

OCD-ARTESIA

Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

MAY 08 2006

OCD-ARTESIA

APPLICATION FOR PERMIT TO DRILL OR REENTER

0

OMB No. 1004-0136
Expires November 30, 2000

5. Lease Serial No.
LC-028446-A

6. If Indian, Allottee or Tribe Name
Not Applicable

7. If Unit or CA Agreement, Name and No.
Not Applicable

8. Lease Name and Well No.
Orient Express "ARS" Fed. Com. #1

9. API Well No.
30-015-34848

10. Field and Pool, or Exploratory
Undes. Crow Flats; Morrow, SE

11. Sec., T., R., M., or Blk, and Survey or Area
Section 5, T17S-R28E

12. County or Parish
Eddy

13. State
NM

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

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

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

4. Location of Well (Report location clearly and in accordance with any State requirements. *)
At surface **910' FSL & 660' FEL**
At proposed prod. Zone **same as above**

14. Distance in miles and direction from nearest town or post office* **Approximately 14 miles NE of Artesia, NM**

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) **660'**

16. No. of Acres in lease **639.36**

17. Spacing Unit dedicated to this well **S1/2**

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. **1000'**

19. Proposed Depth **9950'**

20. BLM/BIA Bond No. on file **585997**

21. Elevations (Show whether DF, KDB, RT, GL, etc.) **3573' GR**

22. Approximate date work will start* **ASAP**

23. Estimated duration **45 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.
- 2. A Drilling Plan.
- 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- 5. Operator certification.
- 6. Such other site specific information and/or plans as may be required by the authorized office.

25. Signature  Name (Printed/Typed) **Cy Cowan** Date **4/3/2006**

Title **REGULATORY AGENT**

Approved by (Signature)  Name (Printed/Typed) **/S/ Russell E. Sorensen** Date **MAY 04 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**

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

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

Reachsmith

DISTRICT II
 511 South First, Artesia, NM 88210

DISTRICT III
 1600 Rio Brazos Rd., Artesia, NM 87410

DISTRICT IV
 2045 South Pacheco, Santa Fe, NM 87506

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 Wildcat Morrow
Property Code	Property Name ORIENT EXPRESS "ARS" FEDERAL COM.		Well Number 1
OGED No. 025575	Operator Name YATES PETROLEUM CORPORATION		Elevation 3573

