

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Herkimer BQF Federal #1H Re-Entry
1980' FSL & 1980' FWL, Surface Location
330' FNL & 330' FWL, Bottom Location
Section 21-T25S-R36E
Lea County, New Mexico

30-025-20381

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 5 miles west of Jal, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS: From Highway 31 and Highway 128 go east on Hwy 128 to approximately 600 feet west of highway mile post 47 being approx. 5 miles west of Jal, New Mexico. At this point there will be a cattleguard and a metal sign in the shape of a cowboy on his horse. Turn south through the cattle guard and follow caliche road approximately .9 of a mile turn east here and go .6 of a mile. Turn south here crossing a cattleguard and go .6 of a mile. The road will start here going west for approximately .2 of a mile to the southeast corner of the well pad.

2. PLANNED ACCESS ROAD:

- A. The new access road will be approximately .2 of a mile in length.
- B. The route of the road is visible.
- C. Existing roads will be maintained in the same or better condition.
- D. **TO GAIN ACCESS TO THE WELL LOCATION PLEASE NOTE #11 OF THIS SURFACE USE PLAN.**

3. LOCATION OF EXISTING WELL:

- A. There is no 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 no 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 until an electric line can be built, if needed. (Exhibit E attached)

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to re-enter the proposed well with a brine 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 any repairs that may be needed to road and pad and will obtain any permits that may be required.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. This well will be re-entered with a closed loop system
- 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. 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 system, the location of the drilling equipment, drilling rig 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.
- C. See attached plans for interim and final reclamation.

11. SURFACE OWNERSHIP:

Federal Minerals and Private Surface.

Yates Petroleum Corporation has reached an agreement with Dinwiddie Cattle Company, LLC to conduct drilling operations on their private surface.

Private surface belonging to Dinwiddie Cattle Company, LLC, Tommy Dinwiddie, Partner, P.O. Box 963, Capitan, New Mexico 88316, home phone is 575-354-2489 & his cell is 575-631-0385. To gain access to the location contact Mr. Ron Glass (575) 390-1265. He is co-owner of the ranch and lives in the ranch house at Mile Marker 48 on the south side of Highway 128.

12. OTHER INFORMATION:

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

YATES PETROLEUM CORPORATION
Herkimer BQF Federal #1H
1980' FSL & 1980' FWL, Sec. 21-25S-36E, Surface Hole
330' FNL & 330' FWL, Sec. 21-25S-36E, Bottom Hole
Lea County, New Mexico

RECEIVED

SEP 16 2010

HOBBSOCO

Plans for Interim and Final Surface Reclamation.

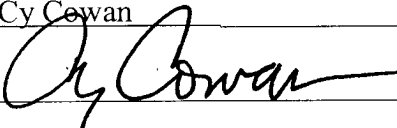
1. Well location will be contoured to resemble the original topography as closely as possible. Surface reclamation measures will be taken to avoid new erosion on the well location and the area surrounding the well location. These measures will be overseen by Yates' personnel following a structured plan 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.

CERTIFICATION
YATES PETROLEUM CORPORATION

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; that I have 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 21st day of July, 2010.

