

**RE-SUBMITTAL**  
UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

**OCD-ARTESIA**

0  
OMB No. 1004-0136

Expires November 30, 2000

**APPLICATION FOR PERMIT TO DRILL**

1182

1a. Type of Work: ☒ DRILL ☐ REENTER

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

5. Lease Serial No.

**LC-049945-B**

6. If Indian, Allottee or Tribe Name

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

8. Lease Name and Well No. **35097**  
**Parakeet Federal "29" #1**

9. API Well No.

**30-015-35140**

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

3b. Phone No. (include area code) **Undos.**  
**(505) 748-8640 Mcmilla**

10. Field and Pool, or Exploratory  
**Seven Rivers ; Queen**

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

At surface **1535' FSL and 662' FEL**

At proposed prod. Zone **Same**

11. Sec., T., R., M., or Blk. and Survey or Area  
**Section 29, T19S-R27E**

14. Distance in miles and direction from nearest town or post office\*

**Approximately 14 miles southeast of Artesia, New Mexico.**

12. County or Parish

**Eddy County**

13. State

**NM**

15. Distance from proposed\* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) **662'**

16. No. of Acres in lease  
**40**

17. Spacing Unit dedicated to this well  
**NE/SE**

18. Distance from proposed location\* to nearest well, drilling, completed, applied for, on this lease, ft. **65'**

19. Proposed Depth  
**1800'**

20. BLM/BIA Bond No. on file  
**586000**

21. Elevations (Show whether DF, KDB, RT, GL, etc.)  
**3408' GL**

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

23. Estimated duration  
**15 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.   | 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 <i>Tony Krakauskas</i>	Name (Printed/Typed) <b>Tony Krakauskas</b>	Date <b>7/27/2006</b>
<b>Land Manager</b>		

Approved by (Signature) <b>/s/ Tony J. Herrell</b>	Name (Printed/Typed) <b>/s/ Tony J. Herrell</b>	Date <b>SEP 06 2006</b>
Title <b>FIELD MANAGER</b>	Office <b>CARLSBAD FIELD OFFICE</b>	

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)

PLEASE NOTE: H2S CONTINGENCY PLAN & C-144 ARE ATTACHED

**Roswell Controlled Water Basin**

**Witness Surface Casing**

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

**District I**

1625 N. French Dr., Hobbs, NM 88240

**District II**

1301 W. Grand Avenue, Artesia, NM 88210

**District III**

1000 Rio Brazos Rd., Aztec, NM 87410

**District IV**

1220 S. St. Francis Dr., Santa Fe, NM 87505

## State of New Mexico

Energy, Minerals &amp; Natural Resources Department

## OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

Form C-102

Revised June 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number	<sup>2</sup> Pool Code 45030	<sup>3</sup> Pool Name Undes. McMillan - Seven Rivers - @ well
<sup>4</sup> Property Code	<sup>5</sup> Property Name PARAKEET FEDERAL 29	<sup>6</sup> Well Number 1
<sup>7</sup> OGRID No.	<sup>8</sup> Operator Name YATES DRILLING COMPANY	<sup>9</sup> Elevation 3408

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	29	19-S	27-E		1535	SOUTH	662	EAST	EDDY

<sup>11</sup> 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

<sup>12</sup> Dedicated Acre 40	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> 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.

<sup>16</sup> 	<sup>17</sup> <b>OPERATOR CERTIFICATION</b> I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. Signature: <u>Tony Krakauskas</u> Date: <u>7/27/06</u> Printed Name: <u>TONY KRAKAUSKAS</u> <u>LAND MANAGER</u>	
	<sup>18</sup> <b>SURVEYOR CERTIFICATION</b> 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. Date of Survey: <u>JULY 14, 2006</u> Signature and Seal of Professional Surveyor: Certificate Number: <u>DAN R. REDDY NMPE &amp; S NO. 5412</u>	

**YATES DRILLING COMPANY**  
**Parakeet Federal "29" #1**  
1535' FSL and 662' FEL  
Section 29, T19S-R27E  
Eddy County, New Mexico

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

Queen	830'
Grayburg	1124'
San Andres	1662'
TD	1800'

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

Water: 150'  
Oil or Gas: All potential zones

**3. Pressure Control Equipment:** BOPE will be installed on the 8 5/8" casing and rated for 2000 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	12 1/4"	8 5/8"	24#	J-55	ST&C	0-400'	400'
Witness	7 7/8"	5 1/2"	15.5#	J-55	LT&C	0-1800'	1800'

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

B. CEMENTING PROGRAM:

Surface casing: 300 sx Class 'C' + 2% CaCl<sub>2</sub>(YLD 1.32 WT 14.6).

Production Casing: Lead w/ 225 sx Super 'C' Modified (YLD 1.64 WT 13.2)

**5. Mud Program and Auxiliary Equipment:**

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
Spud to 400'	FW Gel/LCM	8.4-9.0	28-32	N/C
400'-1800'	Fresh Water Mud	9.0-10.0	28-34	N/C

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 surface casing to TD. Two sets of cuttings washed and dried.

Logging: Halliburton-CSNG/DSN/SDL, DLL-MGL, SSS-RSCT. CSNG/GR in surface casing, EMI to approximately 1600'.

Coring: Sidewall cores 30-50. Possible full diameter cores.

DST's: None.