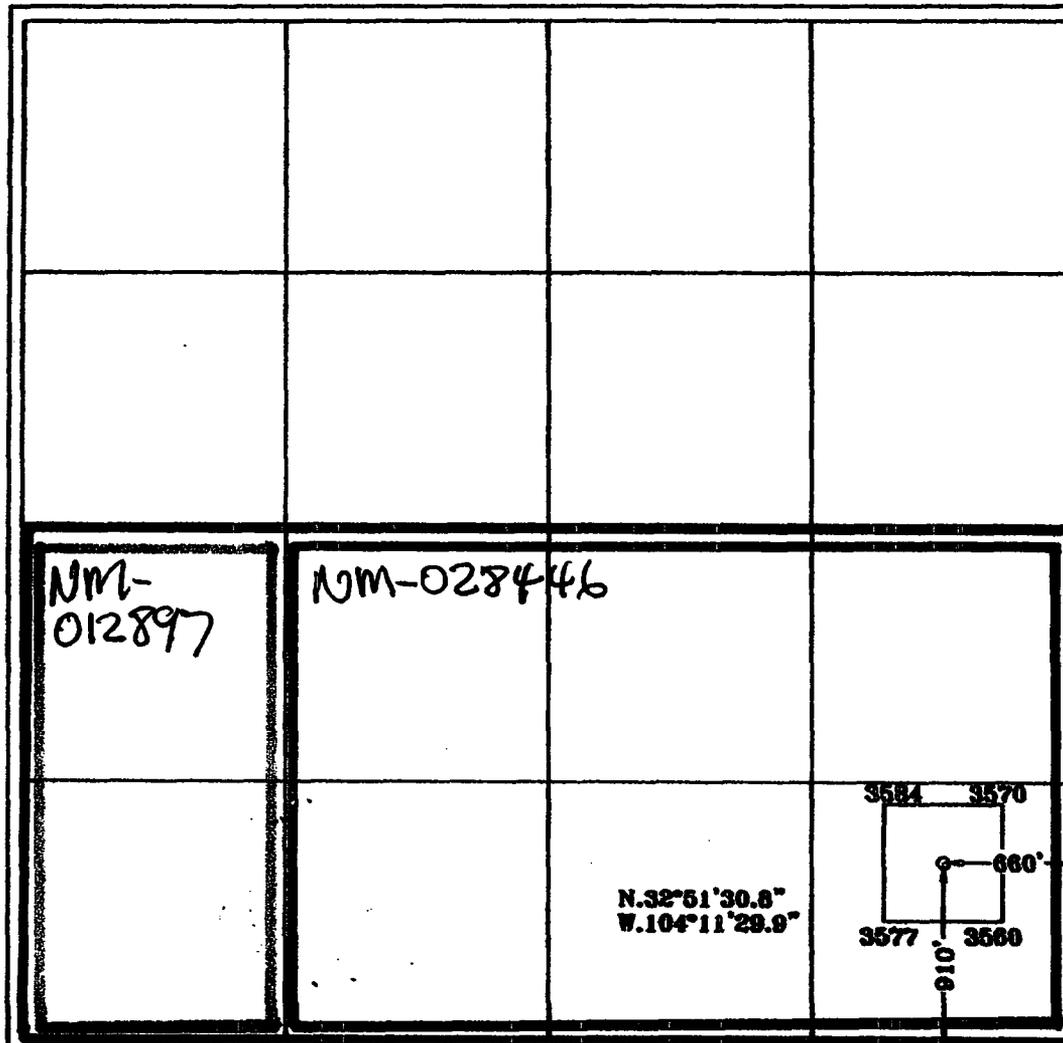
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	5	17S	28E		910	SOUTH	660	EAST	EDDY

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 320	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.

Cy Cowan
 Signature
 Cy Cowan
 Printed Name
 Regulatory Agent
 Title
 January 13, 2004
 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.

11/20/2003
 Date Surveyed
 Signature & Seal of Professional Surveyor

 Certificate No. Herschel L. Jones RLS 3640
 OIL CONSERVATION DIVISION
 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

YATES PETROLEUM CORPORATION
 Orient Express "ARS" Federal Com. #1
 760' FSL and 1880' FWL
 Sec. 5-T17S-R28E
 Eddy County, New Mexico

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

San Andres	1913'	Atoka	9285'
Glorieta	3266'	Morrow Clastics	9608'
Abo	5381'	Lower Morrow	9648'
Wolfcamp Lime	6517'	Chester Lime	9920'
Lower Canyon	8323'	TD	10050'
Strawn	8798'		

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

Water: 150' - 300'
 Oil or Gas: All potential zones

11 3/4" (See Steps)

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>Thread</u>	<u>Interval</u>	<u>Length</u>
14 3/4"	11 3/4"	42#	H-40	ST&C	0-400'	400'
11"	8 5/8"	24#	J-55	ST&C	0-2000'	2000'
7 7/8"	5 1/2"	17#	L-80	LT&C	0-400'	400'
7 7/8"	5 1/2"	17#	J-55	LT&C	400'-1500'	1100'
7 7/8"	5 1/2"	15.5#	J-55	LT&C	1500'-6000'	4500'
7 7/8"	5 1/2"	17#	J-55	LT&C	6000'-7900'	1900'
7 7/8"	5 1/2"	17#	N-80	LT&C	7900'-9200'	1300'
7 7/8"	5 1/2"	17#	HCP-110	LT&C	9200'-10050'	850'

Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, Tensile Strength 1.8

B. CEMENTING PROGRAM:

Surface Casing: 250 sx "C" + 2% CACL2 (Yld 1.32 wt 14.8)

Intermediate Casing: 900 sx Lite (YLD 1.8 WT 12.9) Tail in w/200 sx "C"
(YLD 1.34 WT 14.8)

Production Casing: TOC = 6100', 650 sx Super C (YLD 1.61 WT 13.1).

