

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Dean APQ Federal #3H
330' FSL & 660' FWL, Surface Hole Location
330' FNL & 660' FWL, Bottom Hole Location
Section 3-T26S-R34E
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 64 miles east of Carlsbad, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS: From Carlsbad, New Mexico on Highway 62/180 go to State Road 31. Turn right on State Road 31 and go to the intersection of SR 31 & Highway 128. Turn left on HWY 128 and go approximately 36.9 miles. Turn right here on Madera Road and go south for approx. 0.3 of a mile to the intersection with Battle Axe Road. Turn right on Battle Axe Road and go approx. 13 miles to the intersection of Battle Axe Road and El Paso pipeline road. There will be a stop sign here and Dinwiddie Land sign here. Turn left on the El Paso pipeline road and go east for about 4.9 miles. The new road will start here and go north about 194.3' to the southeast corner of the proposed pad.

2. PLANNED ACCESS ROAD:

- A. The new access road will go north from the existing pipeline road for 194.3' to the southeast corner of the proposed well location.
- B. The existing access road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The existing access road will be bladed with drainage on both sides. Traffic turnouts will not be needed.
- D. The route of the road is visible.
- E. Existing roads will be maintained in the same or better condition.

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 production maybe taken to the tank battery on the Dean APQ Federal #1 location approximately 0.8 of a mile to the northeast via a surface on lease flowline that will follow the existing access road. Please note that per Yates' Production Department this flowline will be constructed by a third party. 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.

APR 06 2011

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. This well will be drilled 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, closed loop mud system, location of the drilling equipment, pulling unit orientation and access road approach. Note: V-Door will be to the east.
- 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. Unguarded pits, if any, containing fluids will be fenced until they have dried and have 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.
- D. See attached plans for interim and final reclamation.

11. SURFACE OWNERSHIP:

Surface Estate: Bureau of Land Management
620 E. Greene Street, Carlsbad, NM 88220
(575) 234-5972

Mineral Estate: Bureau of Land Management
620 East Greene Street, Carlsbad, NM 88220
(575) 234-5972

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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 will not be as this is a re-entry and the pad is there.
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
Dean APQ Federal #3H

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 the company I represent, is 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 17th day of December, 2010.