Printed Name Cy Cowan

Signature 

Position Title Land Regulatory Agent

Address 105 South Fourth Street, Artesia, NM 88210

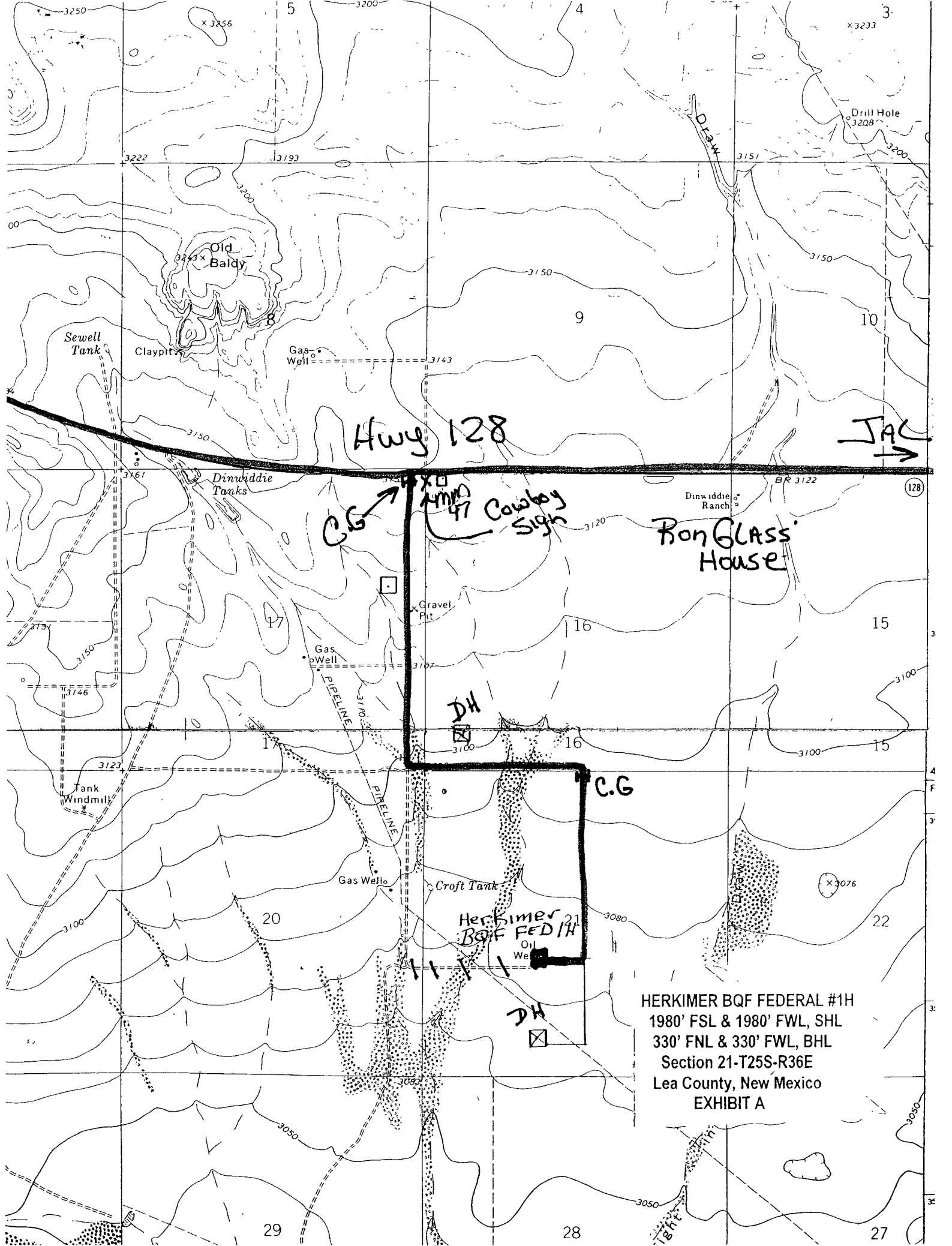
Telephone 575-748-4372

E-mail (optional) cy@yatespetroleum.com

Field Representative (if not above signatory) Tim Bussell

Address (if different from above) Same

Telephone (if different from above) 575-748-4221



HERKIMER BQF FEDERAL #1H
1980' FSL & 1980' FWL, SHL
330' FNL & 330' FWL, BHL
Section 21-T25S-R36E
Lea County, New Mexico
EXHIBIT A

*Sewell
Tank*

Clayton S.