5. MUD PROGRAM AND AUXILLIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-400'	FW Spud Mud	8.4-8.8	32-34	N/C
400'-2000'	FW	8.4-8.8	32-34	N/C
2000'-5300'	FW/Cut Brine	8.6-8.9	28	N/C
5300'-9200'	Cut Brine	8.9-9.5	28	N/C
9200'-10050'	Salt Gel/Starch/2% KCL	9.5-9.9	32-40	<10cc

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 TD.

Logging: PEX/HALS, TD-Casing; GR-CNL on up to surface.

Coring: None anticipated.

DST's: As warranted.

**7. Abnormal Conditions, Bottom hole pressure and potential hazards:
Anticipated BHP:**

From: 0	TO: 400'	Anticipated Max. BHP:	200	PSI
From: 400'	TO: 2000'	Anticipated Max. BHP:	1000	PSI
From: 2000'	TO: 10050'	Anticipated Max. BHP:	5100	PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None

H2S Zones Anticipated: None

Maximum Bottom Hole Temperature: 170° F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 30 days to drill the well with completion taking another 15 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Orient Express "ARS" Federal Com.#1
760' FSL and 1880' FWL
Sec. 5-T17S-R28E
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 well site is located approximately 14 miles northeast of Artesia, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go east of Artesia, New Mexico on Highway 82 to County Road (202) Southern Union. Turn north and go to end of County Road (202). Go east on caliche road for approximately 0.8 of a mile and turn northeast on caliche road for approximately 0.9 of a mile. Turn south on caliche road for approximately 0.3 of a mile. New road starts here.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 500' in length from the point of origin to the southeast corner of the drilling pad. The road will lie in a east to west 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. No traffic turnouts 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 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. 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:

The dirt contractor will acquire any permits and materials from the closest source at the time of construction of the well pad.

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 landfill. Burial on site is not approved.

8. ANCILLARY FACILITIES: None

9. WELLSITE LAYOUT: The well pad was moved to this location per the onsite with Mr. Barry Hunt on May 10, 2000.

- 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 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 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 within 90 days after abandonment.

