

RECEIVED

APR 21 2006

OCD-ARTESIA

OCD-ARTESIA

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: ☒ DRILL ☐ REENTER

b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☐ Single Zone ☐ Multiple Zone

2. Name of Operator
Yates Petroleum Corporation 25575

3A. Address 105 South Fourth Street
Artesia, New Mexico 88210

3b. Phone No. (include area code) 33685
(505) 748-1471

4. Location of Well (Report location clearly and in accordance with any State requirements. *)

At surface 990' FNL & 890' FEL
At proposed prod. Zone same as above

14. Distance in miles and direction from nearest town or post office*
Approximately 37 miles southwest of Artesia, New Mexico

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 890'

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.

16. No. of Acres in lease 1318.25

19. Proposed Depth 8300'

17. Spacing Unit dedicated to this well 320.00

20. BLM/BIA Bond No. on file
Nationwide Bond #NM-2811

21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3928' GR

22. Approximate date work will start* ASAP

23. Estimated duration 30 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:

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

25. Signature [Signature] Name (Printed/Typed) Cy Cowan cy@ypcnm.com Date 2/6/2006

Title:
Regulatory Agent/Land Department

Approved by (Signature) /s/ James Stovall Name (Printed/Typed) /s/ James Stovall Date APR 19 2006

Title ACTING FIELD MANAGER Office CARLSBAD FIELD 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 the applicant to conduct 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 of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse) Previously Approved DECLARED WATER BASIN Contingency Plan Attached

DECLARED WATER BASIN
CEMENT BEHIND THE 13 3/8"
CASING MUST BE CIRCULATED

CEMENT BEHIND THE 9 5/8"
CASING MUST BE CIRCULATED

WITNESS

WITNESS

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

DISTRICT I
1825 N. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Artesia, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87506

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1988
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 30-015-30531	Pool Code 33685	Pool Name Indian Basin Upper Penn Associated
Property Code	Property Name	Well Number 3
OGED No. 025575	Operator Name Zingaro ANG Federal	Elevation 3928'

Surface Location

UL or lot No. A	Section 1	Township 22S	Range 23E	Lot 1/4	Feet from the 990'	North/South Line North	Feet from the 890'	East/West Line East	County Eddy
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Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot 1/4	Feet from the	North/South Line	Feet from the	East/West Line	County
Dedicated Acres 86 37c									
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

				OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature Cy Cowan Printed Name Regulatory Agent Title 2-6-2006 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. Refer to Original Plat Date Surveyed Signature & Seal of Professional Surveyor	
				Certificate No. Herschel L. Jones RLS 3640	
				GENERAL SURVEYING COMPANY	

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 10, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-30531		Pool Code	Pool Name Indian Basin Upper Penn
Property Code	Property Name ZINGARO "ANG" FEDERAL		Well Number 3
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION		Elevation 3928.

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South Line	Feet from the	East/West Line	County
A	1	22-S	23-E		990	NORTH	890	EAST	EDDY

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South Line	Feet from the	East/West Line	County

12 Dedicated Acres 320	13 Joint or Infill	14 Consolidation Code	15 Order No.
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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

16					17 OPERATOR CERTIFICATION
					I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief
					Signature Cy Cowan Printed Name Regulatory Agent Title 2/8/01 Date
					18 SURVEYOR CERTIFICATION
NM-92746					I hereby certify that the well location shown on this plat was placed 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.
					OCTOBER 2001
					Date of Survey
					Signature and Seal of Professional Surveyor
Certificate Number NM PRAPS NO. 5412					

YATES PETROLEUM CORPORATION
Zingaro "ANG" Federal #3
990' FNL & 890' FEL
Sec. 1-T22S-R23E
Eddy County, New Mexico

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

San Andres	700'
Glorietta	2150'
Bone Springs	2750'
Wolf Camp	6700'
Canyon	7450'
TD	8300'

2. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Water: 250' - 350'
Oil or Gas: All potential zones.