Gas,
Well

Dunderdine
 Tanks

Dinwiddie
Ranch

BR 3122

Gravel Pit

Gas Well

Tank
and milk

ABANDONED

ABANDONED

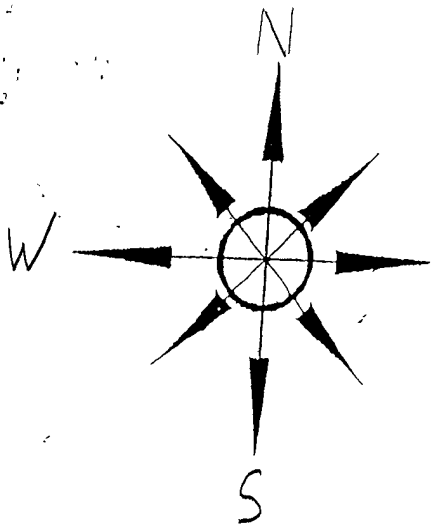
Croft Tank

Oil
Well

HERKIMER BQF FEDERAL #1H

Big Windmill
A/2009

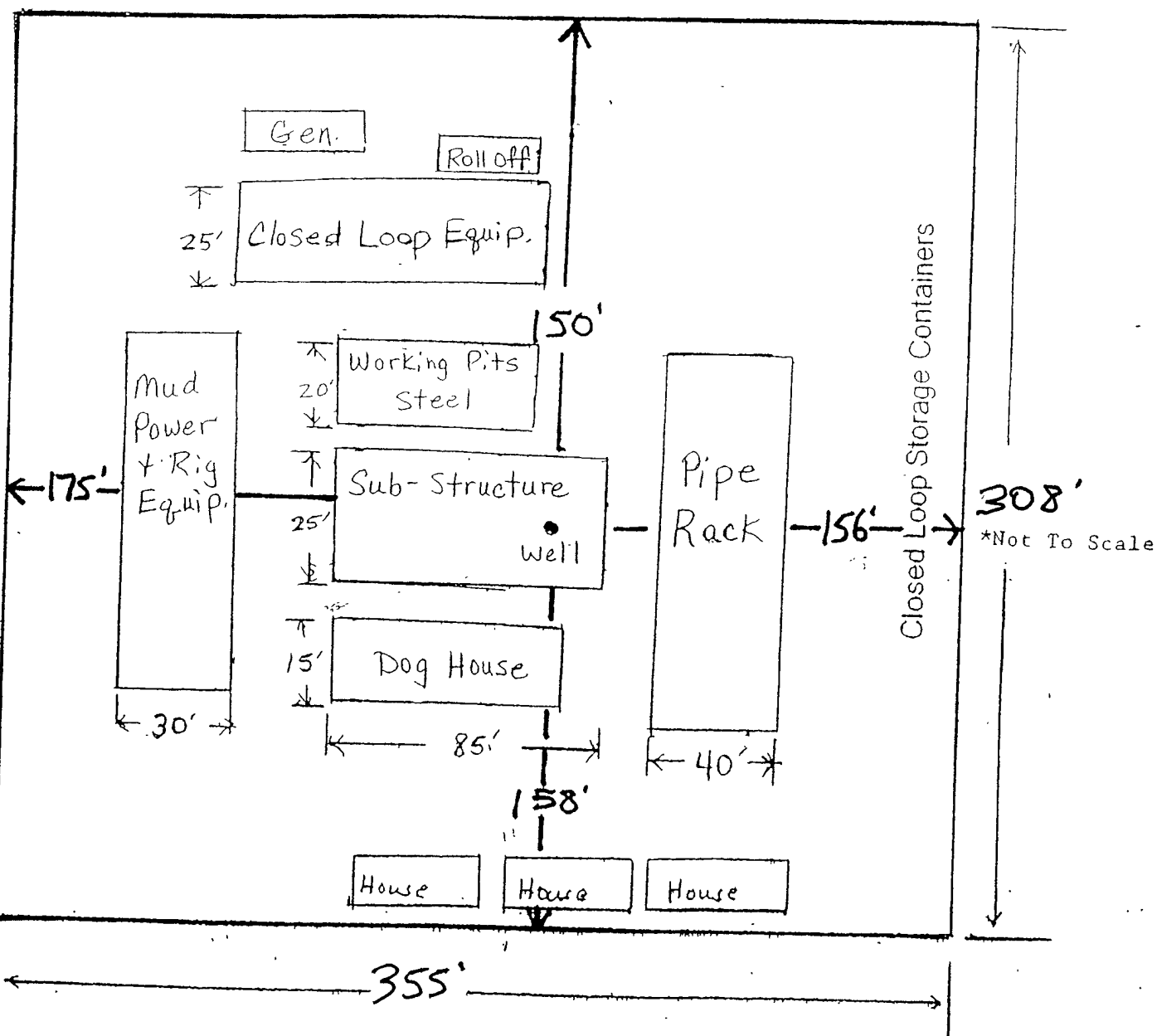
PIPELINE



Yates Petroleum Corporation
Location Layout for Permian Basin

Closed Loop Design Plan

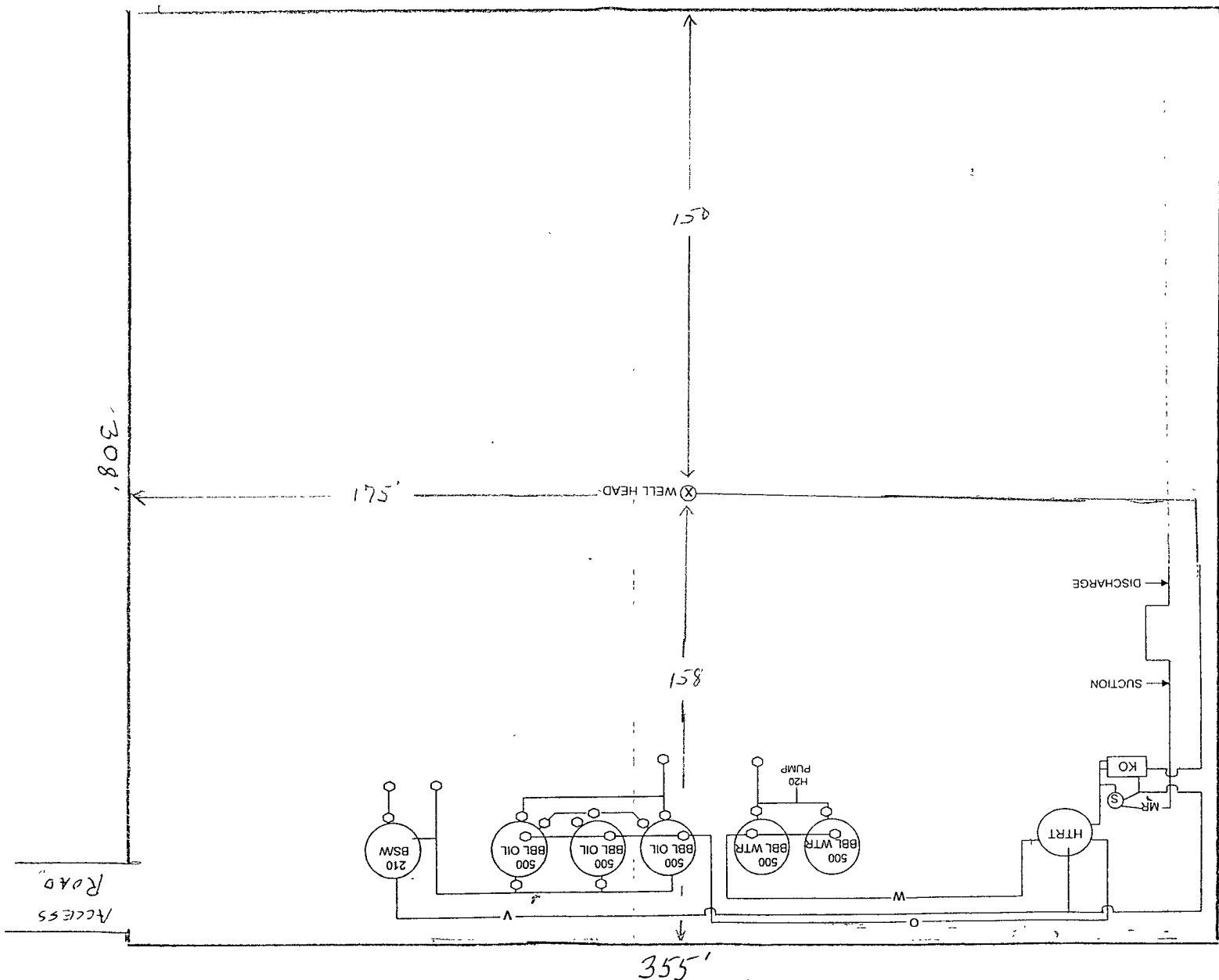
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1980' FSL & 1980' FWL, SHL
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Lea County, New Mexico