Printed Name Clifton May

Signature Clifton May

Position Title Land Regulatory Agent

Address 105 South Fourth Street, Artesia, NM 88210

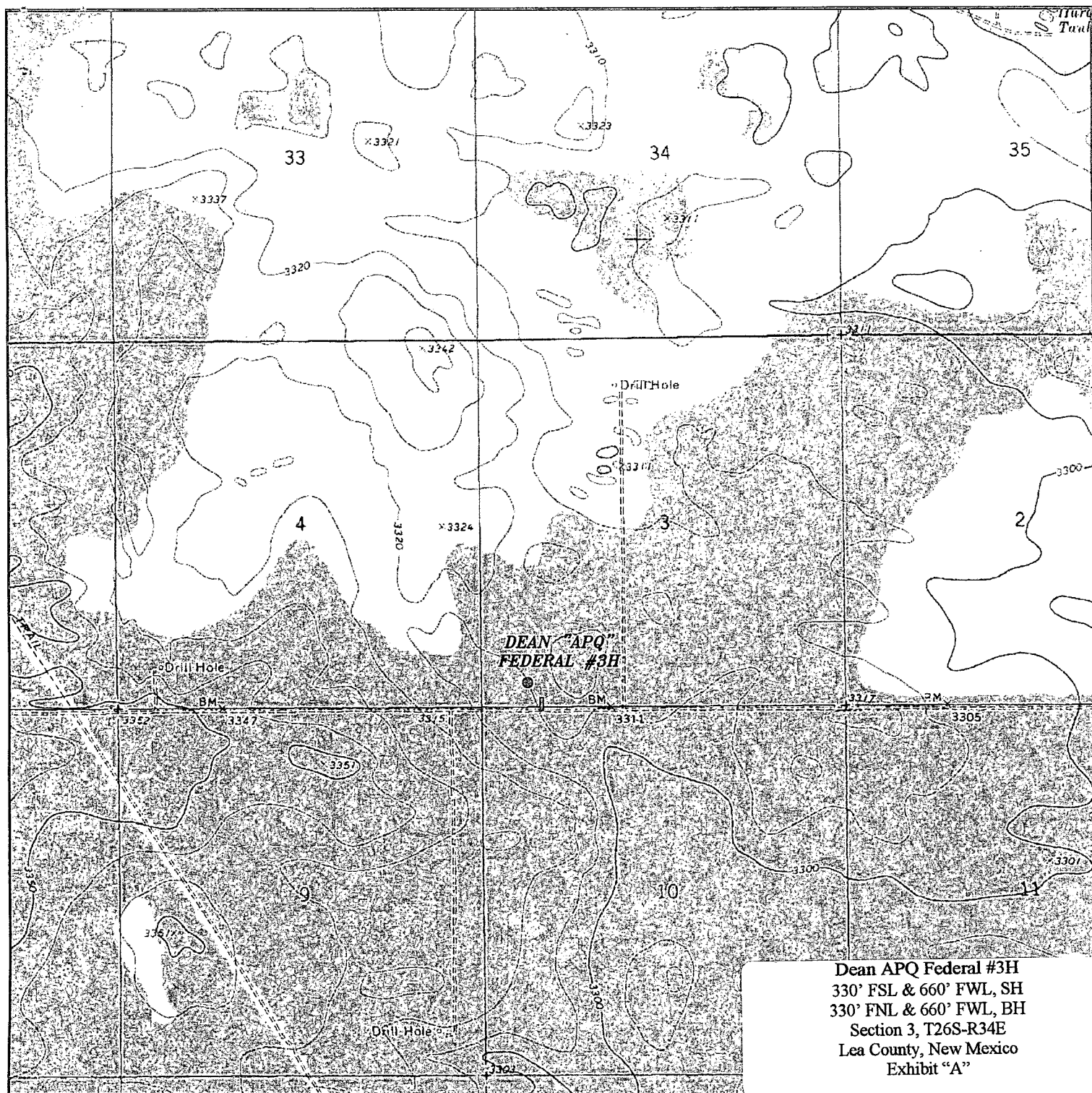
Telephone 575-748-4347

E-mail (optional) cliff@ypcnm.com

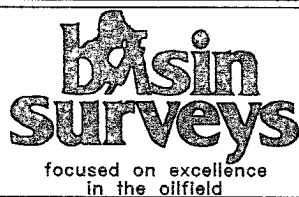
Field Representative (if not above signatory) Tim Bussell

Address (if different from above) Same

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



DEAN "APQ" FEDERAL #3H
 Located 330' FSL and 660' FWL
 Section 3, Township 26 South, Range 34 East,
 N.M.P.M., Lea County, New Mexico.



P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (575) 393-7316 - Office
 (575) 392-2206 - Fax
 basinsurveys.com

