

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: Gray Petroleum Management Co

LEASE & WELL Maduro Unit #6-A

LOCATION 32-195-33e, 660/N 9 1310/E PROPOSED DEPTH 14000

DATE APD RECEIVED 5/3/05 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 5/3/05 DATE REPLY RECEIVED 5/16/05

DATE BLM NOTIFIED 5/3/05 DATE REPLY RECEIVED 5/12/05

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

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

DATE APD APPROVED _____ DATE APD DENIED _____



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
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 Gray Petroleum Management Co

LEASE NAME Maduro Unit #6-A

PROPOSED LOCATION 32-95-33E, 660/W & 1310/E

PROPOSED DEPTH 14000'

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 _____

No X JRM
5/3/05
330 P

The above-referenced location is within the buffer zone -----Yes _____

Signed [Signature] Date 5/3/05

Representing SLO



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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 [Signature] Date 5-9-05

Representing BZM