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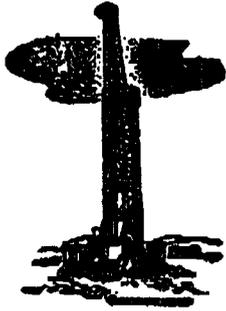
Date: 1/24
 Number of pages including cover sheet: 25

NMOC D
 Attn: Michael Stogner
 Phone: (505) 476-3440
 Fax phone: (505) 476-3462

From: Cy Cowan
105 South Fourth Street
Artesia, NM 88210
 Phone: 505-748-4372
 Fax phone: 505-748-4572

REMARKS: Urgent For your review Reply ASAP Please comment

*Request for Yates Drilling Company's
 Parrot Federal Com # 2 Administration
 Approval.
 Thank You!
 Cy Cowan*



YATES DRILLING COMPANY

105 SOUTH FOURTH STREET • ARTESIA, NEW MEXICO 88210

(505) 748-8440 • FAX (505) 748-8470

EMAIL: ydc1@qwest.net

PEYTON YATES
PRESIDENT

S. P. YATES
VICE PRESIDENT

RANDY G. PATTERSON
SECRETARY

DENNIS G. KINSEY
TREASURER

January 24, 2006

Mr. Michael Stogner
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Via Facsimile
Certified Mail
Return Receipt Request

RE: Application for Unorthodox Location
Parrott Federal Com. #2
1600' FSL and 660' FEL
Section 29, T19S-R27E
Eddy County, New Mexico

30-015-33345

Dear Mr. Stogner

Yates Drilling Company respectfully requests administrative approval for the captioned Wolfcamp oil well. The well located on Federal Lease LC-049945.

The Parrot Federal #2 was originally drilled as a wildcat Chester gas well on a 320 acre dedication orthodox location. It was later decided to plug back the well to attempt to obtain production from other formations. This well was plugged back to the wolfcamp formation in the Lake McMillan Wolfcamp Oil Pool and the proration unit was decreased to a 40 acre proration unit. By doing this the captioned footages are unorthodox to the south approximately 54 feet. Please note attached exhibits.

Yates Drilling Company (Yates Petroleum Corporation) is the offset operator to the south since Lease NM-049945 covers the S/2SE/4 and the SE/SW/4 of this section. Therefore Yates Drilling Company requests administrative approval for this plugged back unorthodox location at your earliest convenience. We also wish this approval to cover the following formations Seven Rivers, Queen, San Andres, and the Bone Springs.

Enclosed please find Yates Drillings' Administrative Application Checklist and supporting information for your review. However should you need anything further please advise.

Thank you,

Very truly yours,

YATES PETROLEUM CORPORATION

Cy Cowan
Regulatory Agent
/cyc

DATE IN <u>1/24/06</u>	SUSPENSE <u>2/13/06</u>	ENGINEER <u>MIKE</u>	LOGGED IN <u>2/2/06</u>	TYPE <u>NSL</u>	APP NO. <u>PTDS 0603339149</u>
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION - Check Those Which Apply for [A]**

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

[D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply**

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Cy Cowan [Signature] Regulatory Agent 1/20/06
 Print or Type Name Signature Title Date

 e-mail Address

NEW MEXICO OIL CONSERVATION DIVISION**SUBMITTAL GUIDELINES FOR ADMINISTRATIVE APPROVAL
OF NON-STANDARD LOCATION APPLICATIONS**

- I. If the well is located on Federal or Indian Lands, the Federal Surface Management Agency must be notified and an on-site inspection conducted prior to filing the application. If an Application for Permit to drill or a Notice of Staking has been prepared, a copy must be submitted.
Note I, Ia, + Ib.
- II. Completed C-102 showing the well location, proration unit, leases within the unit and other required information.
- III. Land plat showing offset operators and working interest owners and any offsetting wells producing from the same pool or formation.
 - A. This information may be shown on the topo map if it does not impair the readability of the map.
 - B. The operator should certify that the information is current and correct. *THIS INFORMATION IS CURRENT AND CORRECT.*
- IV. Original or clear copy of topographic map, preferably 7.5 minute quad, showing contours and other mapped features impacting the location, with the following information marked thereon (In order to be able to adequately show all of the necessary surface conditions it may be necessary to enlarge the relevant portion of the topo map to provide room for detail):
 - A. The proposed well location and proration unit;
 - B. An outline of the orthodox drilling windows as provided in the applicable rules for the subject application;
 - C. The location of any wells to any formation within the area of the proration unit and a statement as to whether an existing pad can be used to drill the proposed well; *Two wells share this pad.*
- V. An enlargement of the topo map showing the subject area with the applicable additional information:
 - A. Terrain features not shown on the map which make an orthodox location unusable;
 - B. Proposed access roads and pipelines if they affect the location selection;
 - C. The location of any surface uses which prevent use of a legal location;

N/A

- N/A
- D. The location of any archeological sites identified in the archeological survey;
- E. The location and nature of any other surface conditions which prevent the use of an orthodox location.

N/A

VI. If archeological sites are a reason for the unorthodox location request, a copy of the archeological survey, or a summary, identifying sites which cannot be disturbed or which must have any disturbance mitigated. In addition, the location of such areas should be marked on the enlarged topo so they can be clearly identified.

N/A

VII. A narrative report of any on-site inspection of the potential locations. If such on-site has resulted in elimination of legal locations due to surface conditions, such information should also be noted on the enlarged topo.

VIII. A statement of why directional drilling to reach a legal bottom-hole location is not feasible. *THIS WELL WAS ORIGINALLY DRILLED TO THE CHESTER (ORTHODOX) THEN PLUGGED BACK TO THE WOLF CAMP (UNORTHODOX)*

IX. An affidavit that notice has been sent to all parties entitled thereto, under the Divisions Rules and Regulations with return receipt cards showing date of receipt of notice.

The plug back formation is toward a portion of Yates Drilling Company lease in the SE/SE/4.

Thank you!

OPERATOR'S COPY

WF

Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

0
OMB No. 1004-0136
Expires November 30, 2000

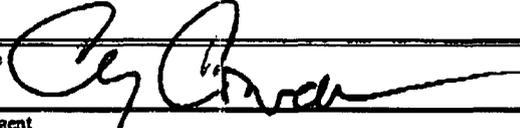
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. LC-049945-B	
b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name	
2. Name of Operator Yates Drilling Company		7. If Unit or CA Agreement, Name and No.	
3A. Address 105 South Fourth Street Artesia, New Mexico 88210		8. Lease Name and Well No. Parrot Federal Com. #2	
3b. Phone No. (include area code) (505) 748-1471		9. API Well No.	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1600' FSL and 660' FEL At proposed prod. Zone Same		10. Field and Pool, or Exploratory Wildcat Chester	
14. Distance in miles and direction from nearest town or post office* Approximately 14 miles southeast of Artesia, New Mexico.		11. Sec., T., R., M., or Blk, and Survey or Area Section 29, T19S-R27E	
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any.) 660'		12. County or Parish Eddy County	
16. No. of Acres in lease 320		13. State NM	
17. Spacing Unit dedicated to this well E/2		18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1/2 mile	
19. Proposed Depth 10725'		20. BLM/BIA Bond No. on file 586000	
21. Elevations (Show whether DF, KDB, RT, GL, etc.)		22. Approximate date work will start* ASAP	
		23. Estimated duration 45 days	