W.O. Number: BJN 23713

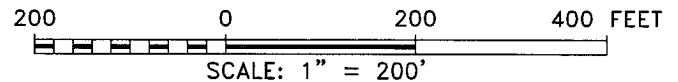
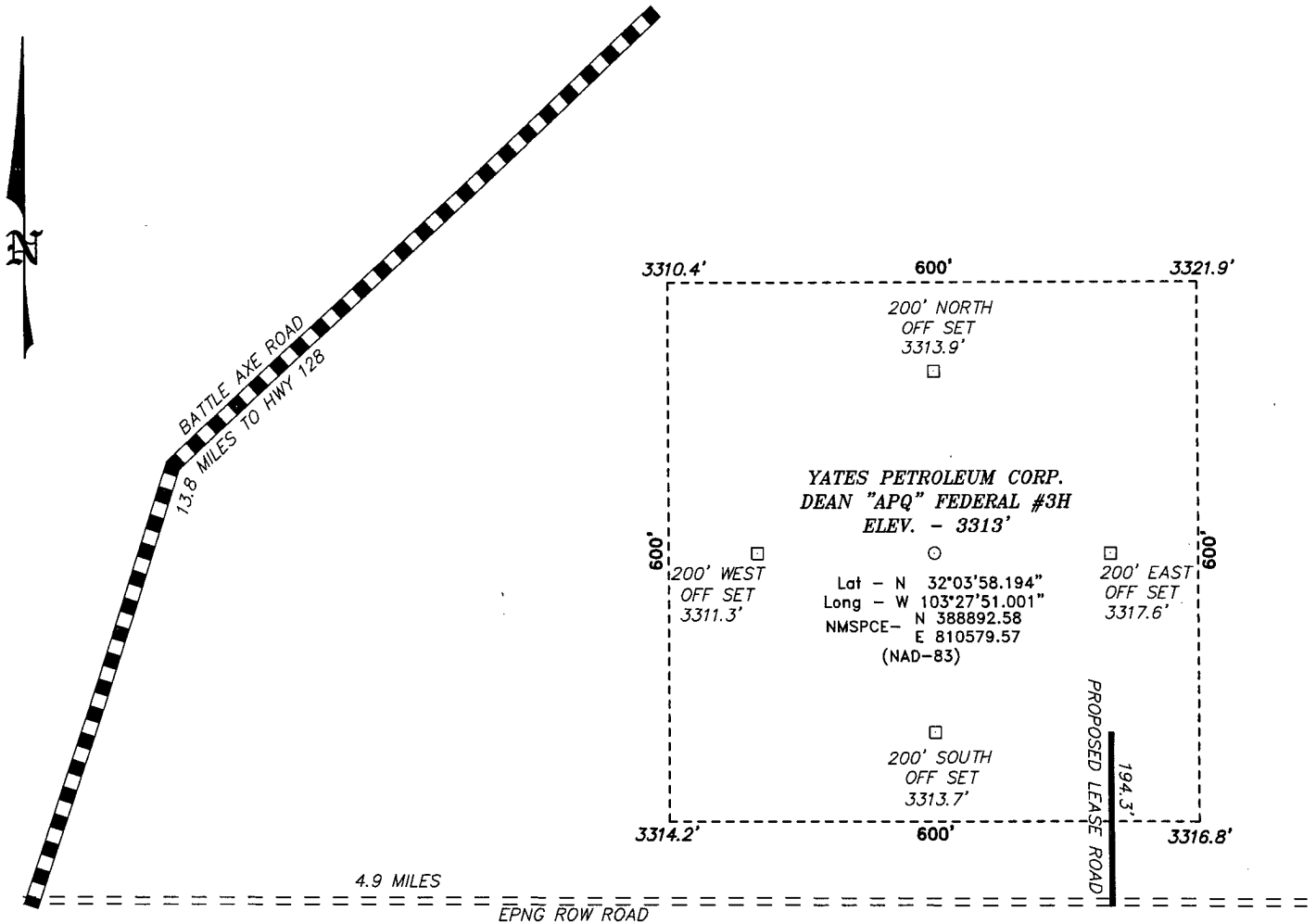
Survey Date: 11-24-2010

Scale: 1" = 2000'

Date: 11-29-2010

**YATES
 PETROLEUM
 CORP.**

SECTION 3, TOWNSHIP 26 SOUTH, RANGE 34 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.