3. Pressure Control Equipment: BOPE will be installed on the 9 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 1/2"	13 3/8"	48#	H-40	ST&C	0-350'	350'
12 1/4"	9 5/8"	36#	J-55	ST&C	0-2200'	2200'
8 3/4"	7.0"	23#	J-55	LT&C	0-5500'	5500'
8 3/4"	7.0"	26#	J-55	LT&C	5500'-7600'	2100'
8 3/4"	7.0"	26#	N-80	LT&C	7600'-8300'	700'

Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, Joint Strength 2.0

B. Cementing Program:

Surface casing: 200 sx Lite (YLD 2.0 WT 12.6), tail with 200 sx "C" +2% CaCL2 (YLD 1.33 WT 15.6)

Intermediate Casing: 740 sx Lite (YLD 2.0 WT 12.6) tail in with 300 sx "C" + 2% CaCL2 (YLD 1.33 WE 15.6).

Production Casing: Stage I: 650 sx "H" + 5# CSE, (WT 15.1 YLD 1.32)).

Stage II 850 sx Lite (YLD 2.0 WT 15.6), tail in with 100 sx "C" (YLD 1.33 WT 15.6).

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-350 '	FW Spud Mud	8.3-8.6	30-36	N/C
350'-2200'	FW	8.4	28	N/C
2200'-7300'	Cut Brine	8.9-9.6	29	N/C
7300'-8300'	SW Gel/Starch Drispac	8.9-9.6	34-36	<12cc

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. Mud will be checked hourly by rig personnel.

6. EVALUATION PROGRAM:

Samples: 10' samples out from under surface casing.

Logging: CNL/LDT, DLL w/RXO TD to casing.

Coring: None

DST's: As warranted.

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

Anticipated BHP:

From: 0	TO: 350'	Anticipated Max. BHP: <150	PSI
From: 350'	TO: 2200'	Anticipated Max. BHP: <900	PSI
From: 2200'	TO: 8300'	Anticipated Max. BHP: <4000	PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: Possible in surface and intermediate holes.

H2S Zones Anticipated: Possible Canyon

Maximum Bottom Hole Temperature: 150 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 20 days to drill the well with completion taking another 20 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Yates Petroleum Corporation
Zingaro "ANG" Federal #3
990' FNL & 890' FEL
Sec. 1-T22S-R23E
Eddy 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 wellsite is located approximately 37 miles southwest of Artesia, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go south of Artesia on Highway 285 to Highway 137. Turn west on Highway 137 and go approximately 12 miles. Turn west on caliche road and go approximately 0.3 of a mile. Turn new road starts here going north to the location.

2. PLANNED ACCESS ROAD

- A. The proposed new access will be approximately 1000' in length from the point of origin to the southeast corner of the drilling pad. The road will lie in a north to south direction.
- 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 one side. One traffic turnout will be built.
- 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 wellsite.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed wellsite.

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 productive of gas.

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:

Dirt contractor will locate closest pit and obtain any material needed for construction.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- C. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- D. Oil produced during operations will be stored in tanks until sold.
- E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- F. 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 land fill. 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 reserve pits, the location of the drilling equipment, rig orientation and access road approach.
- B. The reserve pits will be plastic lined.
- C. A 400' x 400' 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 wellsite 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 non-productive, 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 filled level after they have evaporated and dried.

11. SURFACE OWNERSHIP: Bureau of Land Management, Carlsbad, New Mexico.

12. OTHER INFORMATION:

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

13. OPERATOR'S REPRESENTATIVE

A. Through A.P.D. Approval:

Cy Cowan, Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 8821
Phone (505) 748-1471

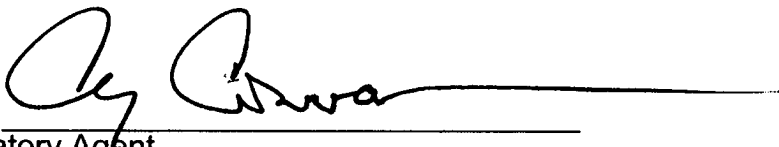
B. Through Drilling Operations,
Completions and Production:

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.