24. Attachments ROSWELL CONTROLLED WATER BASIN

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 file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 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). | 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 2/10/04
---	---	------------------------

Regulatory Agent

Regulatory Agent

Approved by (Signature) 	Name (Printed/Typed) Joe G. Lara	Date 3/24/04
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)

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED**

*Witness Surface and
Intermediate Casings*

1425 N. French St., Hobbs, NM 88240

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT II

661 South First, Artesia, NM 88210

DISTRICT III

1000 Rio Grande Rd., Aztec, NM 87410

DISTRICT IV

2000 South Pacheco, Santa Fe, NM 87505

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

Revised March 17, 1989
 Instruction 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	Pool Code	Pool Name Wildcat Chester
Property Code	Property Name PARROT FEDERAL COM.	
Well Number 2	Operator Name YATES DRILLING COMPANY	
OGRD No. 025575	Elevation 3413	

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	29	19S	27E		1600	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 Unit	Consolidation Code	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

		NM-049945 B	NM-049945 C	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Cy Cowan</i> Signature Cy Cowan Printed Name Regulatory Agent Title February 6, 2004 Date</p>
				<p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>1/21/2004 Date Surveyed</p>
				<p>N.32°37'49.8" W.104°17'40.4"</p> <p>3379 3409</p> <p>680'</p> <p>3391 3414</p> <p>1800'</p>
				<p>H. SHELL L. JONES NEW MEXICO 3640 PROFESSIONAL LAND SURVEYOR GENERAL SURVEYING COMPANY</p>

0 330' 660' 990' 1320' 1650' 1980' 2310' 2640' 2970' 3300' 0'

YATES DRILLING COMPANY
Parrot Federal Com. #2
 1600' FSL and 660' FEL
 Section 29, T19S-R27E
 Eddy County, New Mexico

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

Queen	876'	Atoka	9645'
Grayburg	1184'	Morrow	9964'
San Andres	1771'	Morrow Clastics	10104'
Bone Spring Lime	2719'	Lower Morrow	10236'
1 st Bone Spring Lime	5417'	Barnett	10376'
3 rd Bone Springs Lime	7399'	Chester	10654'
Wolfcamp	7836'	TD	10725'
Cisco Canyon	8277'		
Strawn	9076'		

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

Water: 200' - 300'
 Oil or Gas: All potential zones

3. Pressure Control Equipment: BOPE will be installed on the 9 5/8" casing and rated for 5000 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>	WITNESS WITNESS
17 1/2"	13 3/8"	48#	H-40	ST&C	0-400'	400'	
12 1/4"	9 5/8"	36#	J-55	ST&C	0-2800'	2800'	
8 3/4"	5 1/2"	17#	L-80	LT&C	0-1100'	1100'	
8 3/4"	5 1/2"	17#	J-55	LT&C	1100'-2200'	1100'	
8 3/4"	5 1/2"	15.5#	J-55	LT&C	2200'-6200'	4000'	
8 3/4"	5 1/2"	17#	J-55	LT&C	6200'-8000'	1800'	
8 3/4"	5 1/2"	17#	L-80	LT&C	8000'-9400'	1400'	
8 3/4"	5 1/2"	17#	HCP-110	LT&C	9400'-10725'	3425'	

A deep string of 7" casing will be set if problems are encountered.

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

Parrot Federal Com. #2

Page 2

B. CEMENTING PROGRAM:

Surface casing: 500 sx Class 'C' + 2% CaCl₂(YLD 1.32 WT 14.8).

Intermediate casing: Lead with 700 sx Lite (YLD 2.0 WT 12.5) Tail in w/200 sx Class C + 2% CaCl₂ (YLD 1.32 WT 14.8).

Production Casing: TOC 7300', Lead w/750 sx Super 'C' (YLD 1.63 WT 13.0)

5. Mud Program and Auxillary Equipment:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
Spud to 400'	FW Gel/Paper	8.4-8.8	32-40	N/C
400'-2800'	Fresh Water	8.4	28	N/C
2800'-9600'	Cut Brine	8.6-9.6	28	N/C
9600'-10725'	S Gel/KCL/Starch/Driscap	9.6-10.0	32-38	<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' out from under intermediate casing to TD.

Logging: Platform Express CNL/LDT TD-surface casing; DLL MSFL TD-surface casing; BHC Sonic TD-surface casing; CNL/GR TD-surface; FMI TD-top of Wolfcamp.

Coring: None anticipated.

DST's: Possible Wolfcamp through Strawn.

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

Anticipated BHP:

From: 0 TO 400'	Anticipated Max. BHP: 175	PSI
From: 400' TO 2800'	Anticipated Max. BHP: 1225	PSI
From: 2800' TO 10600'	Anticipated Max. BHP: 5600	PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None

H₂S Zones Anticipated: None

Maximum Bottom Hole Temperature: 189° 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 Drilling Company
Parrot Federal Com. #2
1600' FSL and 660' FEL
Section 29, T19S-R27E
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 14 miles southeast 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 for approx. 24.5 miles to intersection of Capitan Reef Road and Hwy 285. Turn left on Capitan Reef Road and go approx. 5.9 miles to the intersection of Lake Road and Capitan Reef Road. Turn left on Lake Road (CR-34) and go approx. 0.2 of a mile. Turn right here on Netherland Road (CR-236) and go approx. 3.9 miles. The new road will start here going west.

2. PLANNED ACCESS ROAD:

- A. The new access road will be approximately .4 of a mile from the point of origin to the southeast corner of the well location.
- 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. Traffic turnouts will not 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 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.

Parrot Federal Com. #2
Page 2

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 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:

- 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 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 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 within 90 days after abandonment.

11. SURFACE OWNERSHIP: Bureau of Reclamation Albuquerque, 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.

Parrot Federal Com. #2
Page 3

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:

