111 – P, please advise this office whether the location is within an established Life-of-Mine-Reserve are filed with an approved by your office. If not, please advise whether it is within the buffer Zone established by the order.

Thank you for your assistance. Please return as soon as possible.

Very truly yours,

OIL CONSERVATION DIVISION

EL Gonzales
Acting Supervisor, District I

Response:

The above reference location is in the LMR 2011 year) ----- Yes ____ No ✓

The above reference location is within the Buffer Zone ----- Yes ____ No ✓

Signed

Date 11-28-2011

Printed Signature

JAMES RUTLEY

Representing

BLM - CFO



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HOBBS OCD

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NOV 30 2011

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RECEIVED

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OIL CONSERVATION DIVISION

EL Gonzales
Acting Supervisor, District I

Response:

The above reference location is in the LMR (2011 year) ----- Yes _____ No X

The above reference location is within the Buffer Zone ----- Yes _____ No X

Signed Lanny J. Rybal Date 11/28/11

Printed Signature Lanny J. Rybal

Representing State Land Office

*11-28-11
Jm*

