

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-HOBBS

H-06-37
5/10/06
Cody

OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-59392	
b. Type of Well: <input checked="" type="checkbox"/> Oil <input type="checkbox"/> Gas <input type="checkbox"/> Other <input type="checkbox"/> Single <input checked="" type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name Not Applicable	
2. Name of Operator Yates Petroleum Corporation		7. If Unit or CA Agreement, Name and N Not Applicable	
3A. Address 105 South Fourth Street Artesia, New Mexico 88210		8. Lease Name and Well No. (2527) Lusk AHB Federal #10	
3b. Phone No. (include area code) (505) 748-1471		9. API Well No. 30-025-38061	
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 330' FNL & 330' FWL, Unit Letter D. At proposed prod. Zc same as above		10. Field and Pool, or Exploratory East Lusk Delaware	
14. Distance in miles and direction from nearest town or post office* 37 miles northeast of Carlsbad, New Mexico		11. Sec., T., R., M., or Blk, and Survey or A Section 35, T19S-R32E	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 330'		12. County or Parish Lea County	
16. No. of Acres in lease 640		13. State New Mexico	
17. Spacing Unit dedicated to this well 40 acres			
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1980'		20. BLM/BIA Bond No. on file NM-2811	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3577' GL		22. Approximate date work will start* ASAP	
		23. Estimated duration 40 Days	

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- | | |
|--|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest System Land SUPO shall be filed with the appropriate Forest Service Office. | 6. Such other site specific information and/or plans as may be required authorized office. |

25. Signature Clifton R. May	Name (Printed/Typed) Clifton R. May	Date 5/9/2006
Title: Regulatory Agent		
Approved by (Signature) /s/ Jesse J. Juen	Name (Printed/Typed) /s/ Jesse J. Juen	Date AUG 02 2006
Title FOR STATE DIRECTOR	Office NM STATE OFFICE	

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse) **C-144 attached to APD for drilling pits

Witness Surface &
Intermediate Casing

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
DISTRICT II
811 South First, Artesia, NM 88210
DISTRICT III
1000 Rio Brazos Rd., Antec, NM 87410
DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-38061	Pool Code 41520	Pool Name EAST LUSH DELAWARE
Property Code 12527	Property Name LUSH "AHB" FEDERAL	Well Number 10
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3577

Surface Location

UL or lot No. D	Section 35	Township 19S	Range 32E	Lot Idn	Feet from the 330	North/South line NORTH	Feet from the 330	East/West line WEST	County LEA
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Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

3577 3576

330° 330° 3573 3576 NM-59392	N.32°37'23.5" W.103°44'39.7" N.590954.6 E.722666.8 (NAD-84)		

OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Clifton R. May
Signature
CLIFTON R. MAY
Printed Name
REGULATORY AGENT
Title
MAY 9, 2006
Date

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

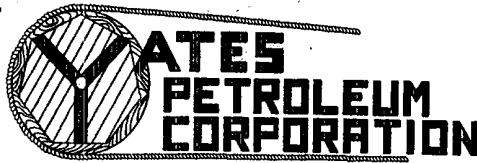
4/11/2006
Date Surveyed

Herschel Jones
Signature & Seal of Professional Surveyor
3640
Certificate No. **Herschel Jones RLS 3640**
LUSH
GENERAL SURVEYING COMPANY

0 330' 660' 990' 1650' 1980' 2310' 2310' 1980' 1650' 990' 660' 330' 0'

MARTIN YATES, III
1912-1985

FRANK W. YATES
1936-1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S.P. YATES
CHAIRMAN EMERITUS

JOHN A. YATES
CHAIRMAN OF THE BOARD

PEYTON YATES
PRESIDENT

FRANK YATES, JR.
EXECUTIVE VICE PRESIDENT

JOHN A. YATES, JR.
SENIOR VICE PRESIDENT

April 25, 2006

Mr. Dan Morehouse
Mosaic Potash Carlsbad Inc.
P. O. Box 71
Carlsbad, New Mexico 88211

Re: Lusk AHB Federal #10
330' FNL & 330' FWL
Section 35-T19S-R32E
Lea County, New Mexico

Dear Mr. Morehouse:

Mr. Morehouse, you are correct about the Lusk #10 well being a Delaware well. Yates drills into the top of the Bone Springs formation to allow for room to complete the well in the Delaware formation. There will be no attempt to complete the well in the Bone Springs formation.

Thank you for your letter. I hope that this clarifies Yates intentions for drilling a Delaware well. Should you have additional questions, please call me at (505) 748-4347.

Sincerely,

Yates Petroleum Corporation

Clifton R. May, Regulatory Agent



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

RECEIVED
APR 24 2006
MAIL ROOM

April 21, 2006

Mr. Clifton R. May
Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210-2118

Dear Mr. May:

We are in receipt of your letter dated April 12, 2006 (postmarked April 17) concerning a APD's for three wells in Section 35, T-19-S, R-32-E. (For the purposes of this response we are assuming the location listed in the cover letter for the #11 well was mistakenly listed as R-35-E.) Mosaic Potash Carlsbad Inc. does have a potash lease that includes all of Section 35, T-19-S, R-32-E.

Your current requests are to drill the Lusk AHB Federal #7, #10, and #11 test wells vertically to the Bone Springs formation. Mosaic Potash's LMR as designated in accordance with NMOCC Order R-111-P encompasses the southern two thirds of this section. The locations given for #7 (2310' FNL & 2310' FWL) and #11 (2310' FNL & 330' FWL) are within this LMR and within the Potash Enclave as designated by the BLM. This area contains valuable sylvite reserves, therefore Mosaic must object to the locations for oil test wells #7 and #11.