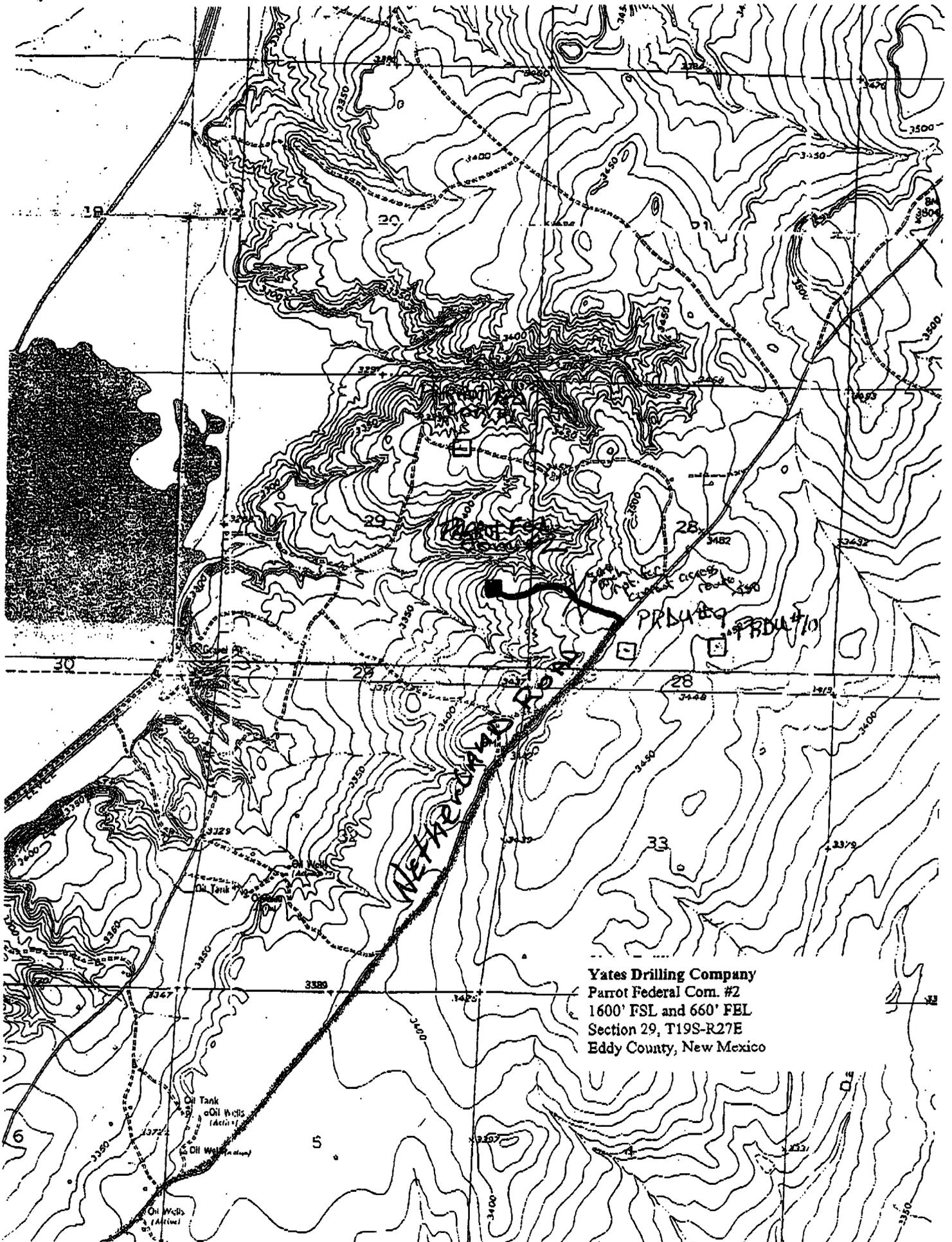
Toby Rhodes, Operations Manager
Yates Drilling Company
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

14. CERTIFICATION:

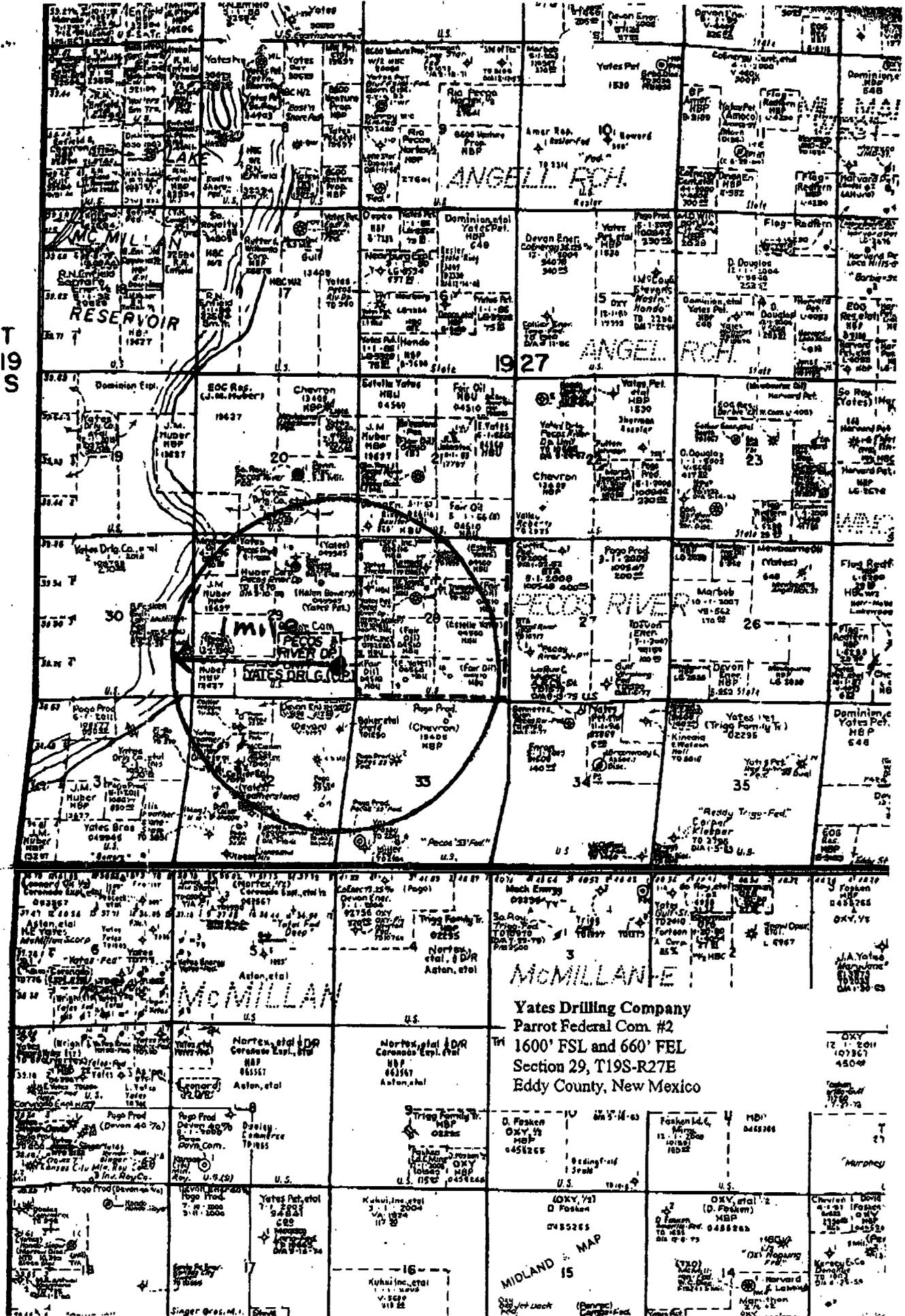
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and, that the work associated 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.

2/10/2004


Regulatory Agent



Yates Drilling Company
 Parrot Federal Corn. #2
 1600' FSL and 660' FEL
 Section 29, T19S-R27E
 Eddy County, New Mexico



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ANGELL RCH.

MCMILLAN
RESERVOIR

ANGELL RCH.

PECOS RIVER

YATES DEL G. CO.