BASIN SURVEYS P.O. BOX 1786 - HOBBS, NEW MEXICO

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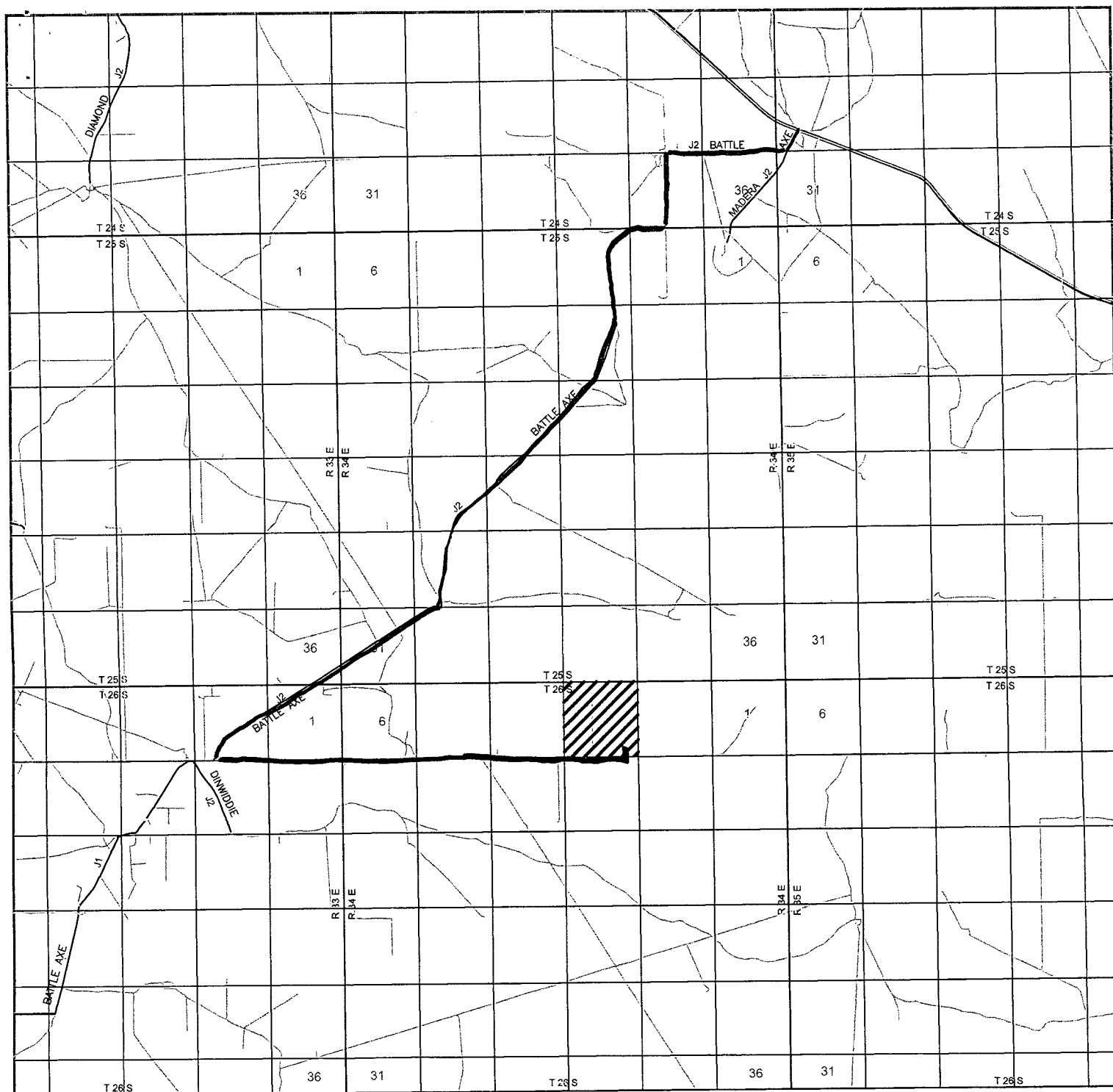
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YATES PETROLEUM CORP.

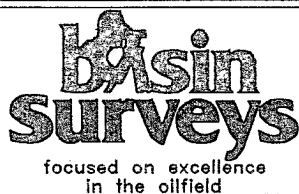
REF: DEAN "APQ" FEDERAL #3H / WELL PAD TOPO

THE DEAN "APQ" FEDERAL #3H LOCATED 330'
FROM THE SOUTH LINE AND 660' FROM THE WEST LINE OF
SECTION 3, TOWNSHIP 26 SOUTH, RANGE 34 EAST,
N.M.P.M., LEA COUNTY, NEW MEXICO.