The #10 test well location (330' FNL & 330' FWL) is just over ¼ mile from the Mosaic's reserves and would be acceptable to Mosaic if it were a Delaware hole as indicated on the Notice of Staking. However, your cover letter discusses the Bone Springs formation. Mosaic objects to the location of the #10 well if the Bone Spring is one of its target formations. However, drilling a short distance into the Bone Springs solely for the purpose of allowing completion of the Delaware is acceptable. Please clarify this issue so that Mosaic can provide this location appropriate consideration.

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.

Mosaic Potash Carlsbad Inc. objects the drilling of the #7 and #11 wells, and requests clarification on the #10 well. Mosaic Potash submits this letter in addition to the form requested.

Sincerely,

Dan Morehouse
Mine Engineering Superintendent

cc: Don Purvis

David Waugh

Craig Cranston

WF

MARTIN YATES, III
1912-1985

FRANK W. YATES
1936-1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

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EXECUTIVE VICE PRESIDENT

JOHN A. YATES, JR.
SENIOR VICE PRESIDENT

April 12, 2006

Mr. Dan Moorehouse
Mosaic Potash Carlsbad Inc.
P. O. Box 71
Carlsbad, New Mexico 88211

Dear Mr. Moorehouse:

Yates Petroleum Corporation is the operator of the Oil and Gas Lease NM-59392. We have staked the following locations:

Lusk AHB Federal #7
2310' FNL & 2310' FWL
Section 35-T19S-R32E
Lea County, New Mexico

[REDACTED]
330' FNL & 330' FWL
Section 35-T19S-R32E
Lea County, New Mexico

Lusk AHB Federal #11
2310' FNL & 330' FWL
Section 35-T19S-R35E
Lea County, New Mexico

Applications to Drill are being filed with the Bureau of Land Management in Carlsbad, New Mexico. The Lusk AHB Federal wells #7, #10, and #11 will be 8,750' Bone Springs.

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
MOSAIC POTASH

OBJECTIONS OFFERED
MOSAIC POTASH

By _____
Title: _____
Date: _____

By _____
Title: _____
Date: _____

NOTICE OF STAKING

(Not to be used in place of
Application for Permit to Drill Form 3160-3)

5. Lease Number NM-59392	
6. If Indian, Allottee or Tribe Name	
7. Unit Agreement Name	
8. Farm or Lease Name Lusk AHB Federal	
9. Well No. 10	
10. Field or Wildcat Name E. Lusk Delaware	
11. Sec., T., R., M., or Blk. and Survey or Area Section 35-T19S-R32E	
12. County or Parish Lea County	13. State NM

1. Oil Well ☒ Gas Well ☐ Other

2. Name of Operator
Yates Petroleum Corporation

3. Address of Operator or Agent
105 South Fourth Street, Artesia, NM 88210

4. Surface Location of Well
(Governmental 1/4 or 1/4 1/4)
330' FNL & 330' FWL, NWNW

Attach: Topographical or other acceptable map
showing location, access road, and lease boundaries.

15. Formation Objective(s)
Delaware

16. Estimated Well Depth
8000'

16. To be Completed by Operator Prior to Onsite

- a. Location must be staked
- b. Access road flagged
- c. Sketch and/or map of location, showing road, pad dimensions, reserve pit, cuts, and fills
(To be provided at onsite)

17. To be Considered by Operators Prior to Onsite

- a. H₂S Potential
- b. Private Surface Ownership
- c. Cultural Resources (Archaeology)
- d. Federal Right of Way

18. Additional Information

Federal surface administered by the Bureau of Land Mangement.

14. Signed Clifton R. May Title Regulatory Agent Date 4/13/06
Clifton R. May

DISTRICT I

1636 N. French St., Hobbs, NM 88240

DISTRICT II

831 South First, Artesia, NM 88210

DISTRICT III

1808 N. Bruno Rd., Amico, NM 87410

DISTRICT IV

2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico

Geology, Minerals and Natural Resources Department

Form C-102

Revised March 17, 1990

Instruction on back

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number	Pool Code	Pool Name E. LUSK DELAWARE
Property Code	Property Name LUSK "NHB" FEDERAL	Well Number 10
OCED No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3577

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	35	19S	32E		330	NORTH	330	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

3577 3576	330' 0"	N. 32° 37' 23.5" W. 103° 44' 39.7" N. 590954.6 E. 722666.8 (NAD-84)							
3573 3576									

OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Signature CLIFTON R. MAY

Printed Name REGULATORY AGENT

Title 4/13/06

Date


SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual survey made by me or under my supervision and that the same is true and correct to the best of my belief.

4/11/2006

Date Surveyed

Signature of State of Professional Surveyor



Certificate No. Herson J. Jones RLS 3640

LUSK OIL FIELD

YATES PETROLEUM COMPANY

0 330' 660' 990' 1650' 1980' 2310' 2970' 3300' 3630' 3960' 4290' 4620' 4950' 5280' 5610' 5940' 6270' 6600' 6930' 7260' 7590' 7920' 8250' 8580' 8910' 9240' 9570' 9900' 0'

YATES PETROLEUM CORPORATION

Lusk AHB Federal #1

330' FNL and 330' FWL

Section 35-T19S-R32E

Lea County, New Mexico

1. The estimated tops of geologic markers are as follows:

Rustler	1,080'	Cherry Canyon	4,920'
Yates	2,910'	Brushy Canyon	6,250'
Seven Rivers	3,260'	Bone Springs	7,750'
Bell Canyon	4,540'	TD	8,000'
2. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:
Water: 500'
Oil or Gas: All potential formations.
3. Pressure Control Equipment: BOPE will be installed on the 8 5/8" casing and rated for 3000# BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings, which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.