MCMILLAN

MCMILLAN

Yates Drilling Company
Parrot Federal Com. #2
1600' FSL and 660' FEL
Section 29, T19S-R27E
Eddy County, New Mexico

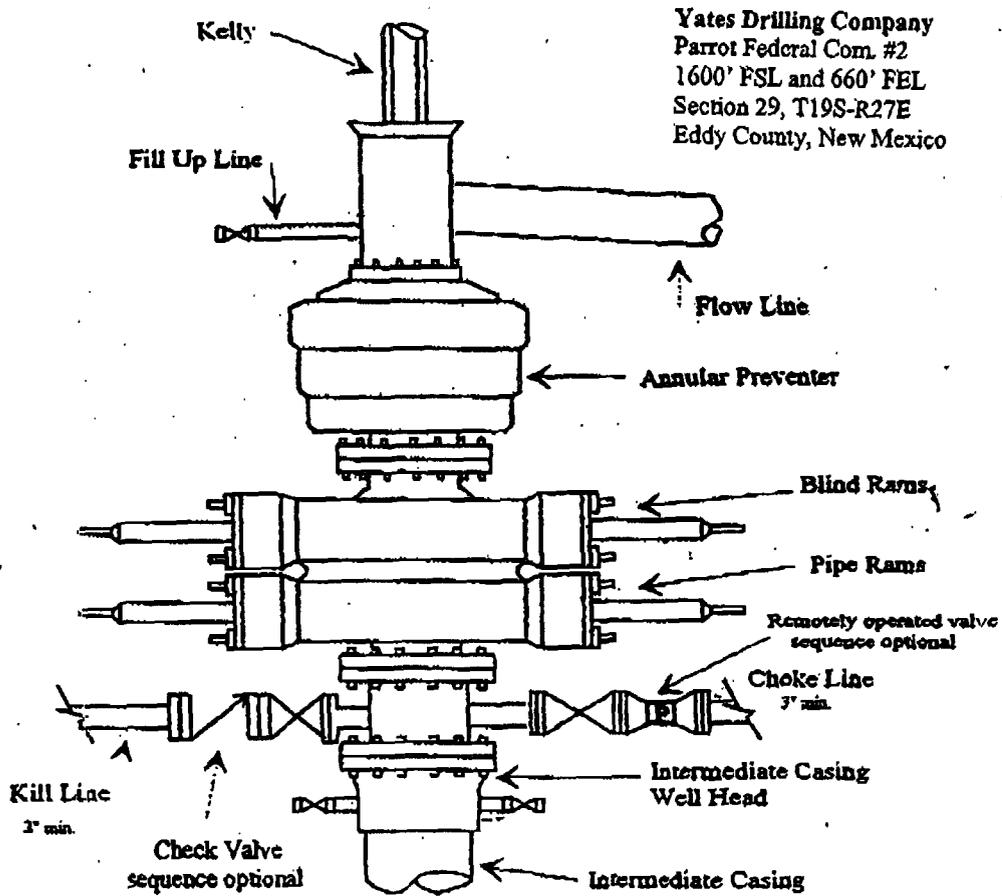
MIDLAND MAP



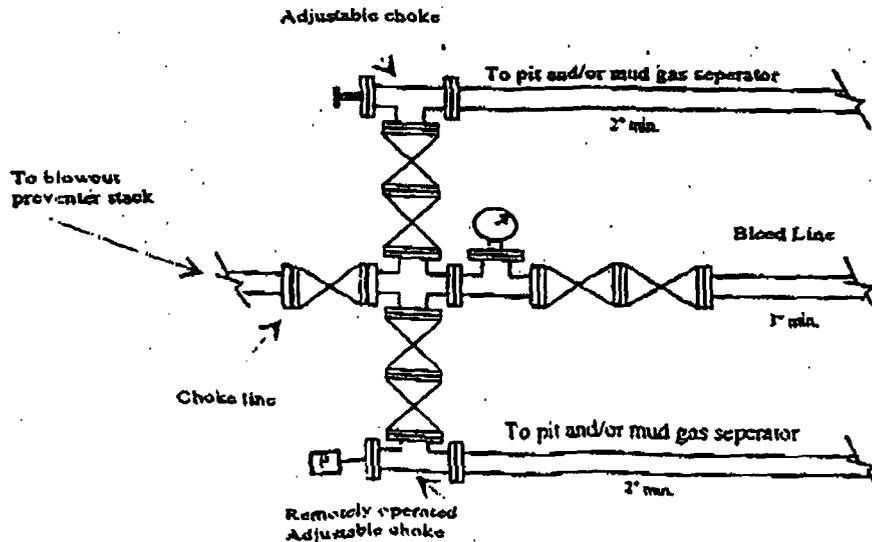
YATES DRILLING COMPANY

BOP-4

Typical 5,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack



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

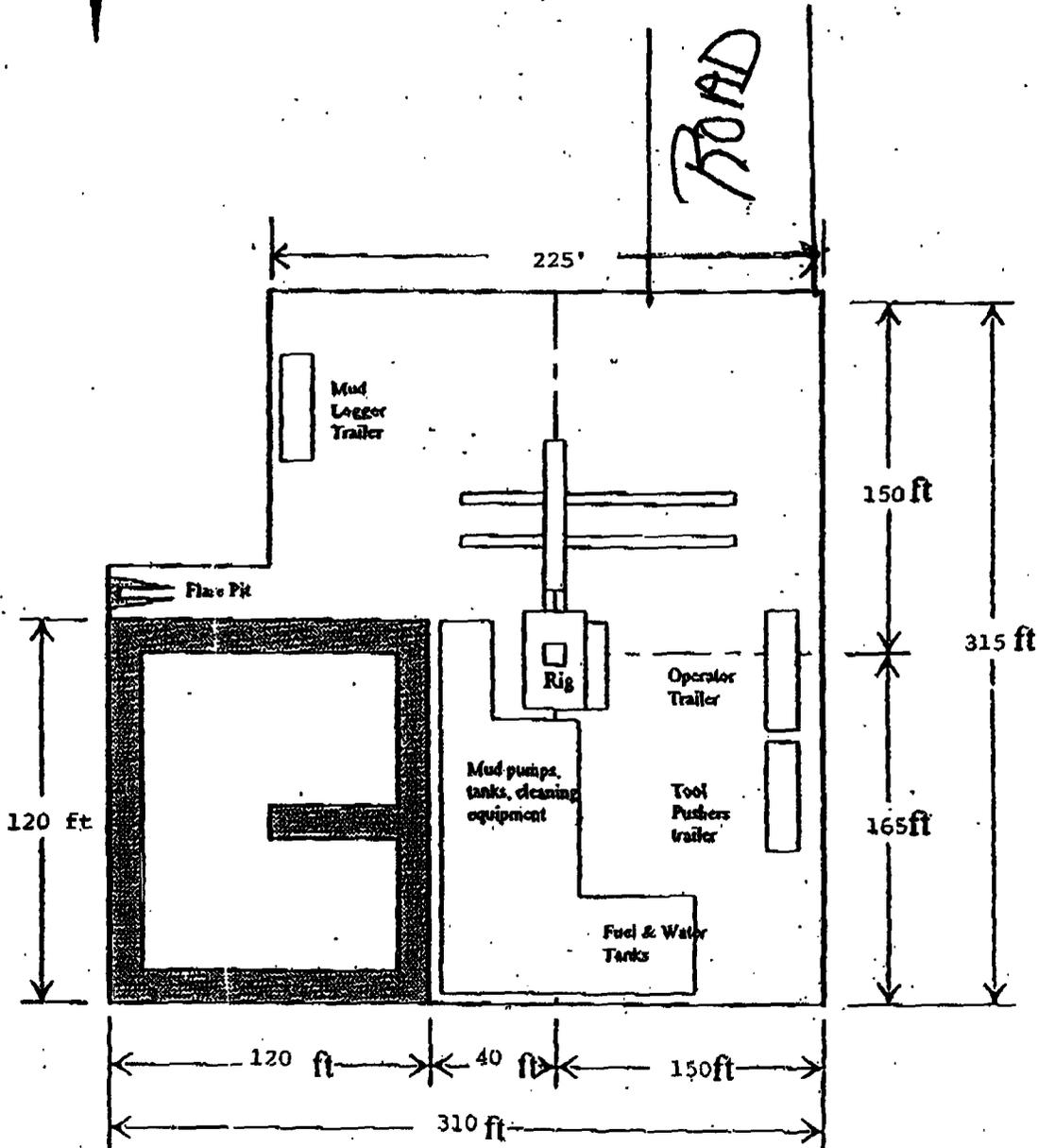
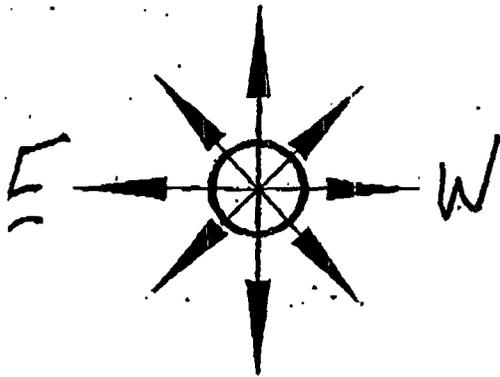