2/7/2006


Regulatory Agent

WF

Yates Petroleum Corporation

**105 S. Fourth Street
Artesia, NM 88210**

Hydrogen Sulfide (H₂S) Contingency Plan

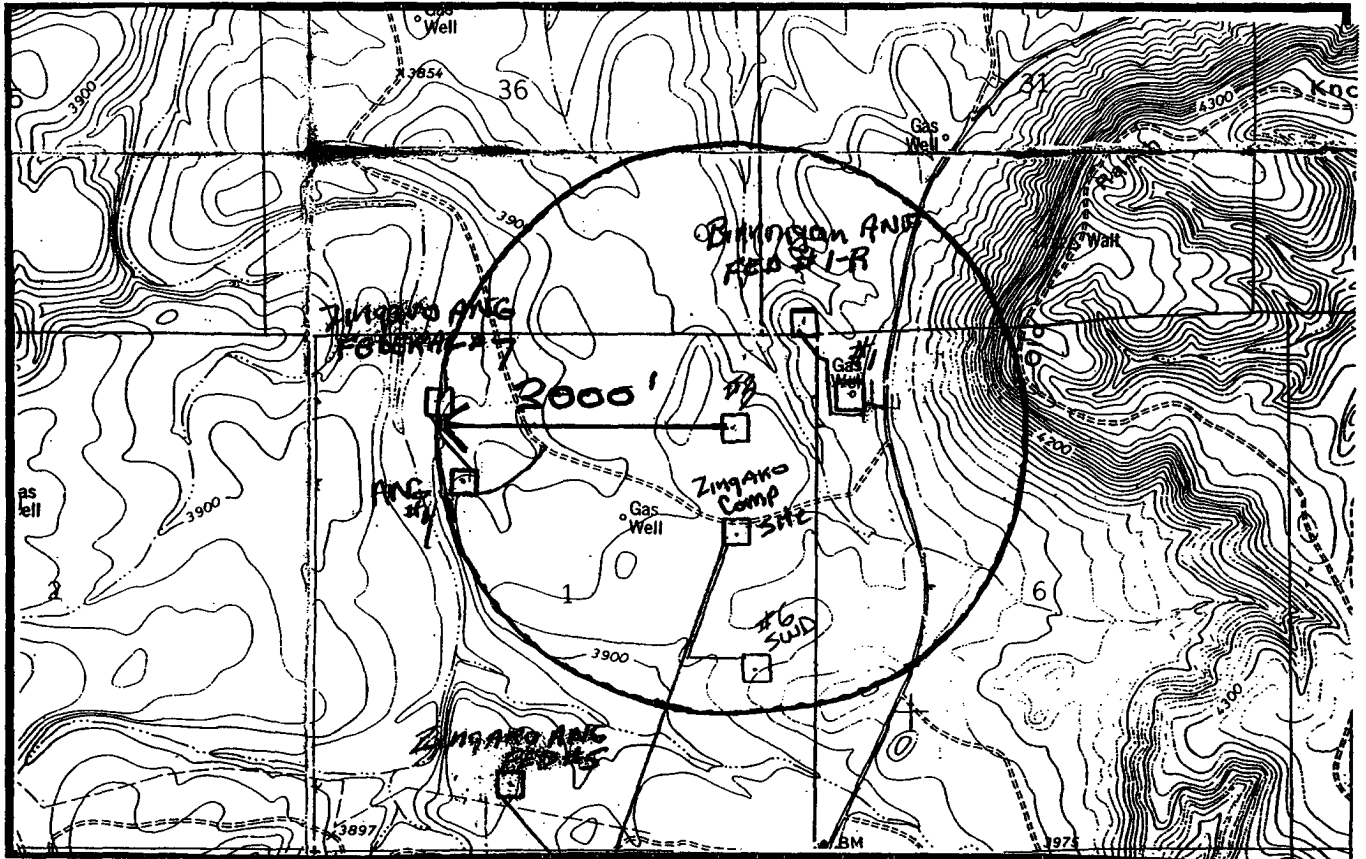
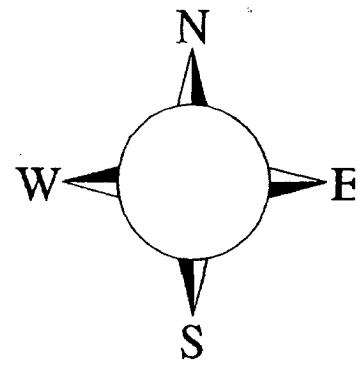
For

Zingaro ANG Federal #3

**990' FNL, 890' FEL
Sec-1, T-22S, R-23E
Eddy County NM**

Zingaro ANG Federal #3 Location

This is an open drilling site. H₂S monitoring equipment and emergency response equipment will be used within 500' of zones known to contain H₂S, including warning signs, wind indicators and H₂S monitor.