Auxiliary Equipment:

A. Auxiliary Equipment: Kelly cock, pit level indicators, flow sensor equipment and a sub with full opening valve to fit the drill pipe and collars will be available on the rig floor in the open position at all times for use when kelly is not in use.

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

A. Casing Program: (All New)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
17.5"	13.375"	48#	H-40	ST&C	0-1100'	1100'
11"	8.625"	32#	J-55	ST&C	0-100"	100'
11"	8.625"	24#	J-55	ST&C	100-2100'	2000'
11"	8.625"	32#	J-55	ST&C	2100-4200'	2100'
11"	8.625"	32#	HCK-55	LT&C	4200-4500'	300'
7.875"	5.5"	17#	J-55	LT&C	0-100'	100'
7.875"	5.5"	15.5#	J-55	LT&C	100-7600'	7500'
7.875"	5.5"	17#	J-55	LT&C	7600-8000'	400'

1. Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, and Tensile Strength 1.8
2. A 3,000 psi BOP will be nipped up on the 8 5/8" casing and tested to 3000 psi .

B. CEMENTING PROGRAM:

Surface Casing: Cement with 600 sx C Lite (YLD 2.0 WT 12.5). Tail in with 200 sx class "C" (YLD 1.32 WT 14.8).

Intermediate Casing: 1000 SX C lite (YLD 2.0WT 12.50) and tail in with 200 sx class C (YLD 1.34 WT 14.8)

Production Casing: Stage 1--750 sx Super H (YLD 1.67 WT 13). TOC 4450'.

Stage 2--700 sx C Lite (YLD 2 WT 12.5). Tail in 100 sx C (YLD 1.33 Wt 14.8).
TOC-Surface.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-1100'	FW GEL	9.3-9.6	34-40	N/C
1100'-4500'	Brine Water	10.0-10.2	28-33	N/C
4500'-8000'	Cut Brine	8.6-8.7	28-29	N/C

Sufficient mud material(s) to maintain mud properties, control lost circulation and contain a blow out will be available at the well site during drilling operations. Rig personnel will check mud hourly.

6. EVALUATION PROGRAM:

Samples: 10' samples out from under surface casing.
Logging: Platform Express-CMR
Coring: None
DST's: As warranted

7. ABNORMAL CONDITIONS, BOTTOM HOLE PRESSURE, AND POTENTIAL HAZARDS:

Anticipated BHP:

From: 0	TO: 1100'	Anticipated Max. BHP: 550 PSI
From: 1100'	TO: 4500'	Anticipated Max. BHP: 2385 PSI
From: 4500	TO: 8000'	Anticipated Max. BHP: 6975 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 99 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 40 days to drill the well with completion taking another 40 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Lusk AHB Federal #10
330' FNL & 330' FWL
Section 35-T19S-R33E
Lea 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 12 miles south of Maljamar, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go east of Artesia on highway 82 to the Junction with 529. Turn right and go east about 7 miles to Maljamar Road (Co. Rd. 126). Turn right and go south about 10 miles to a pipe line road across from Dry Lake Road. Turn left through cattle guard and go east about 2.2 miles (just through cattle guard). Turn right and go south about 1.3 miles. Turn east and go about 1.7 miles and turn south. Then go about 1 mile and turn right for about 800' and the road turns south. Go about 0.4 mile to the Lusk #3 location. The new road will start here and go about 0.1 mile south and turn northwest thru cattle guard (replaces gate). Go about 0.5 mile north and turn left. Go about 0.35 mile and turn north about 0.1 mile to the southeast corner of pad.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 1 mile in length from the point of origin to the southeast corner of the drilling pad.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on both sides. One traffic turnout may be needed.
- D. The route of the road is visible.
- E. Existing roads will be maintained in the same or better condition.
- F. One cattle guard will be needed.

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. No power will be required if the well is a producing gas well.

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 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. Drill cuttings will be disposed of in the reserve pits.
- B. The reserve pits will be constructed and reclamation done according to NMOCD guidelines.
- C. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- 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:

Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach. Note: Pits to North.


- A. The reserve pits will be plastic lined with 20 mil.
- B. 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. Unguarded pits, if any, containing fluids will be fenced until they have dried and been leveled.
- C. 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. All pits will be reclaimed as required by the Oil Conservation Division.

11. SURFACE OWNERSHIP:
Federal lands administrated by the Bureau of Land Management.
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.
13. OPERATOR'S REPRESENTATIVE:
 - A. Through A.P.D. Approval:
Clifton R. May, Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471
 - B. Through Drilling, Completions & Prod.
Pinson McWhorter, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471
14. CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Yates Petroleum Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.