Yates Drilling Company

Location Layout for Permian Basin
Up to 12,000'

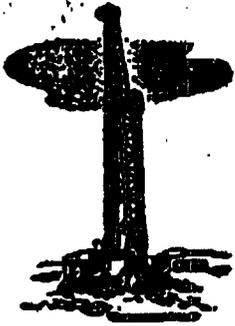
Yates Drilling Company
Parrot Federal Com. #2
1600' FSL and 660' FEL
Section 29, T19S-R27E
Eddy County, New Mexico

PITS EAST



Distance from Well Head to Reserve Pit will vary between rigs

The above dimension should be a maximum



YATES DRILLING COMPANY

105 SOUTH FOURTH STREET - (505) 748-1471

FAX (505) 746-2268

ARTESIA, NEW MEXICO 88210

FYTON YATES
PRESIDENT

S. P. YATES
VICE PRESIDENT

RANDY G. PATTERSON
SECRETARY

DENNIS G. KINSEY
TREASURER

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Lease Number: LC-049945-B

Bond Coverage: Individually Bonded

Parrot Federal Com. #2
Legal Description of Land:

BLM Bond File Number: NM 0344

E/2 Section 29, T19S-R27E

Formations(s) (if applicable): N/A

Date: 2/13/04

YATES DRILLING COMPANY


Cy Cowan, Regulatory Agent

Form 3160-3
(September 2001)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
OPERATOR'S COPY

FORM APPROVED
OMB No. 1004-0135
Expires January 31, 2004

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or re enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

I-a

5. Lease Serial No.
LC-049945-B

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.
Parrot Federal Com #2

9. API Well No.
30-015-33345

10. Field and Pool, or Exploratory Area
Wildcat Chester

11. County or Parish, State
Eddy, NM

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
Yates Drilling Company

3a. Address
105 S. 4th Str., Artesia, NM 88210

3b. Phone No. (include area code)
505-748-8463

4. Location of Well (Footage, Sec., T., R., M., OR Survey Description)
1600' FSL and 660' FEL Section 29-19S-27E

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input checked="" type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other _____
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Perf _____
	<input type="checkbox"/> Convert to Injection	<input checked="" type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	_____

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompletions horizontally, give subsurface localities and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final site specification.)

- 9/21/2004 RIH and dumped 10' cement on top of existing plug at 8975'. Total cement on top of plug 35'. RIH with CIBP and set at 8360'. Tested casing to 1500 psi, held good. RIH and dumped 35' cement on top of CIBP. New PBTD 8325'.
- 9/24/2004 Perforated 8074'-8158', 467 shots, 4 SFF, .48" hole. Flowed well back.

ACCEPTED FOR RECORD

OCT 25 2004

acs

ALEXIS C. SWOBODA
PETROLEUM ENGINEER

RECEIVED

2004 OCT 22 AM 9:13

BUREAU OF LAND MANAGEMENT
ROSEMOUNT OFFICE

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed) **Karen J. Leishman** Title **Engineering Technician**

Signature *Karen J. Leishman* Date **20-Oct-04**

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by _____ Title _____ Date _____

Conditions of approval, if any, are attached. Approval of this notice 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.

Office _____

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 a false statement.

Form 3160-4
(September 2001)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
OPERATOR'S COPY

FORM APPROVED
OMB NO. 1004-0137
Expires: January 31, 2004

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

1a. Type of Well Oil Well Gas Well Dry Other
 b. Type of Completion: Flow Well Work Over Deepen Plug Back Diff. Reper. Other

5. Lease Serial No.
LC-049345-B

2. Name of Operator
Yates Drilling Company

6. If Indian, Allottee or Tribe Name

3. Address 105 S. 4th Str., Artesia, NM 88210
 3a. Phone No. (include area code) 505-748-8463

7. Unit or CA Agreement Name and No.

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

8. Lease Name and Well No.
Parrot Federal Com #2

At Surface 1600' FSL & 660' FEL

9. API Well No.
30-015-33345 S1

At top prod. interval reported below

10. Field and Pool, or Exploratory
Wildcat Chester Wolfcamp

At total depth

11. Sec., T., R., M., on Block and Survey or Area
29-19S-27E

12. County of Parish 13. State
Eddy NM

14. Date Spudded 5/29/2004
 15. Date T.D. Reached 7/12/2004
 16. Date Completed 10/5/2004
 D & A Ready to Prod.

17. Elevations (DF, RKB, FT, GL)
3413' GL

18. Total Depth: MD 10677' TVD
 19. Plug Back T.D.: MD 8325' TVD
 20. Depth Bridge Plug Set: MD 8360' TVD

21. Type Electric & Other Mechanical Logs Run (Submit copy of each)
CSNG/DSN/SDL DLL/MGRD, SSS/RSCT

22. Was Well cored? No Yes (Submit analysis)
 Was DST run? No Yes (Submit report)
 Directional Survey? No Yes (Submit copy)

23. Casing and Liner Record (Report all strings set in well)

Hole Size	Size/Grade	Wt. (#/ft.)	Top (MD)	Bottom (MD)	State Cementer Depth	No. of Sks & Type of Cement	Slurry Vol. (BBL)	Cement Top*	Amount Pulled
17 1/2"	13 3/8"	54.5	surf	430'		475 "C"	183	circ	none
12 1/4"	9 5/8"	35#	surf	2820'		900 "C"	521	circ	none
8 3/4"	7"	28 & 23#	surf	8205'		800 "C"	581	circ	none
6 1/8"	4 1/2"	11.6#	7983'	10677'		275 "C"	73	7983'	none

24. Tubing Record

Size	Depth Set (MD)	Packer Depth (MD)	Size	Depth Set (MD)	Packer Depth (MD)	Size	Depth Set (MD)	Packer Depth (MD)
2 3/8"	7920'	7920'						

25. Producing Intervals

Formation	Top	Bottom	Perforated Interval	Size	No. Holes	Perf. Status
A) Wolfcamp	8074'	8222'	10186'-10222'	.43"	72	plugged
B)			10094'-10126'	.43"	128	plugged
C)			8382'-8398'	.43"	84	plugged
D)			8074'-8158'	.48"	487	producing

26. Perforation Record

27. Acid, Fracture, Treatment, Cement Squeeze, Etc.

Depth Interval	Amount and Type of Material
10186'-10222' (plugged)	Acidized w/ 2000 gals 7 1/2" NEFE acid w/ N2 Frac'd w/ 40,980# 20/40 Interprop w/4838 SCF N2, 90 tons CO2
10094'-10126' (plugged)	Acidized w/ 3500 gals 7 1/2% HCL w/ 700 gals methanol
8382'-8398' (plugged)	Acidized 4000 gals 20% HCL