11. SURFACE OWNERSHIP: Federal surface, Administered by the 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:

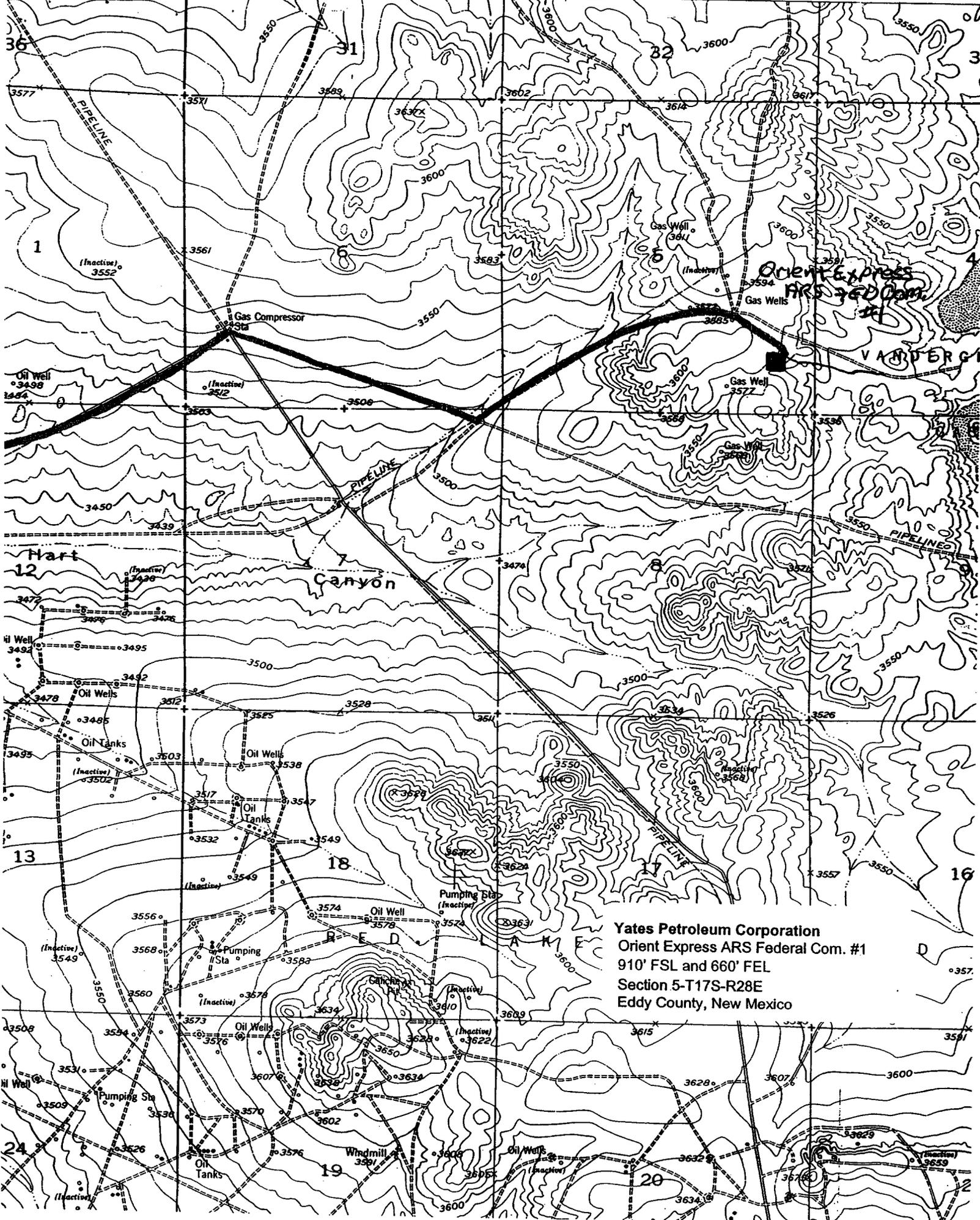
Cy Cowan, Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471 | B. Through Drilling Operations,
Completions and Production:
Pinson McWhorter, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
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.