Clifton R. May, Regulatory Agent

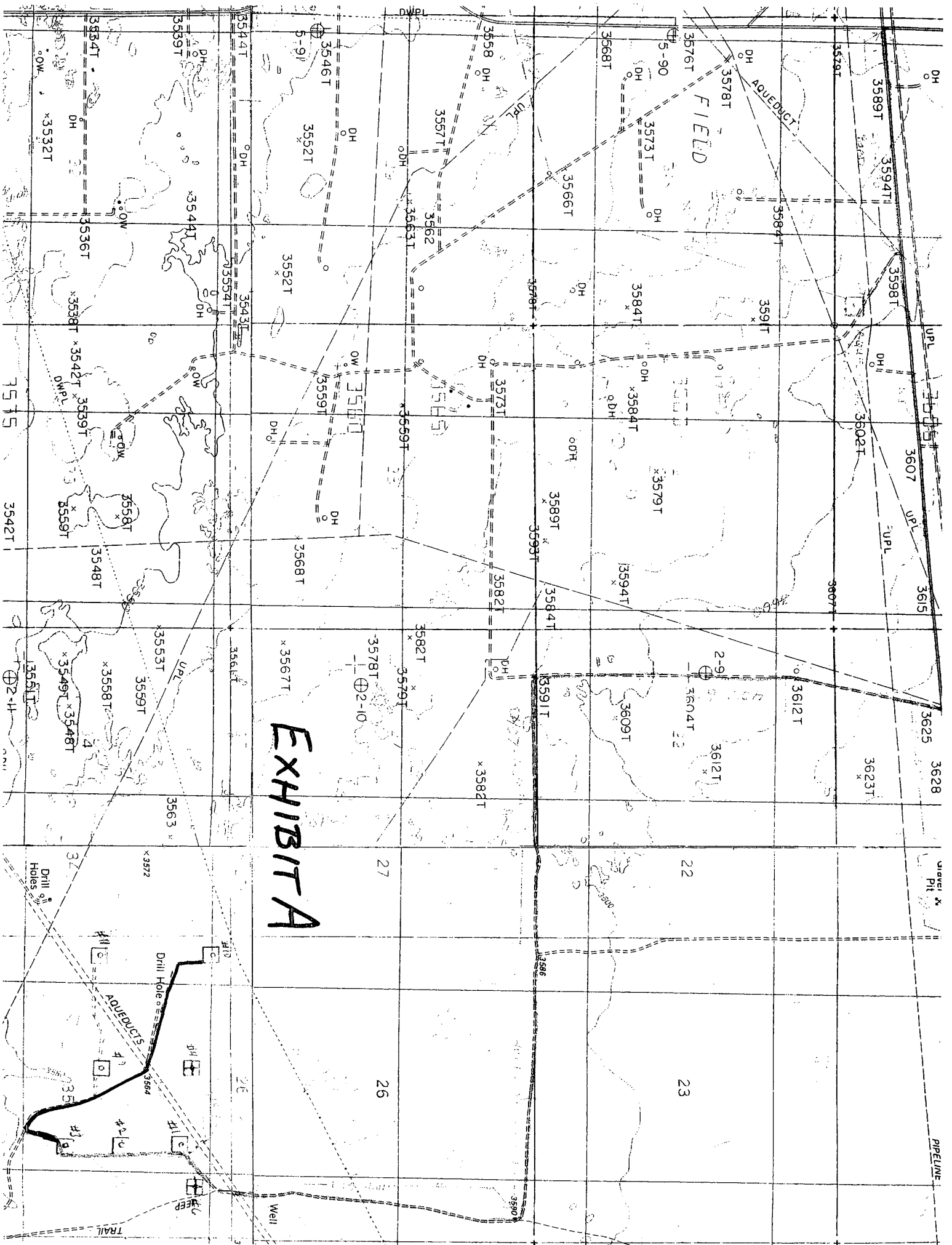


EXHIBIT A

SECTION 35, TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM, LEA COUNTY, NEW MEXICO.

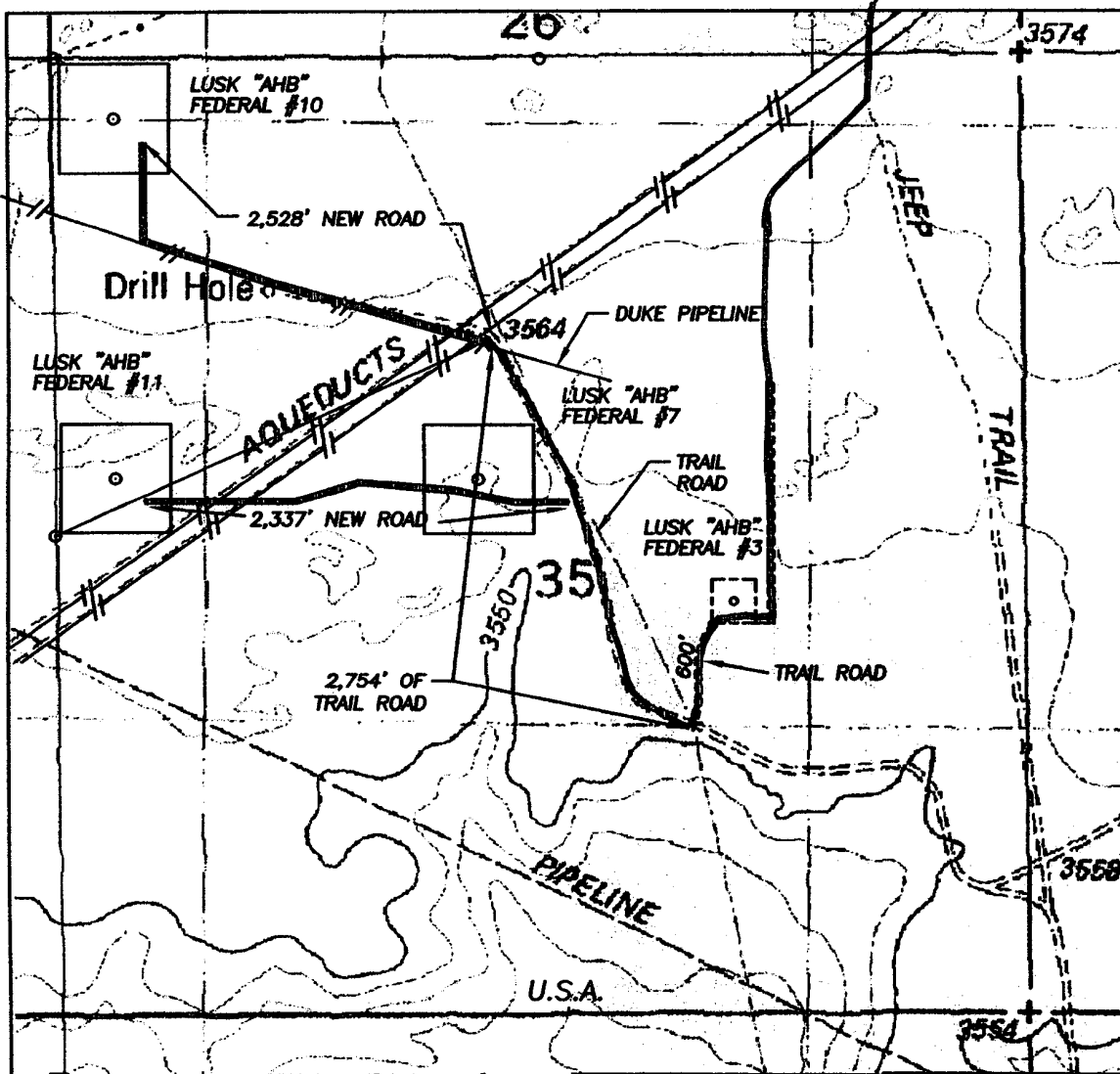
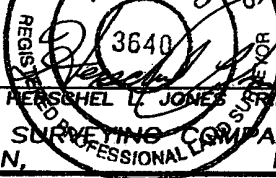