28. Production - Interval A

Date First Produced	Test Date	Hours Tested	Test Production	Oil BBL	Gas MCF	Water BBL	Oil Gravity Corr. API	Gas Gravity	Production Method
10/6/2004	10/18/2004	24	↔	183.39	970	0			Flowing
Choke Size	Tbg. Press. Flwg.	Csg. Press.	24 Hr. Rate	Oil BBL	Gas MCF	Water BBL	Gas: Oil Ratio	Well Status	
12/64	2100		↔	183.39	970	0	528/1	flowing	

28a. Production-Interval B

Date First Produced	Test Date	Hours Tested	Test Production	Oil BBL	Gas MCF	Water BBL	Oil Gravity Corr. API	Gas Gravity	Production Method
			↔						
Choke Size	Tbg. Press. Flwg.	Csg. Press.	24 Hr. Rate	Oil BBL	Gas MCF	Water BBL	Gas: Oil Ratio	Well Status	
SI			↔						

ACCEPTED FOR RECORD
 OCT 25 2004
 ALEXIS C. SWINODA
 PETROLEUM ENGINEER

28b. Production - Interval C

Date First Produced	Test Date	Hours Tested	Test Production ⇒	Oil BBL	Gas MCF	Water BBL	Oil Gravity Corr. API	Gas Gravity	Production Method
Choke Size	Tbg. Press. Flwg. SI	Chg. Press.	24 Hr. Rate ⇒	Oil BBL	Gas MCF	Water BBL	Gas: Oil Ratio	Well Status	

28c. Production - Interval D

Date First Produced	Test Date	Hours Tested	Test Production ⇒	Oil BBL	Gas MCF	Water BBL	Oil Gravity Corr. API	Gas Gravity	Production Method
Choke Size	Tbg. Press. Flwg. SI	Chg. Press.	24 Hr. Rate ⇒	Oil BBL	Gas MCF	Water BBL	Gas: Oil Ratio	Well Status	

29. Disposition of Gas (Sold, used for fuel, vented, etc.)

Sold

30. Summary of Porous Zones (include Aquifers):

Show all important zones of porosity and contents thereof; Cored intervals and all drill-stem tests, including depth interval tested, cushion used, time tool open, flowing and shut-in pressures and recoveries.

31. Formation (Log) Markers

Formation	Top	Bottom	Description, Contents, etc.	Name	Top
					Meas Depth
				Queen	828'
				Grayburg	1124'
				San Andres	1682'
				Bone Spring Lime	2724'
				1st Bone Spring	5352'
				3rd Bone Spring	7364'
				Wolfcamp	7764'
				Cisco Canyon	8348'
				Strawn	9024'
				Atoka	9592'
				Morrow	9886'
				Morrow Clastics	10034'
				Lower Morrow	10182'

32. Additional remarks (include plugging procedure):

#31: Additional Formation Markers

Barnet/Austin Cycle 10342'
 Chester 10534'
 TD 10725'

33. Circle enclosed attachments:

- 1. Electrical/Mechanical Log. (1 full set req'd.)
- 2. Geologic Report
- 3. DST Report
- 4. Directional Survey
- 5. Sundry Notice for plugging and cement verification
- 6. Core Analysis
- 7. Other:

34. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records (see attached instructions)*

Name (please print) Karen J. Leishman Title Engineering Tech
 Signature *Karen J. Leishman* Date 10/20/2004

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.

OPERATOR: YATES DRILLING
WELL/LEASE: PARROT FED COM #2
COUNTY: EDDY, NM

512-5062

STATE OF NEW MEXICO
DEVIATION REPORT

186	1/2	5,873	3/4
401	1 1/4	6,124	1
647	1 1/2	6,378	3/4
894	1 1/2	6,631	2 1/4
1,116	1 1/2	6,758	1 1/2
1,401	1 1/2	6,886	1 1/2
1,655	3/4	7,012	1 1/2
1,908	3/4	7,139	2 1/4
2,163	3/4	7,266	3
2,416	1/2	7,329	2 3/4
3,050	1	7,392	2 1/4
3,273	1	7,518	2 3/4
3,525	1	7,652	2 3/4
3,775	1 1/4	7,778	2 1/4
4,033	2 1/4	7,906	2 1/2
4,128	2 1/4	8,033	2 1/4
4,223	2 3/4	8,162	2 1/2
4,325	2 1/4	8,254	2 3/4
4,413	2 3/4	8,388	3 1/4
4,509	2 3/4	8,513	1
4,603	2 3/4	8,640	1 1/2
4,699	2 1/2	8,768	1
4,795	2 1/2	8,891	1 1/2
4,891	1 3/4	9,145	1 1/2
4,986	1 3/4	9,385	1 3/4
5,113	2	9,642	1 1/2
5,240	1 3/4	9,903	1 1/2
5,365	1 3/4	10,188	3/4
5,492	1 3/4	10,430	1
5,619	2	10,688	1
5,746	1 1/2		

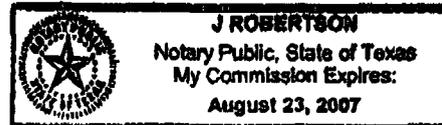
By *[Signature]*

STATE OF TEXAS
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me on this 14th day of July, 2004, by Steve Moore on behalf of Patterson-UTI Drilling Company LP, LLLP.

[Signature]
Notary Public for Midland County, Texas

My Commission Expires: 8/23/2007



DISTRICT I
1628 N. French St., Hobbs, NM 88240

DISTRICT II
611 South West, Artesia, NM 88210

DISTRICT III
1628 N. Franco St., Artesia, NM 87413

DISTRICT IV
2935 South Pecos, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

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

Form C-102
Revised March 17, 1999
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Per Lease - 2 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
	97400	Lake McMillan Wolfcamp Oil
Property Code	Property Name	Well Number
	Parrot Federal Com.	2
OCED No.	Operator Name	Elevation
025515	YATES DRILLING COMPANY	3413'

Surface Location

UL or lot No.	Section	Township	Range	Lot Mn	Feet from the	North/South Line	Feet from the	East/West Line	County
I	29	19S	27E		1600'	South	660'	East	Eddy

Bottom Hole Location if Different From Surface

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

Dedicated Acres	Job# or Infill	Consolidation Code	Order No.
40			

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

NM-049945

660

1600'