Approximate 100 ppm H₂S = 100 ppm
Approximate 500 ppm H₂S = 500 ppm

Emergency Procedures

In the case of a release of gas containing H₂S, the first responder(s) must isolate the area and prevent entry by other persons into the 100 ppm ROE. Additionally the first responder(s) must evacuate any public places encompassed by the 100 ppm ROE. First responder(s) must take care not to injure themselves during this operation. Company and/or local officials must be contacted to aid in this operation. Evacuation of the public should be beyond the 100 ppm ROE.

All responders must have training in the detection of H₂S, measures for protection against the gas, equipment used for protection and emergency response. Additionally, responders must be equipped with H₂S monitors and air packs in order to control the release. Use the "buddy system" to ensure no injuries during the response.

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO₂). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever there is an ignition of the gas

Characteristics of H₂S and SO₂

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentration
Hydrogen Sulfide	H₂S	1.189 Air = 1	10 ppm	100 ppm/hr	600 ppm
Sulfur Dioxide	SO₂	2.21 Air = 1	2 ppm	N/A	1000 ppm

Contacting Authorities

YPC personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available. The following call list of essential and potential responders has been prepared for use during a release. YPC Company response must be in coordination with the State of New Mexico's 'Hazardous Materials Emergency Response Plan' (HMER)

Yates Petroleum Corporation Phone Numbers

YPC Office	(505) 748-1471
Pinson McWhorter/Operations Manager	(505) 748-4189
Darrel Atkins/Production Manager	(505) 748-4204
Ron Beasley/Prod Superintendent	(505) 748-4210
Al Springer/Drilling	(505) 748-4225
Paul Hanes/Prod. Foreman/Roswell	(505) 624-2805
Jim Krogman/Drilling Superintendent.....	(505) 748-4215
Artesia Answering Service	(505) 748-4302
(During non-office hours)	

Agency Call List

Eddy County (505)

Artesia

State Police	746-2703
City Police.....	746-2703
Sheriff's Office	746-9888
Ambulance	911
Fire Department	746-2701
LEPC (Local Emergency Planning Committee)	746-2122
NMOCD.....	748-1283

Carlsbad

State Police	885-3137
City Police.....	885-2111
Sheriff's Office	887-7551
Ambulance	911
Fire Department	885-2111
LEPC (Local Emergency Planning Committee).....	887-3798
US Bureau of Land Management.....	887-6544

New Mexico Emergency Response Commission (Santa Fe)	(505)476-9600
24 HR	(505) 827-9126
New Mexico State Emergency Operations Center.....	(505) 476-9635
National Emergency Response Center (Washington, DC)	...(800) 424-8802

Other

Boots & Coots IWC	1-800-256-9688 or (281) 931-8884
Cudd Pressure Control.....	(915) 699-0139 or (915) 563-3356
Halliburton	(505) 746-2757
B. J. Services.....	(505) 746-3569

Flight For Life -4000 24th St, Lubbock, TX	(806) 743-9911
Aerocare -Rr 3 Box 49f, Lubbock, TX	(806) 747-8923
Med Flight Air Amb 2301 Yale Blvd SE #D3, Albuq, NM	(505) 842-4433
S B Air Med Svc 2505 Clark Carr Loop SE, Albuq, NM	(505) 842-4949

Yates Petroleum Corporation

Location Layout for Permian Basin

Up to 12,000'