EXHIBIT A,

1000' 0 1000' 2000'
Scale 1" = 1000'

THE PREPARATION OF THIS PLAT AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE DONE UNDER MY DIRECTION AND THE PLAT ACCURATELY DEPICTS THE RESULTS OF SAID SURVEY AND MEET THE REQUIREMENTS OF THE STANDARDS FOR LAND SURVEYS IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.

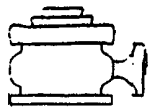


GENERAL SURVEYING COMPANY P.O. BOX 1928
LOVINGTON, NEW MEXICO 88260

YATES PETROLEUM CORP.

LEASE ROAD TO ACCESS THE YATES LUSK "AHB" FEDERAL #7, 10, & 11 WELLS, LOCATED IN SECTION 35, TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM, LEA COUNTY, NEW MEXICO.

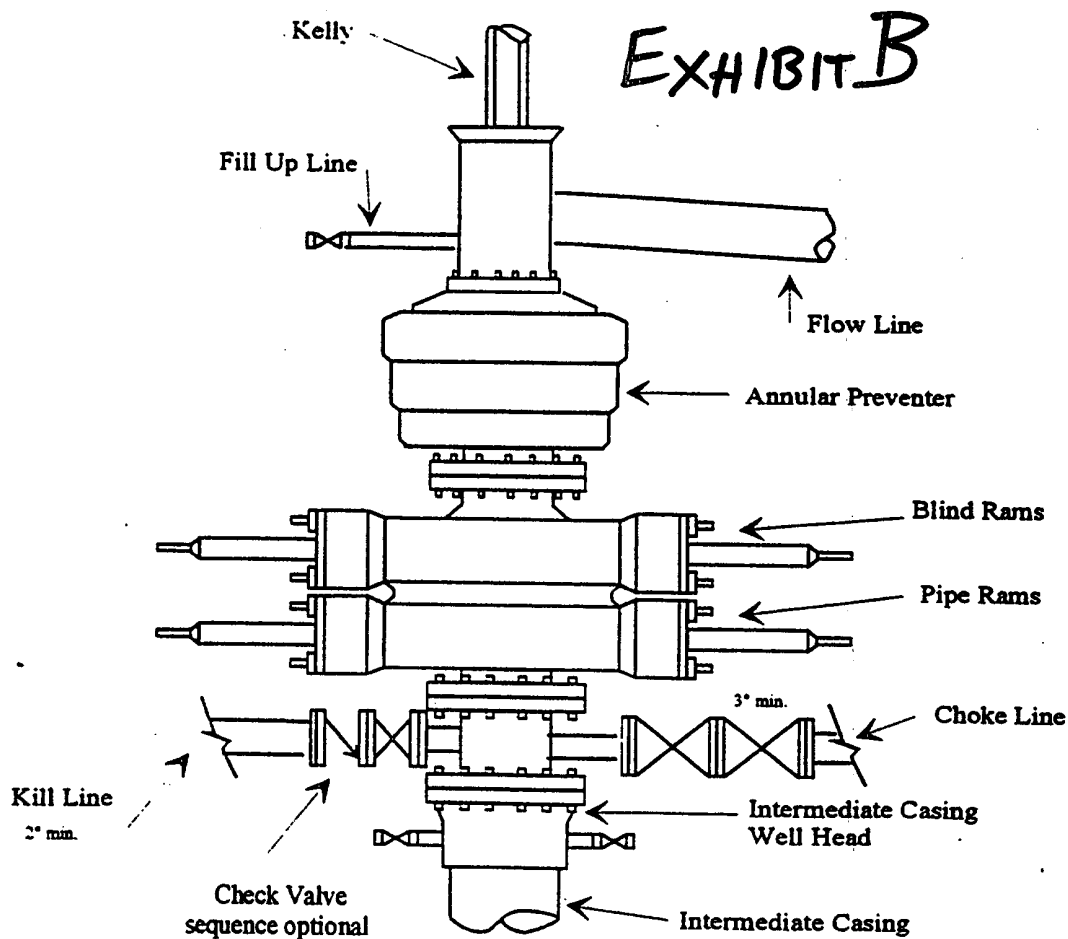
Survey Date: 4/11/2006	Sheet 1 of 1 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 4/11/06	Scale 1" = 1000' LUSK