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 20, 2006
Date

SURVEYOR CERTIFICATION

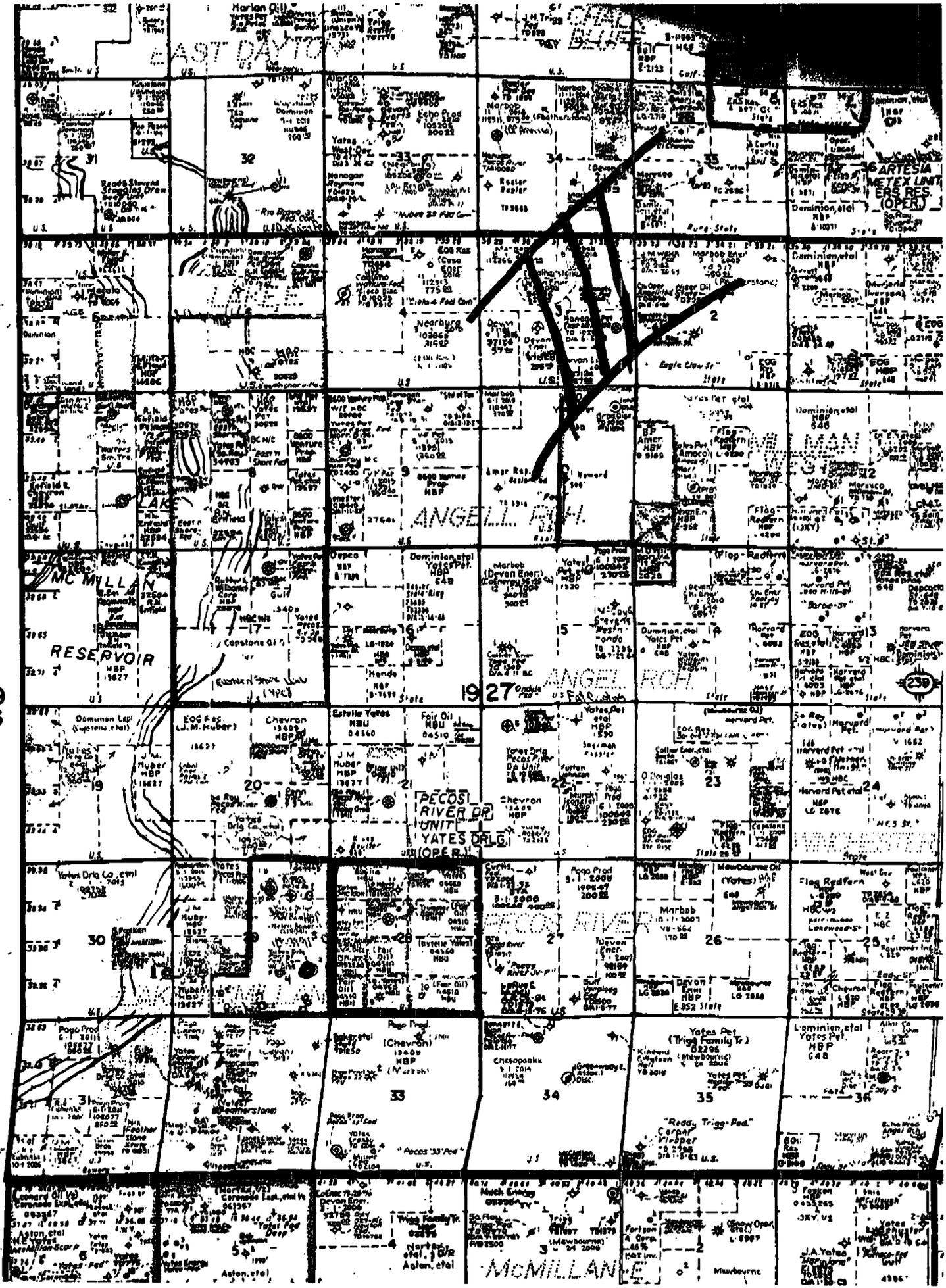
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

REFER TO ORIGINAL PLAT.

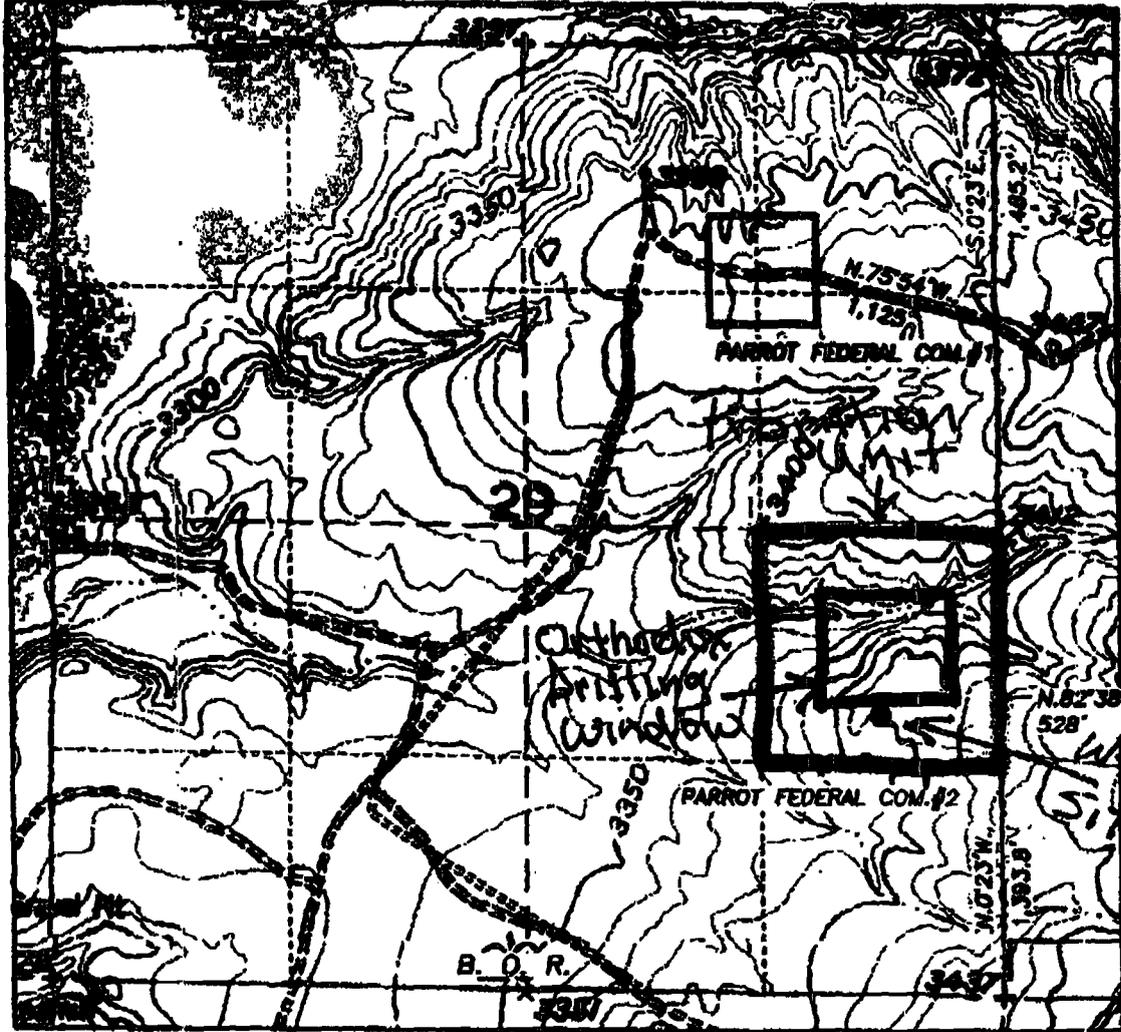
Date Surveyed
Signature & Seal of Professional Surveyor

Certificate No. Horchel L. Jones RLS 3840

GENERAL SURVEYING COMPANY



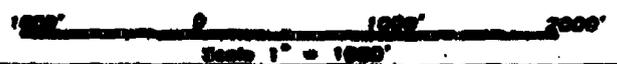
SECTION 29, TOWNSHIP 11 SOUTH, RANGE 27 EAST, NMPM, SIOY COUNTY, NEW MEXICO.