2/1/2006

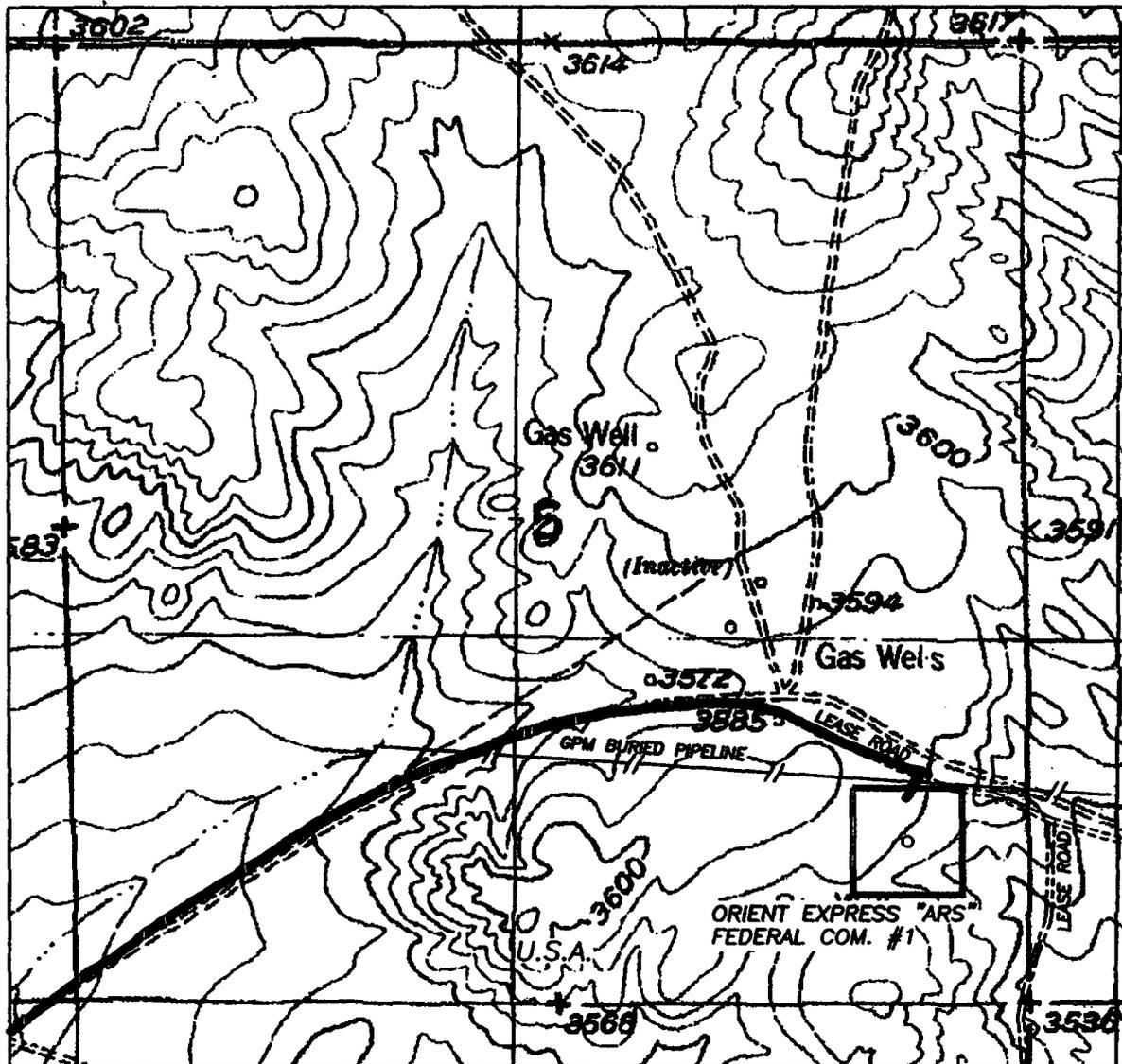

Regulatory Agent



**Orient Express
ARS Federal Com. #1**

Yates Petroleum Corporation
Orient Express ARS Federal Com. #1
 910' FSL and 660' FEL
 Section 5-T17S-R28E
 Eddy County, New Mexico

SECTION 5, TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM, EDDY COUNTY, NEW MEXICO.



Yates Petroleum Corporation
 Orient Express ARS Federal Com. #1
 910' FSL and 660' FEL
 Section 5-T17S-R28E
 Eddy County, New Mexico

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.