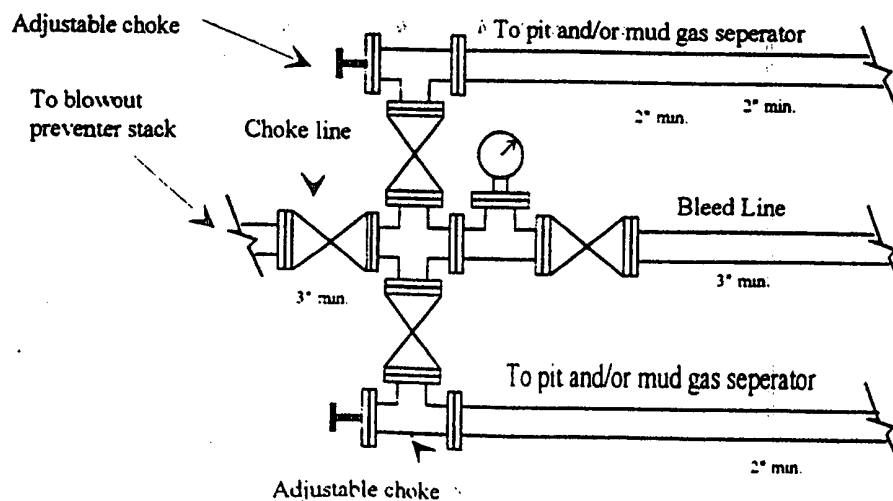
Yates Petroleum Corporation

BOP-3

Typical 3,000 psi Pressure System
Schematic
Annular with Double Ram Preventer Stack



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



Yates Petroleum Corporation
 Location Layout for Permian Basin
 Up to 12,000'