DESCRIPTION:
 LEASE ROAD RIGHT OF WAYS 30 FEET WIDE AND 1,053.0 FEET IN LENGTH, BEING 15 FEET TO THE LEFT AND RIGHT OF THE SURVEY LINES AS SHOWN ON THIS PLAT.

1,053.0 FEET = 100.1818 RODS, 0.3131 MILES OR 1.1384 ACRES, MORE OR LESS.

IV A+B



THE PREPARATION OF THIS PLAT IS THE RESPONSIBILITY OF THE SURVEYOR. THE SURVEYOR'S CERTIFICATE AND THE PLAT MUST BE FILED WITH THE COUNTY CLERK AND THE PLAT MUST BE RECORDED IN THE PUBLIC RECORDS OF THE COUNTY. THE SURVEYOR'S CERTIFICATE AND THE PLAT MUST BE RECORDED IN THE PUBLIC RECORDS OF THE COUNTY. THE SURVEYOR'S CERTIFICATE AND THE PLAT MUST BE RECORDED IN THE PUBLIC RECORDS OF THE COUNTY.

[Handwritten signature and scribbles]

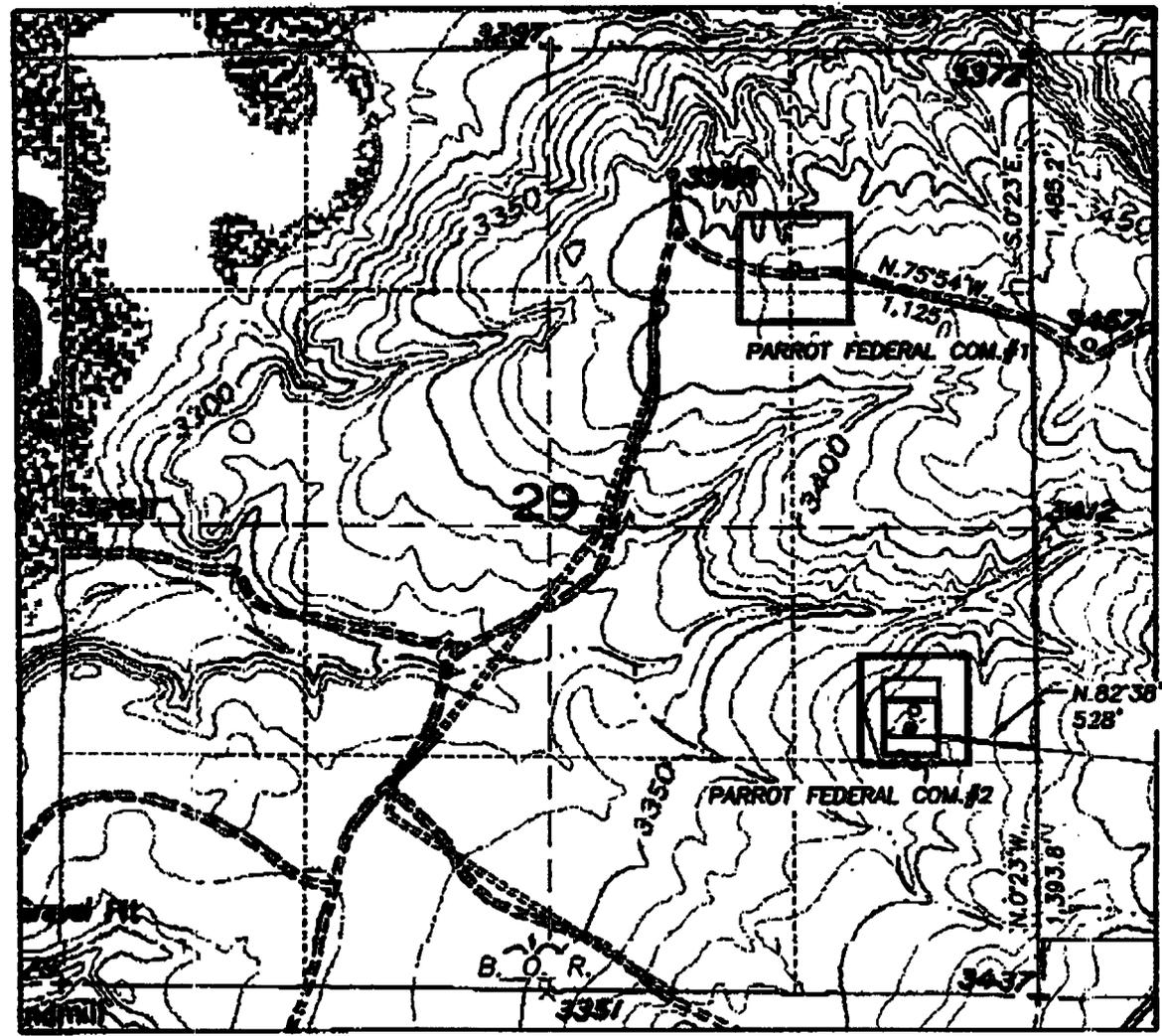
YATES DRILLING COMPANY

LEASE ROAD TO ACCESS THE YATES DRILLING COMPANY
 PARROT FEDERAL COM. #1 AND #2 WELLS LOCATED IN
 SECTION 29, TOWNSHIP 11 SOUTH, RANGE 27 EAST, NMPM,
 SIOY COUNTY, NEW MEXICO.

GENERAL SURVEYING COMPANY P.O. BOX 1028
 ALBUQUERQUE, NEW MEXICO 87102

DATE: 1/24/2006
 TIME: 1:00 PM
 BY: J. S. YATES

SECTION 29, TOWNSHIP 1 SOUTH, RANGE 27 EAST, NMPM, OXY COUNTY, NEW MEXICO.



DESCRIPTION:
 LEASE ROAD RIGHT OF WAYS 30 FEET WIDE AND 1,853.0 FEET IN LENGTH, BEING 15 FEET TO THE LEFT AND RIGHT OF THE SURVEY LINES AS SHOWN ON THIS PLAT.

1,853.0 FEET = 100.1818 RODS, 0.3131 MILES OR 1.1384 ACRES, MORE OR LESS.

IV-C

□ = 'S PARAKEET FED "29" #1
 □ = 'S Parrot Fed Com #2
 These two wells share this location.

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

THE PREPARATION OF THIS PLAN AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE MADE UNDER MY PERSONAL SUPERVISION AND THE PLAT ACCURATELY REFLECTS THE FIELD WORK DONE BY ME AND MEET THE REQUIREMENTS OF THE STATUTES GOVERNING SURVEYS IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD OF SURVEYORS FOR PROFESSIONAL SURVEYORS AND LAND SURVEYORS.



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

YATES DRILLING COMPANY		
LEASE ROAD TO ACCESS THE YATES DRILLING COMPANY PARROT FEDERAL COM. #1 AND #2 WELLS, LOCATED IN SECTION 29, TOWNSHIP 1 SOUTH, RANGE 27 EAST, NMPM, OXY COUNTY, NEW MEXICO.		
Survey Date: 1/21/2004	Sheet 1	of 1 Sheets
Drawn By: Ed Shady	S.O. Number	
Date: 1/24/04	Scale 1" = 1000' PARROT 1&2	

TRANSACTION REPORT

P.01

JAN-24-2006 TUE 08:21 AM

FOR:

RECEIVE

DATE	START	SENDER	RX TIME	PAGES	TYPE	NOTE	M#	DP
JAN-24	08:16 AM	5057484572	4' 31"	25	RECEIVE	OK		