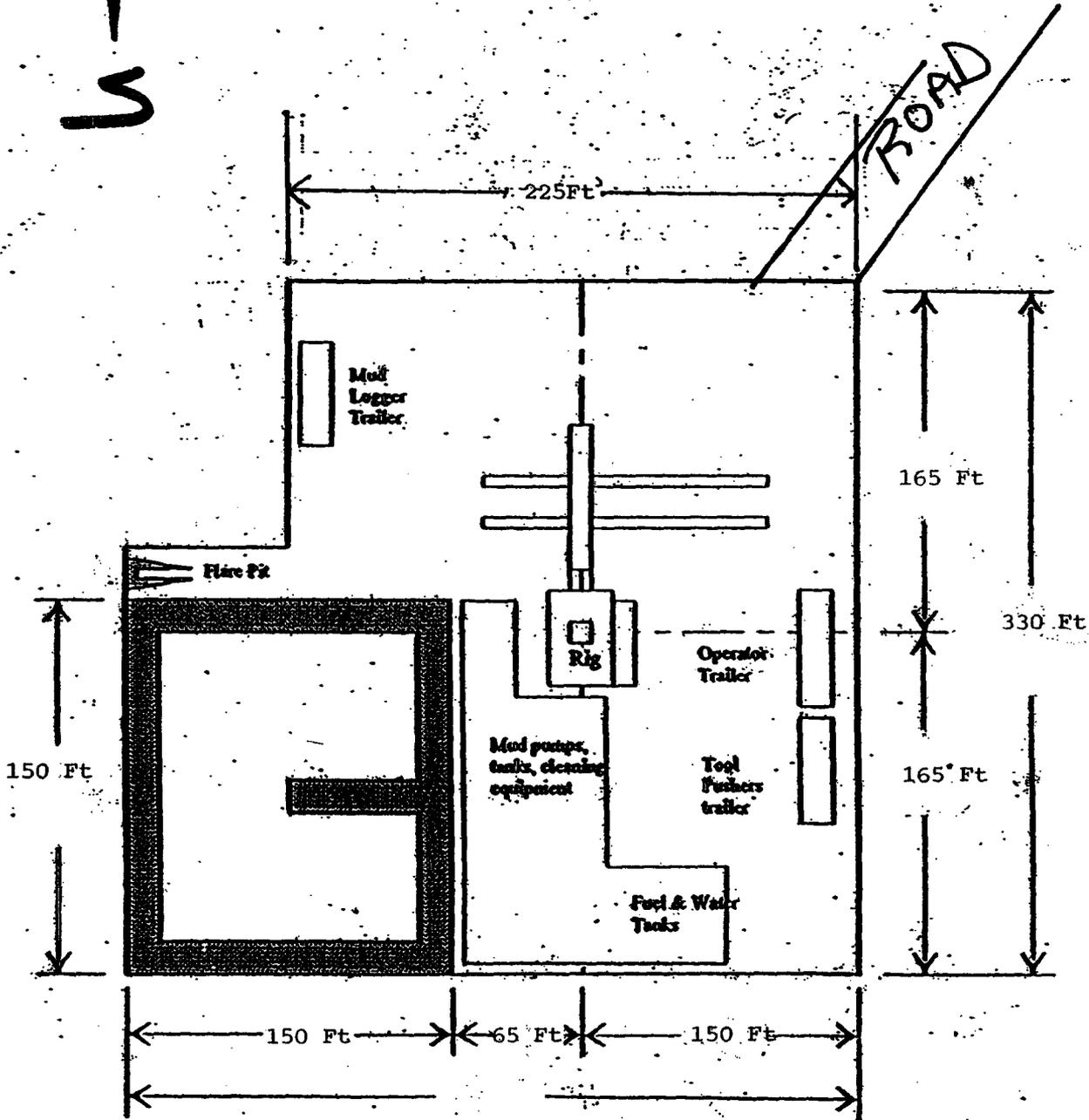
[Signature]
 HERSCHEL L. JONES, R.E.S. No. 3640
 GENERAL SURVEYING COMPANY P.O. BOX 1928
 LOVINGTON, NEW MEXICO 88260

YATES PETROLEUM CORP.	
LEASE ROAD TO ACCESS THE YATES ORIENT EXPRESS "ARS" FEDERAL COM. #1 WELL, LOCATED IN SECTION 5, TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM, EDDY COUNTY, NEW MEXICO.	
Survey Date: 11/20/2003	Sheet 1 of 1 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 11/21/03	Scale 1" = 1000' ORIENT EXP

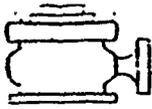
Yates Petroleum Corporation
 Grant Express ARS Federal Com. #1
 910' FSL and 660' FEL
 Section 5-T17S-R28E
 Eddy County, New Mexico

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

Pits West



Distance from Well Head to Reserve Pit will vary between rigs
 The above dimension should be a maximum