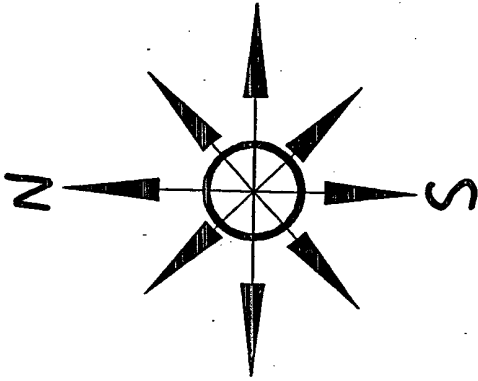
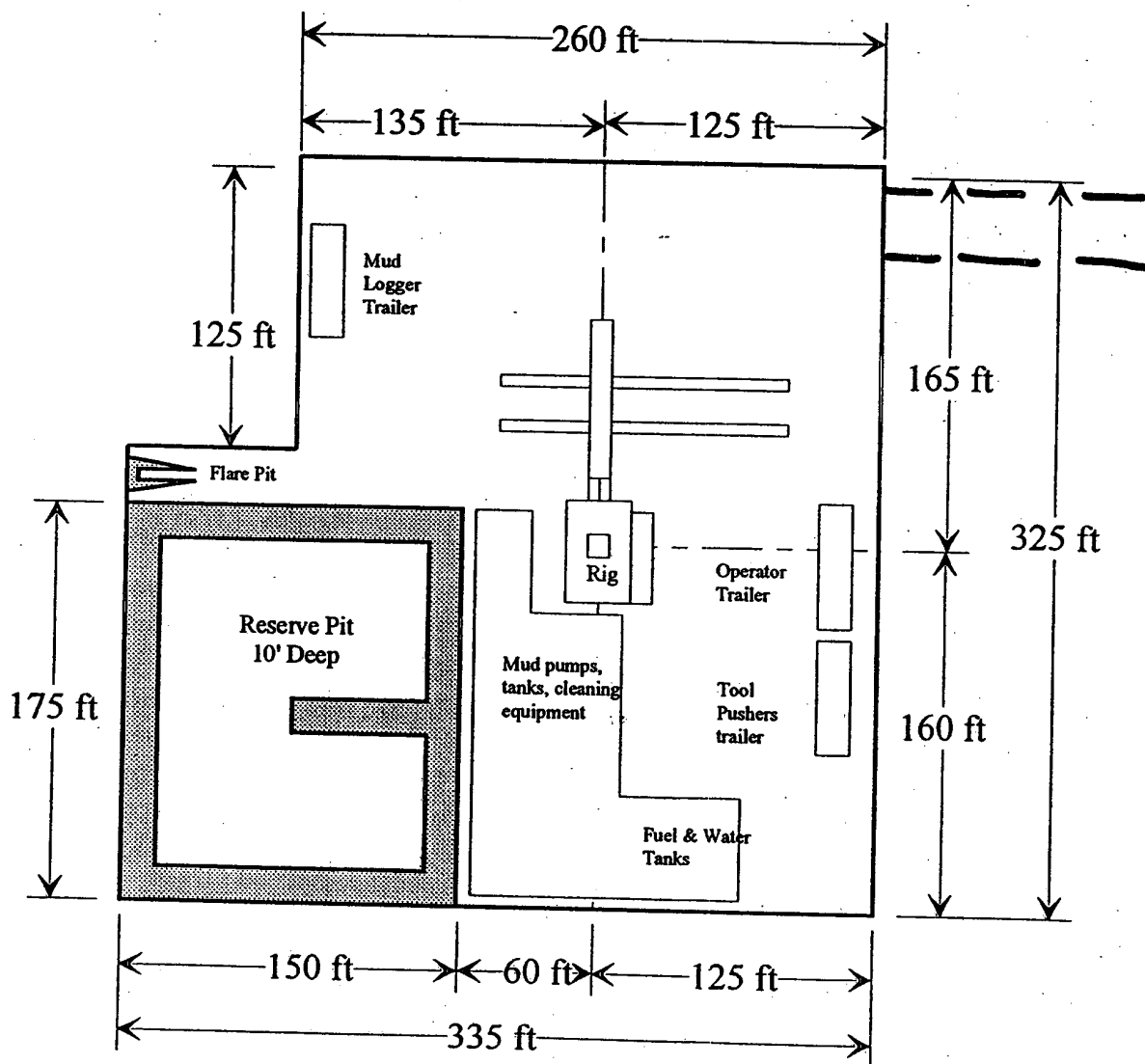
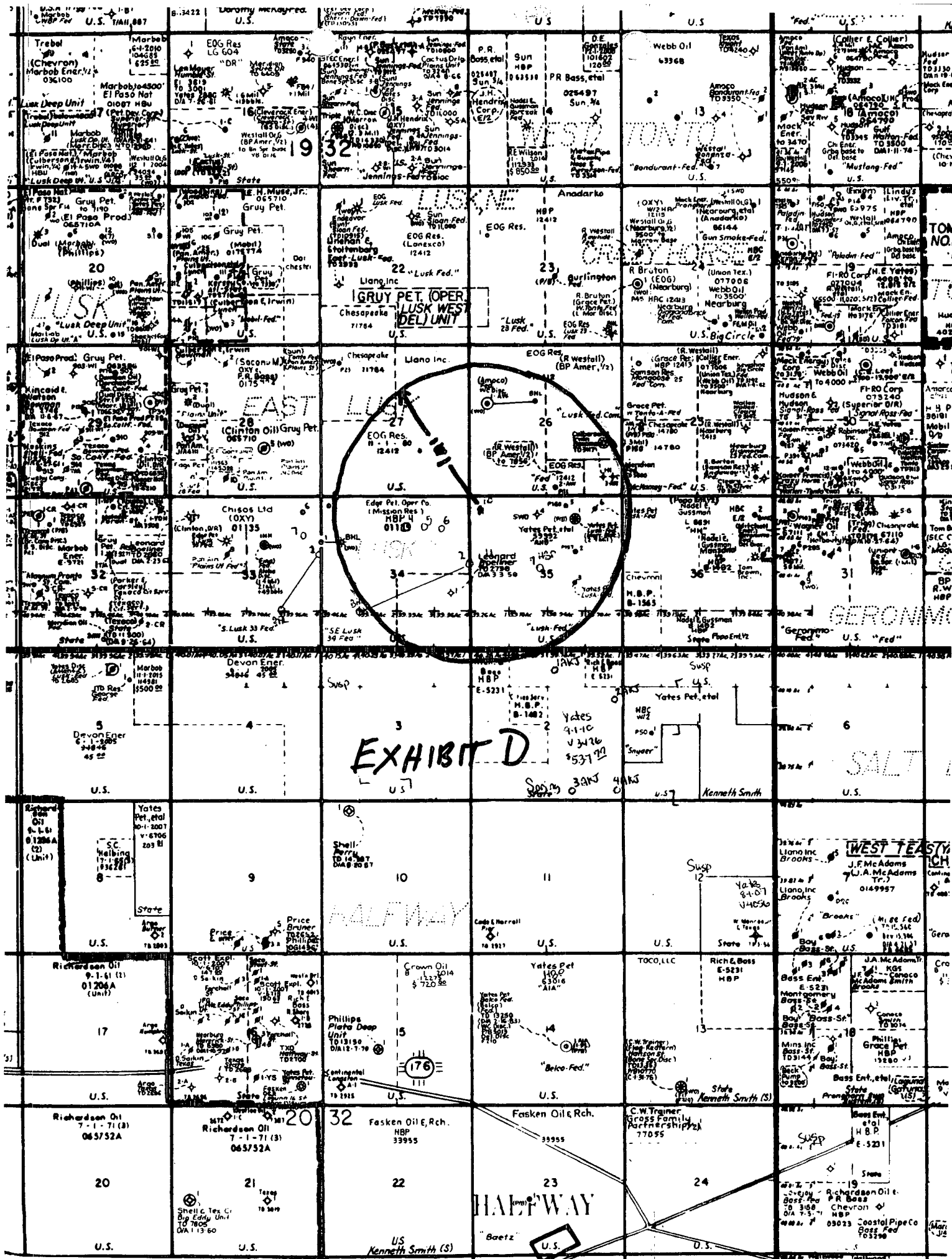


EXHIBIT C



Distance from Well Head to Reserve Pit will vary between rigs

The above dimension should be a maximum



CONDITIONS OF APPROVAL - DRILLING

Well Name & No. 10 – LUSK AHB FEDERAL
Operator's Name: YATES PETROLEUM CORPORATION
Location: 330' FNL & 330' FWL – SEC 35 – T19S – R32E – LEA COUNTY
Lease: NM-59392

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 234-5909 or (505) 361-2822 (After hours) - for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

- A. Spudding
- B. Cementing casing: 13-3/8 inch 8-5/8 inch 5-1/2 inch
- C. BOP tests

2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

3. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

5. Gamma-Ray/Neutron logs shall be run from the base of the Salado Formation to the surface; cable speed not to exceed 30 feet per minute.