Survey Date: 11-24-2010 Sheet 1 of 1 Sheets



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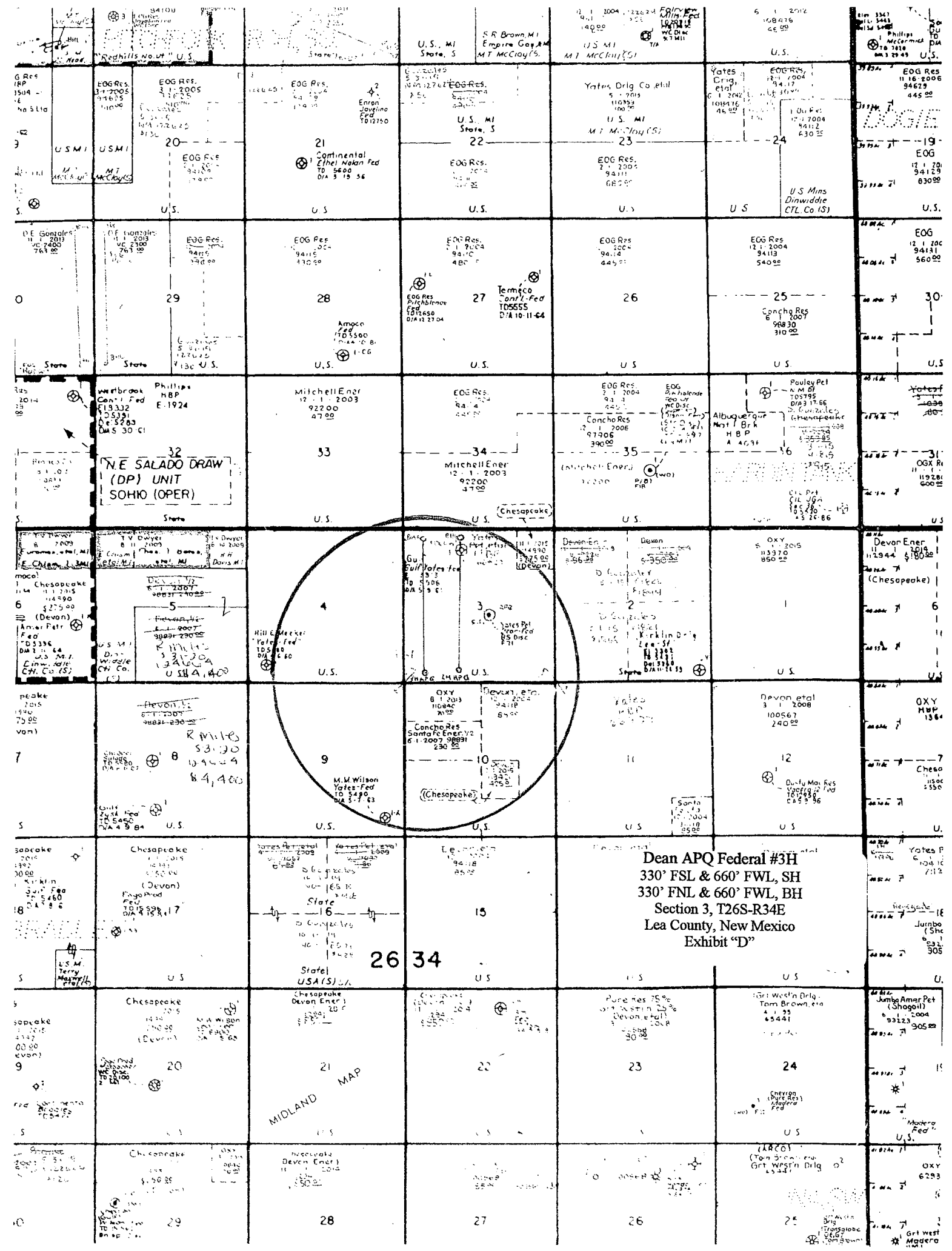
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Scale: 1" = 2 Miles

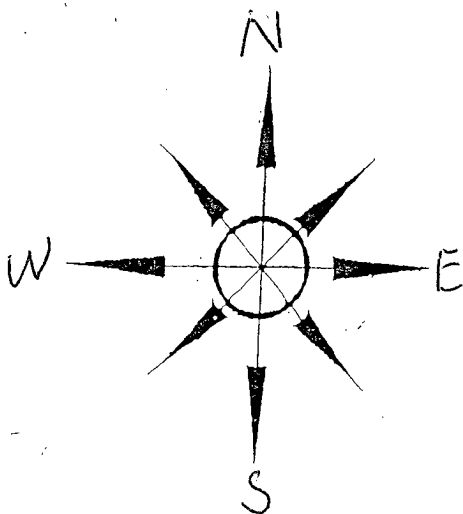
Date: 11-29-2010



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 PETROLEUM
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Dean APQ Federal #3H
330° FSL & 660° FWL, SH
330° FNL & 660° FWL, BH
Section 3, T26S-R34E
Lea County, New Mexico
Exhibit "D"