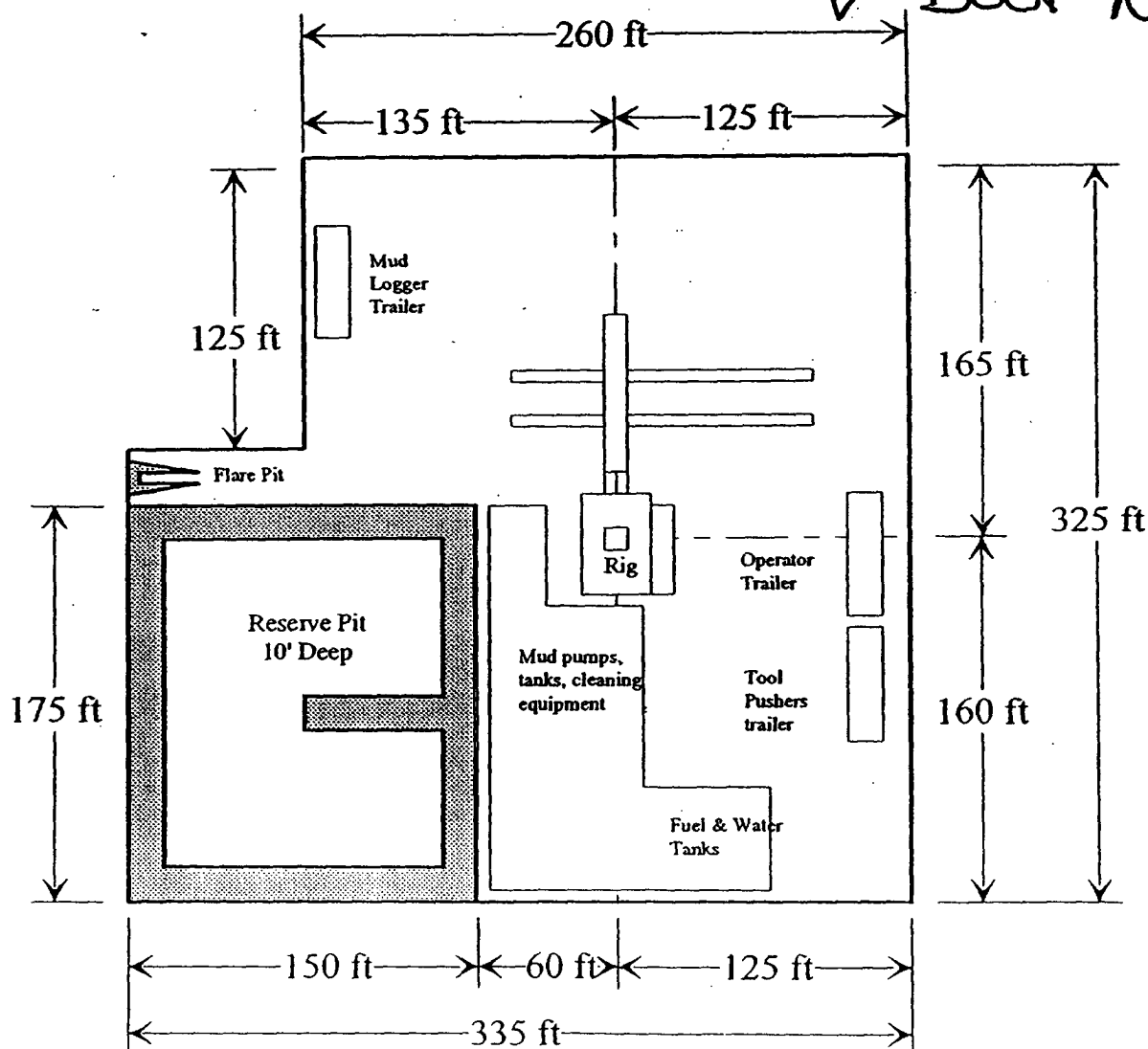
Yates Petroleum Corporation

105 SOUTH 4th STREET

ARTESIA, NEW MEXICO 88210

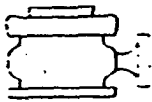
Zingaro ANG Federal #3
990' FNL and 890' FEL
Section 1, T22S-R23E
Eddy County, New Mexico
NM-92742