II. CASING:

1. The 13-3/8 inch surface casing shall be set at 1100 feet, below usable water and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 8-5/8 inch intermediate casing is circulate cement to the surface. Note: If lost circulation occurs in the Capitan Reef (3410'-4200') the operator shall switch from brine water to fresh water and use this water to drill to the base of the reef.

3. The minimum required fill of cement behind the 5-1/2 inch production casing is cement shall tie back a minimum of 200 feet into the 8-5/8 inch intermediate casing.

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 8-5/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) is 2000 psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144
March 12, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☒ No ☐

Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: Yates Petroleum Corporation Telephone: 505-748-4347 e-mail address: cliff@ypcnm.com
Address: 105 South Fourth Street, Artesia, New Mexico 88210
Facility or well name: Lusk AHB Federal #1 API # 30-025-38641 U/L or Qtr/Qtr NWNW Sec 35 T 19S R 32E
County: Lea Latitude N. 32 37 35.5 Longitude W. 103 44 39.7 NAD: 1927 ☐ 1983 ☐ Surface Owner Federal ☐ State ☐ Private ☒ Indian ☐

Pit

Type: Drilling ☒ Production ☐ Disposal ☐

Workover ☐ Emergency ☐

Lined ☒ Unlined ☐

Liner type: Synthetic ☐ Thickness 12 mil Clay ☐ Volume
24,000 bbl

Below-grade tank

Volume: _____ bbl Type of fluid: _____

Construction material: _____

Double-walled, with leak detection? Yes ☐ If not, explain why not.

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.) 500'

Less than 50 feet	(20 points)
50 feet or more, but less than 100 feet	(10 points)
100 feet or more XXXX	(0 points) XXXX

Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)

Yes	(20 points)
NoXXXX	(0 points) XXXX

Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)

Less than 200 feet	(20 points)
200 feet or more, but less than 1000 feet	(10 points)
1000 feet or more XXXX	(0 points) XXXX

Ranking Score (Total Points)

0 points

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location:

onsite ☐ offsite ☐ If offsite, name of facility _____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☒, or an (attached) alternative OCD-approved plan ☐.

Date: 5/9/2006

Printed Name/Title Clifton R. May, Regulatory Agent

Signature Clifton R. May

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval: AUG 11 2006

Date: _____

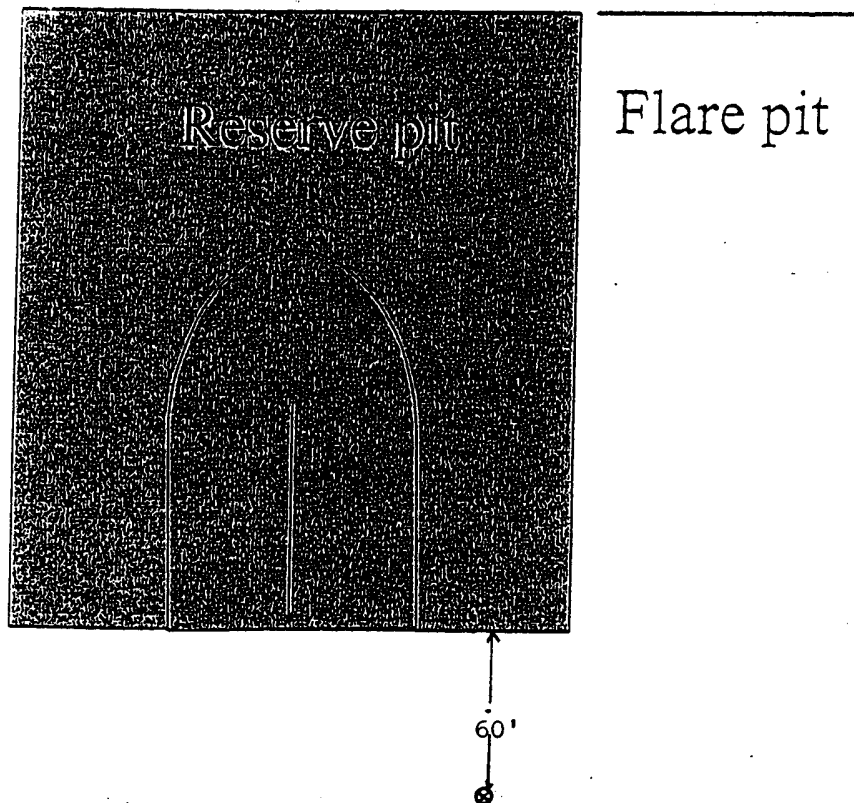
PETROLEUM ENGINEER

Printed Name/Title _____

Signature [Signature]

YATES PETROLEUM CORPORATION
General Plan was approved 4/15/04

The reserve pit will be to the north.
The southeast corner of the pit will
be approximately 60' north of the well
bore. The pit will be a 175' X 150'
and 6' deep with a capacity of 28,000
bbls.



Standard reserve pit. All Reserve pits are double
Horse shoe size varies with depth of well