

GUIDELINES FOR PROCESSING APD FOR WELL IN POTASH AREA -- R-111-P

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: Yates Petroleum Corp

LEASE & WELL Spring AKJ State # 1-B

LOCATION 2-20s-32e, 33D/N & 2310/E PROPOSED DEPTH 8000'

DATE APD RECEIVED 4/26/05 WAS PLAT OF AREA ATTACHED \_\_\_\_\_

WERE ALL POTASH LESSEES NOTIFIED BY CERTIFIED MAIL? 4/28/05

20-DAY WAITING PERIOD BEGINS \_\_\_\_\_ ENDS \_\_\_\_\_

WERE WAIVERS RECEIVED? Object Rec 5/4/05

DATE SLO NOTIFIED 4/26/05 DATE REPLY RECEIVED 5/2/05

DATE BLM NOTIFIED 4/26/05 DATE REPLY RECEIVED 4/27/05

IS LOCATION INSIDE LMR OR BUFFER ZONE? YES X NO \_\_\_\_\_

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

DATE APD APPROVED \_\_\_\_\_ DATE APD DENIED 5/4/05



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**  
Cabinet Secretary

**Lori Wrotenberg**

Director

**Oil Conservation Division**

BUREAU OF LAND MANAGEMENT  
P O Box 1778 *Att: Craig Cranston*  
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 Yates Petroleum Corp

LEASE NAME Spring AKJ State #1-B

PROPOSED LOCATION 2-2Ds-32e, 330N & 2310E

PROPOSED DEPTH 8000'

Gentlemen:

The application for permit to drill identified above has been filled 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 area filed with and 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

Chris Williams  
Supervisor, District I



RESPONSE:

The above-referenced location is in LMR ----- Yes X

No \_\_\_\_\_

The above-referenced location is within the buffer zone ----- Yes \_\_\_\_\_

No \_\_\_\_\_

Signed *Chris Williams*

Date 4/27/05

Representing SLC

*Jon*  
*4-26-05*



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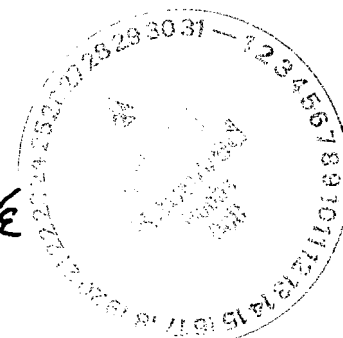
RE: APPLICATION FOR PERMIT TO DRILL IN POTASH AREA

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Very truly yours,

OIL CONSERVATION DIVISION

Chris Williams

Supervisor, District I

**RESPONSE:**

The above-referenced location is in LMR \_\_\_\_\_ Yes ☒ No \_\_\_\_\_

The above-referenced location is within the buffer zone \_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_

Signed *Craig Cranston*

Date APRIL - 26 - 2005

Representing \_\_\_\_\_



Mosaic Potash Carlsbad Inc.  
PO Box 71  
1361 Potash Mines Road  
Carlsbad, NM 88220  
www.mosaicco.com

Tel 505-887-2871  
Fax 505-887-0589

May 2, 2005

**RECEIVED**

MAY 03 2005

**MAIL ROOM**

Mr. Cy Cowan  
Regulatory Agent  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, NM 88210-2118

Dear Mr. Cowan:

We are in receipt of your letter dated April 27, 2005 concerning a APD's for four wells in Section 2, T-24-S, R-31-E. Mosaic Potash Carlsbad Inc. does have a potash lease that includes all of that Section.

Your current requests are to drill the Spring AJK State #1, #2, #3, and #4 test wells vertically within Section 2, all of which is within Mosaic Potash's LMR as designated in accordance with NMOCC Order R-111-P. This area contains valuable sylvite reserves, therefore Mosaic must object to these locations for oil test wells.

As more information becomes available, our estimates of the extent of potash resources in any given area may change. If you are still considering these well locations at a date later than one year from today, notify us again at that time so we can make a new decision on information current at that time. Do not consider a "no objection offered" or an "objection offered" decision to be permanent.

Drilling the wells applied for by Yates definitely constitute hazards to proposed mining in this area.

Mosaic Potash Carlsbad Inc. objects the drilling of these 4 wells in Section 2, T20S, R32E. Mosaic Potash submits this letter in addition to the form requested.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Morehouse". The signature is fluid and cursive, with a long horizontal stroke at the end.

Dan Morehouse  
Mine Engineering Superintendent

cc: Don Purvis                      David Waugh  
     Craig Cranston                Tim Gum

MARTIN YATES, III  
1912 - 1985  
FRANK W. YATES  
1936 - 1986



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210-2118

TELEPHONE (505) 748-1471

D. P. YATES  
CHAIRMAN OF THE BOARD  
JOHN A. YATES  
PRESIDENT  
PEYTON YATES  
EXECUTIVE VICE PRESIDENT  
RANDY G. PATTERSON  
SECRETARY  
DENNIS G. KINSEY  
TREASURER

April 27, 2005

Mr. Dan Moorehouse  
Mosaic Potash Carlsbad Inc.  
P. O. Box 71  
Carlsbad, New Mexico 88220

Dear Mr. Moorehouse:

Yates Petroleum Corporation is the operator of the Oil and Gas Lease VO-3426. We have staked the following locations:

Spring AJK State #1	Spring AJK State #2	Spring AJK State #3
330' FNL & 2310' FEL	1650' FNL & 330' FEL	330' FSL & 1650' FEL
Section 2-T20S-R32E	Section 2-T20S-R32E	Section 2-T20S-R32E

Spring AJK State #4  
330' FSL & 330' FEL  
Section 2-20S-R32E

An applications to Drill are being filed with the Oil Conservation District in Hobbs, New Mexico. The total depth of these wells will be 8000' Delaware.

Yates has been advised that your company is the owner of record of certain potash leases in this area. We respectfully request that you waive any objection you may have to this proposed well location and so indicate by signing and returning one copy of this letter in the enclosed envelope.

Your favorable consideration of this request will be greatly appreciated.

Sincerely,

Yates Petroleum Corporation

*Clifton R. May*  
Clifton R. May, Regulatory Agent

NO OBJECTIONS OFFERED  
MOCAIC POTASH CARLSBAD

By \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

OBJECTIONS OFFERED  
MOCAIC POTASH CARLSBAD

By *[Signature]*  
Title: *MINE ENGINEERING SUPT*  
Date: *MAY 2, 2005*