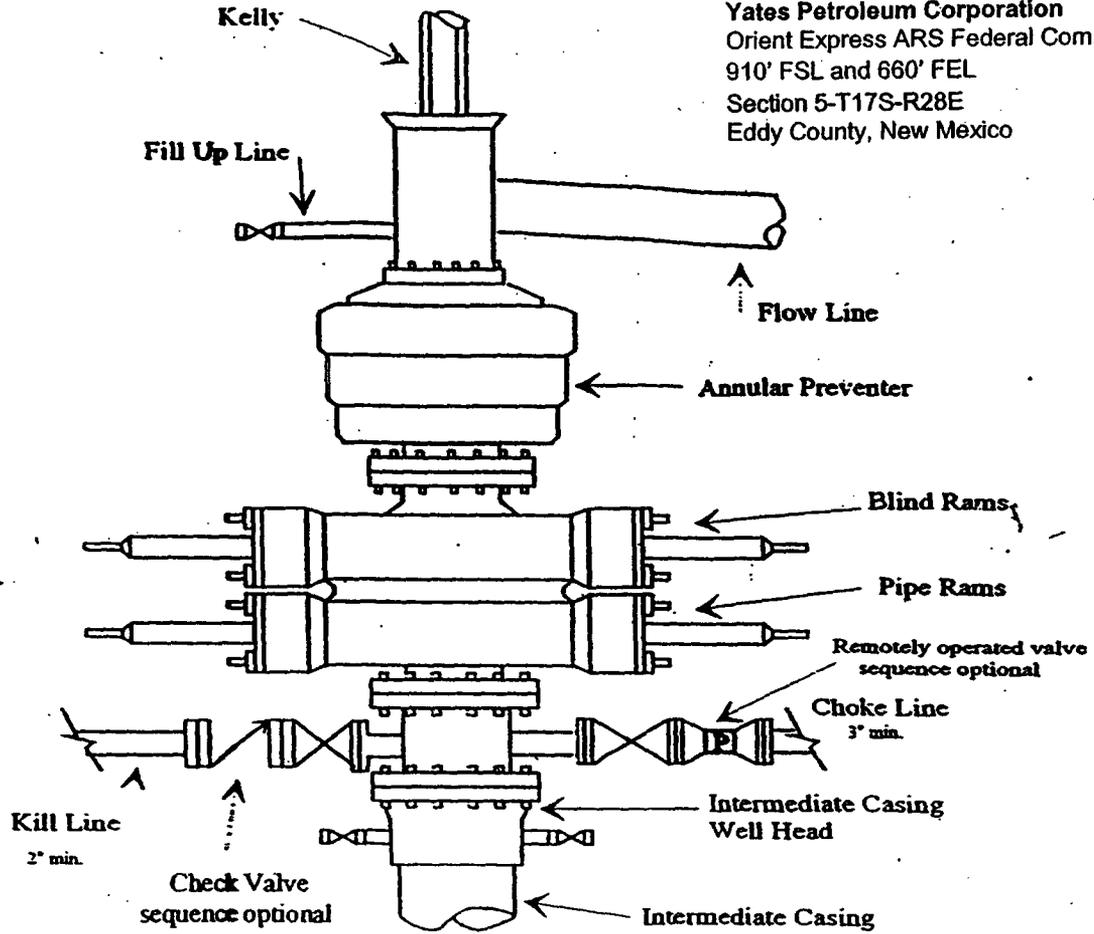
Yates Petroleum Corporation

BOP-4

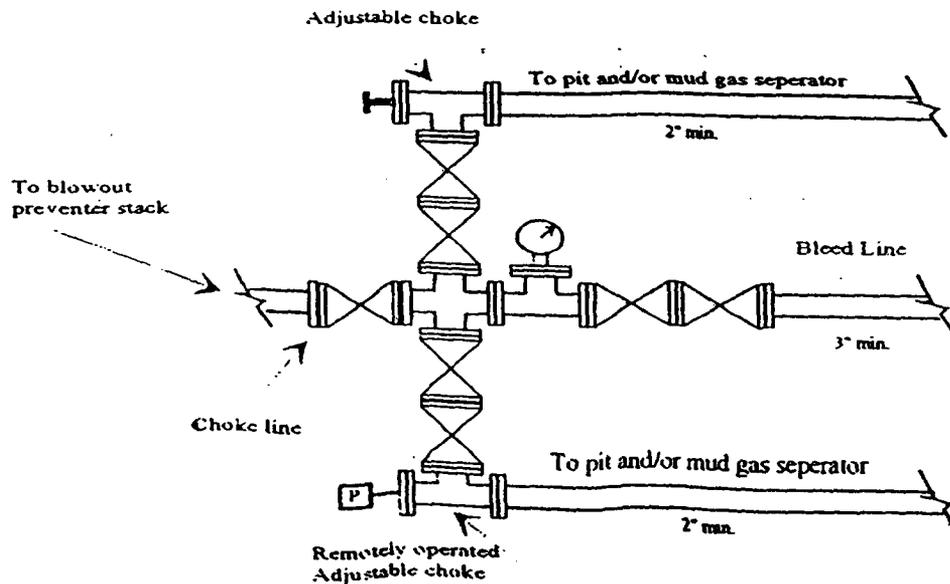
Typical 5,000 psi Pressure System Schematic