EXHIBIT C



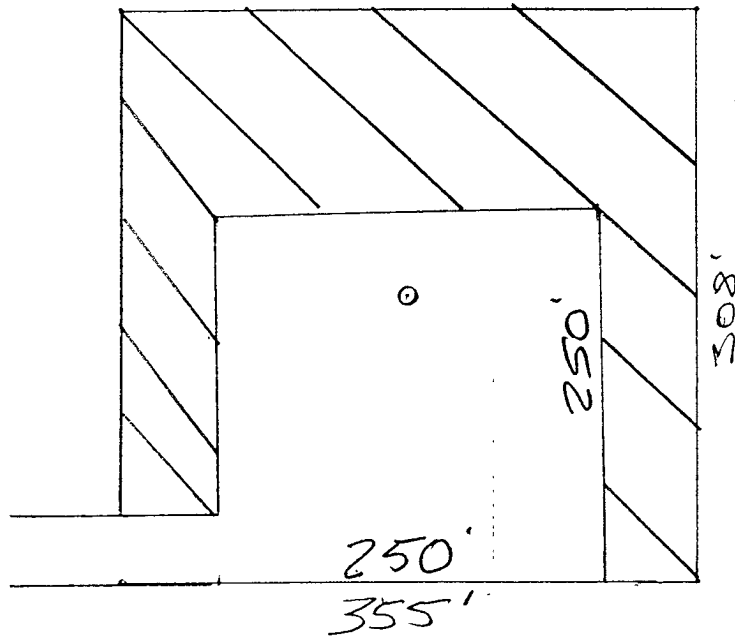


105 South 4th Street * Artesia, NM 88210
(575)-748-1471

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EXHIBIT E



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Reclaimed
Area
(Possible)

PLEASE Note:
Reclamation of this well
MAY change after Completion
operations. A Sandry Notice
will be submitted with A
Sight Security Plan AT That
TIME.

Not To Scale

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

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EXHIBIT **E**