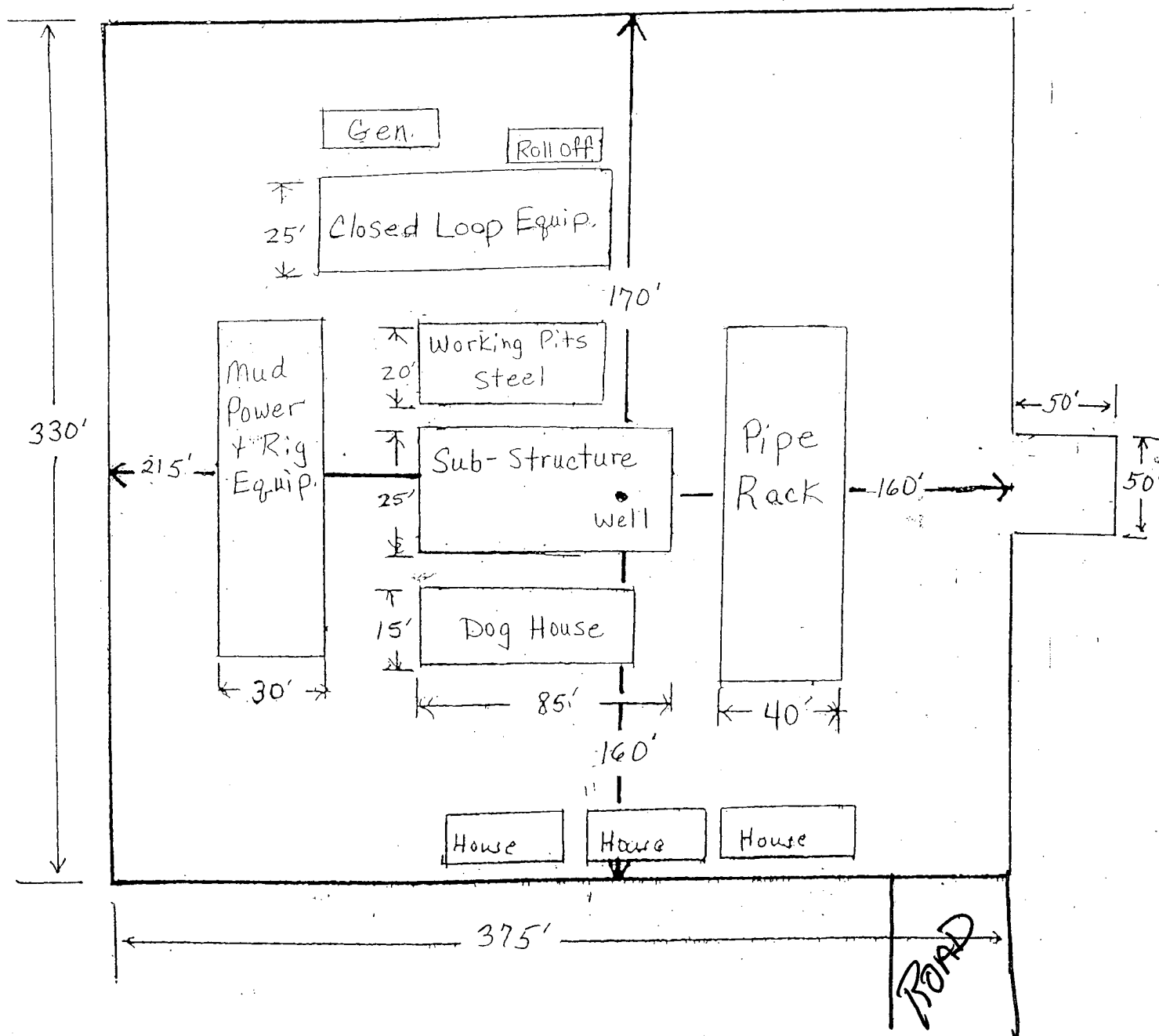
Yates Petroleum Corporation

Location Layout for Permian Basin

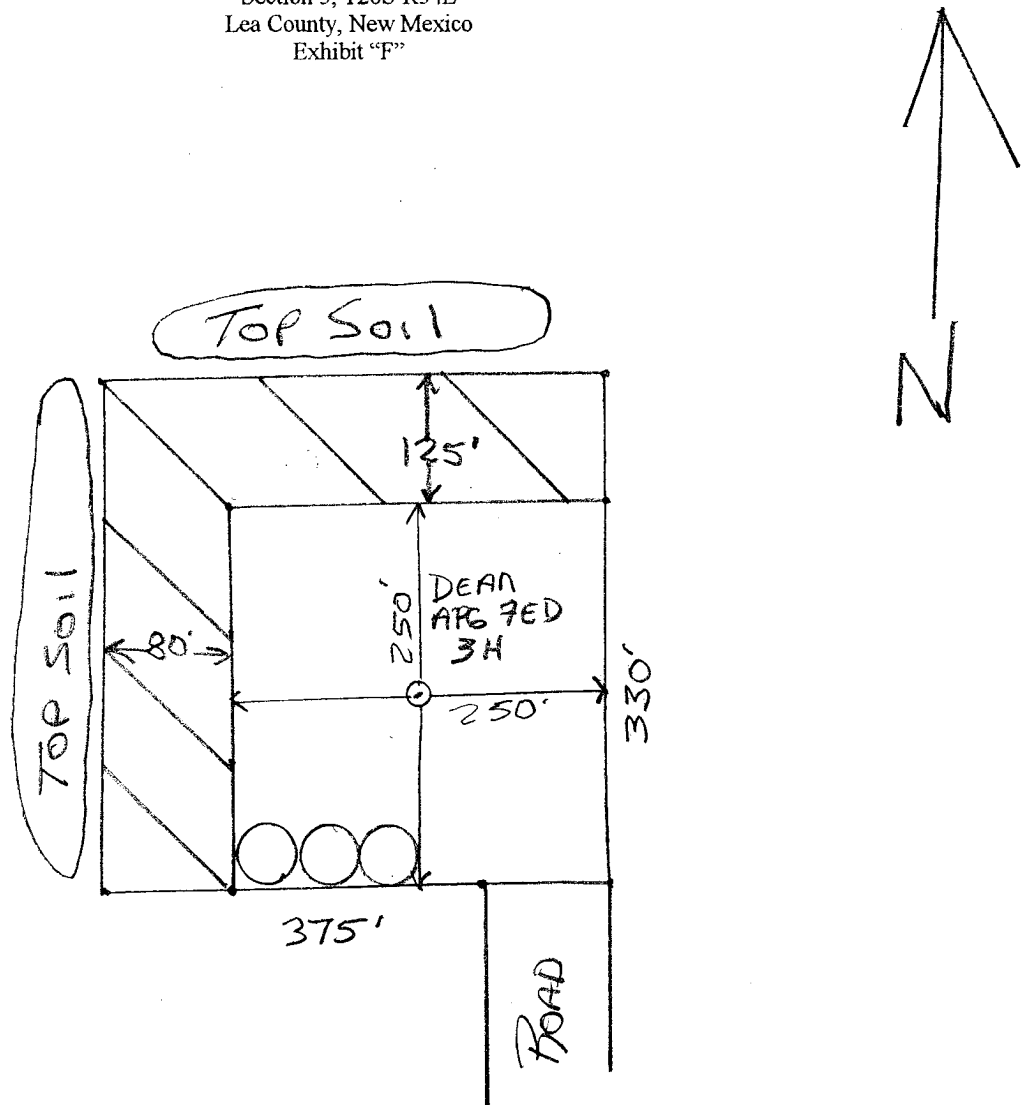
Closed Loop Design Plan

Dean APQ Federal #3H
330' FSL & 660' FWL, SH
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Section 3, T26S-R34E
Lea County, New Mexico
Exhibit "C"

* NOT TO SCALE



Dean APQ Federal #3H
330' FSL & 660' FWL, SH
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Lea County, New Mexico
Exhibit "F"



Not To Scale
This PLAT MAY
be different
After Final
Reclamation

Possible
Reclaimed
AREA