Annular with Double Ram Preventer Stack

Yates Petroleum Corporation
Orient Express ARS Federal Com. #1
910' FSL and 660' FEL
Section 5-T17S-R28E
Eddy County, New Mexico



Typical 5,000 psi choke manifold assembly with at least these minimum features



District I
1624 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

RECEIVED

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

MAR 08 2005

Operator: Yates Petroleum Corporation Telephone: (505) 748-4372 e-mail address: debbiec@ypecnm.com
Address: 105 South 4th Street, Artesia, NM 88210
Facility or well name: Orient Express ARS Federal Com. #1 API#: 30-015-33280 U/L or Qtr/Qtr P. Sec 5 T 17S R 28E
County: Eddy Latitude _____ Longitude _____ NAD: 1927 1983 Surface Owner: Federal State Private Indian

Pit Type: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined <input checked="" type="checkbox"/> Unlined <input type="checkbox"/> Liner type: Synthetic <input checked="" type="checkbox"/> Thickness <u>12 mil</u> Clay <input type="checkbox"/> Volume _____ bbl	Below-grade tank Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not. _____	
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet (20 points) 50 feet or more, but less than 100 feet (10 points) <input checked="" type="checkbox"/> 100 feet or more (0 points)	
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) <input checked="" type="checkbox"/> No (0 points)	
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) <input checked="" type="checkbox"/> 1000 feet or more (0 points)	
	Ranking Score (Total Points)	<input checked="" type="checkbox"/> 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: February 03, 2005
 Printed Name/Title Debbie L. Caffall/Regulatory Technician Signature: Debbie L. Caffall
 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.

Approved: MAR 11 2005
 Date: _____
 Printed Name/Title _____ Signature: _____

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Yates Petroleum Corporation

Well Name & No: Orient Express ARS Federal Com # 01

Location: Surface ⁹¹⁰ 760' FSL & ⁶⁶⁵ 1380' FEL Sec. 05, T. 17 S. R. 28 E.

Lease: ~~NMLC 02846-A~~ Lea County, NM

~~NMLC 02846-A~~

~~Eddy~~

per corrected front page from letter received 4/4/16

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) 361-2822 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: 11 3/4 inch 8 5/8 inch 5 1/2 inch
 - C. BOP Tests
2. A Hydrogen Sulfide (H2S) Drilling Plan shall not be required on this wellbore.
3. 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.
4. 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.
5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.
6. A Communitization Agreement shall be filed and approved by this office prior to any sales from this well.

II. CASING:

1. The 11 3/4 inch shall be set at 400 Feet with 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 to circulate to surface.
3. The minimum required fill of cement behind the 5 1/2 inch Production casing is to place TOC at least 200 feet above the Top of the Wolfcamp formation estimated to be at 6800 ft.

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.
2. The BOP and related equipment shall be installed and operational before drilling below the 11 3/4 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) shall be 3 M psi. A minimum 2 M psi BOPE shall be installed on the 11 3/4 inch surface pipe as required in Onshore orders No 02. Prior to setting the 8 5/8 inch intermediate casing string, the Yates, Queen and San Andres formations will be encountered. A 3 M BOPE shall be in operations prior to drilling below the 8 5/8 inch shoe.

III. Pressure Control (continued):

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

- The test 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 safe workman-like manner. Hard line connections shall be required.

Ggourley 02/10/06