*Rits to the
Northwest
V-Door NE.*



Distance from Well
Head to Reserve Pit
will vary between rigs

The above dimension
should be a maximum

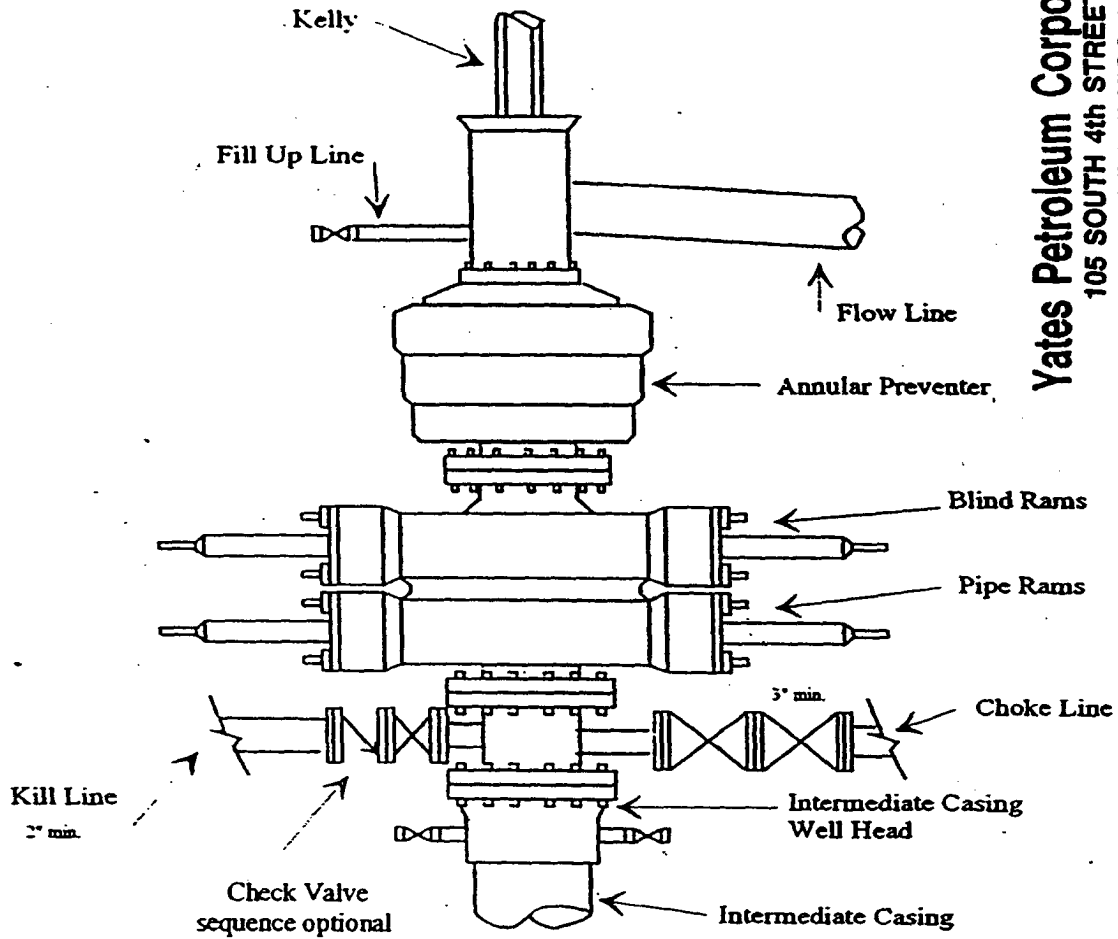


Yates Petroleum Corporation

BOF-3

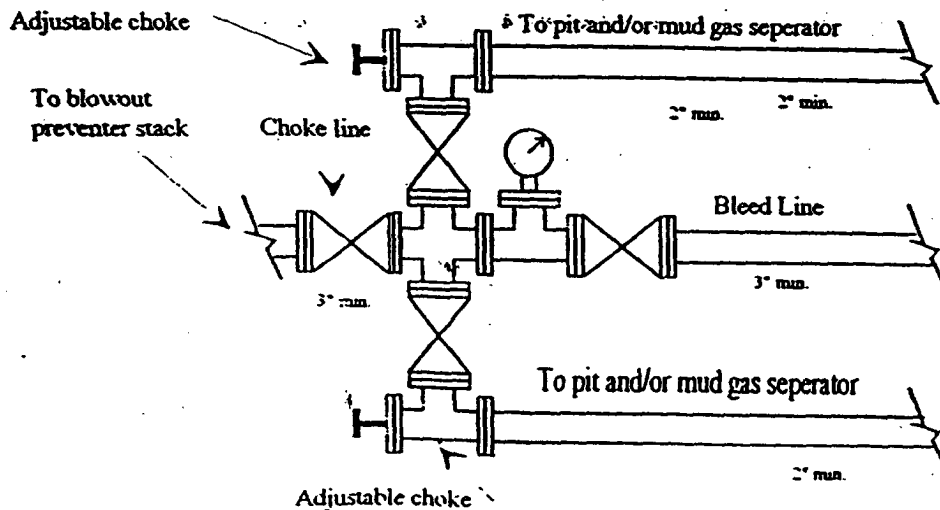
**Typical 3,000 psi Pressure System
Schematic
Annular with Double Ram Preventer Stack**

Yates Petroleum Corporation
105 SOUTH 4th STREET
ARTESIA, NEW MEXICO 88210



Zingaro ANG Federal #3
990' FNL and 890' FEL
Section 1, T22S-R23E
Eddy County, New Mexico

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



CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Yates Petroleum Corporation Well No. 3 - Zingaro ANG Federal
Location: 990' FNL & 890' FEL sec. 1, T. 22 S., R. 23 E.
Lease: NM-92742

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I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at (505) 234-5972 in sufficient time for a representative to witness:
 - A. Spudding
 - B. Cementing casing: 13-3/8 inch 9-5/8 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. Include the API No. assigned to well by NMOCD on the subsequent report of setting the first casing string.
4. A Hydrogen Sulfide Contingency Plan should be activated prior to drilling in the Canyon formation. A copy of the plan shall be posted at the drilling site.

II. CASING:

1. 13-3/8 inch surface casing should be set at approximately 350 feet, below usable water and circulate cement to the surface. If cement does not circulate to the surface, the Carlsbad Field Office shall be notified at (505) 234-5972, 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. Minimum required fill of cement behind the 9-5/8 inch intermediate casing set at approximately 2200 feet is sufficient to circulate to the surface. Only fresh water air mist or fresh water mud is allowed to drill the hole for the 13-3/8 inch surface casing and the 9-5/8 inch intermediate casing to a depth of 2200 feet.
3. Minimum required fill of cement behind the 5-1/2 inch production casing is sufficient to tie back 500 feet above the uppermost perforation in the pay zone.

III. PRESSURE CONTROL:

1. Before drilling below the 13-3/8 inch surface casing, the blowout preventer assembly shall consist of a minimum of One Annular Preventer or Two Ram-Type Preventers and a Kelly Cock/Stabbing Valve. Before drilling below the 9-5/8 inch intermediate casing, the blowout preventer assembly shall consist of a minimum of One Annular Preventer, Two Ram-Type Preventers, and a Kelly Cock/Stabbing Valve.
2. Before drilling below the 13-3/8 inch surface casing, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi. Before drilling below the 9-5/8 inch intermediate casing, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 3000 psi.

CONDITIONS OF APPROVAL - DRILLING (CONTINUED)

Operator's Name: Yates Petroleum Corporation **Well No.** 3 – Zingaro ANG Federal

Location: 990' FNL & 890' FEL sec. 1, T. 22 S., R. 23 E.

Lease: NM-92742

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III. PRESSURE CONTROL:

3. After setting the 9-5/8 inch intermediate casing string and before drilling into the **Wolfcamp** formation, the BOPE shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

A. The Carlsbad Field Office shall be notified at (505) 234-5972 in sufficient time for a representative to witness the tests.

B. The tests shall be done by an independent service company.

C. The results of the test shall be reported to the BLM Carlsbad Field Office at 620 East Greene Street, Carlsbad, New Mexico 88220-6292.

D. 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.

E. Testing must be done in a safe workman like manner. Hard line connections shall be required.

IV. DRILLING MUD:

1. Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the **Wolfcamp** formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

A. Recording pit level indicator to indicate volume gains and losses.

B. Flow-sensor on the flow-line to warn of abnormal mud returns from the well.