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

**Anticipated BHP:**

From: 0 TO 400'	Anticipated Max. BHP: 175 PSI
From: 400' TO 1800'	Anticipated Max. BHP: 1575 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None

H2S Zones Anticipated: Queen Formation

Maximum Bottom Hole Temperature: 163° 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**  
**Parakeet Federal "29" #1**  
1535' FSL and 662' 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:**

From the intersection to the WIPP Bypass and Illinois Camp Road go north on Illinois Camp Road for approx. 2.2 miles to Lake Road. Turn west on Lake Road and go approx. 8.2 miles to the intersection of Lake Road and Netherland Road. Turn right on Netherland Road (CR-236) and go approx. 3.8 miles. Turn left here and go approx. .4 of a mile to the Parrot Federal #2 well location.

### **2. PLANNED ACCESS ROAD:**

- A. No new access road will be needed, as this well will be drilled on the Parrot Federal #2 location.
- B. N/A.
- C. N/A.
- 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.  
The dirt contractor will acquire any materials from the closest source at the time of construction of the well pad.

**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 steel 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. Yates Drilling Company is in full compliance with the OCD General Plan for Drilling Pits approved on April 15, 2004.
- 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.

**13. OPERATOR'S REPRESENTATIVE**

A. Through A.P.D. Approval:

Tony Krakauskas, Land Manager  
Yates Drilling Company  
105 South Fourth Street  
Artesia, New Mexico 88210  
Phone (505) 748-8642

B. Through Drilling Operations,  
Completions and Production:

Toby Rhodes, Operations Manager  
Yates Drilling Company  
105 South Fourth Street  
Artesia, New Mexico 88210  
Phone (505) 748-8640

**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.

July 27, 2006

  
\_\_\_\_\_  
Tony Krakauskas, Land Manager



# YATES DRILLING COMPANY

Typical 2,000 psi Pressure System

Schematic

Double Ram Preventer Stack

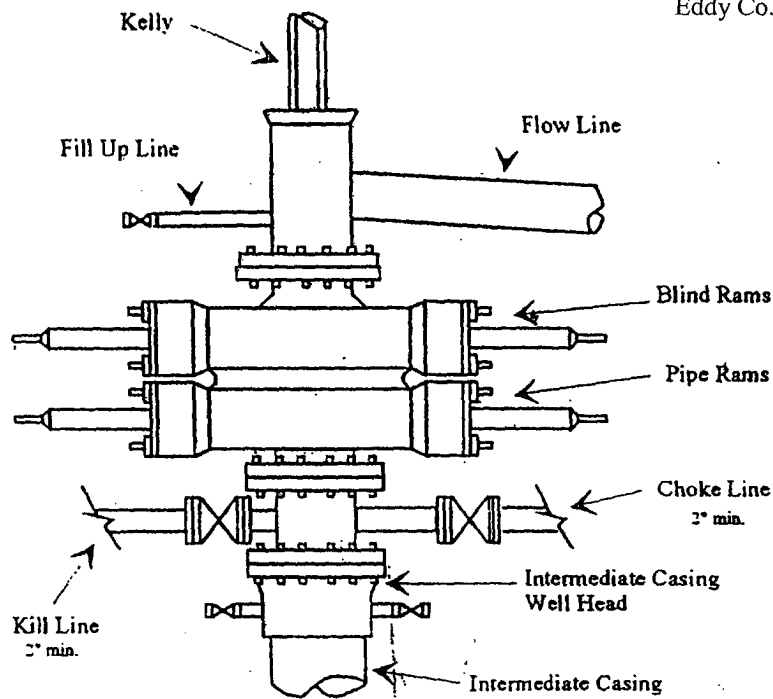
YATES DRILLING COMPANY

Parakeet Federal "29" #1

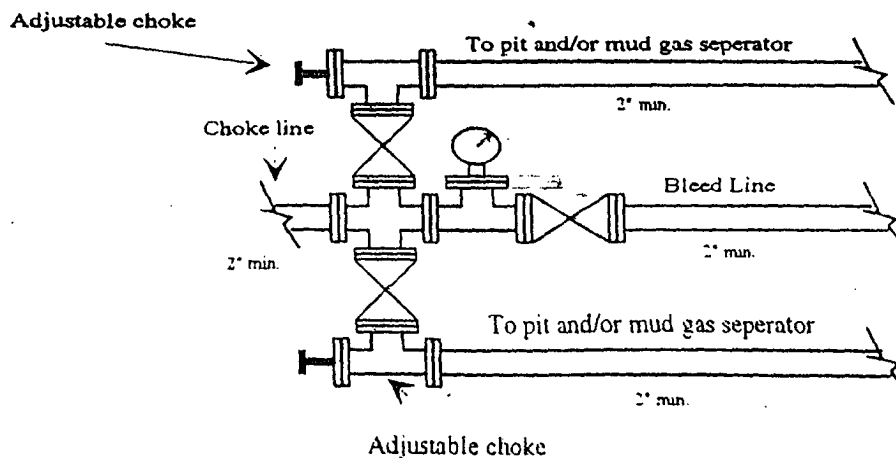
1535' FSL & 662' FEL

Section 29, T19S-R27E

Eddy Co., NM



Typical 2,000 psi choke manifold assembly with at least these minimum features





# **Yates Drilling Company**

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

## **Hydrogen Sulfide (H<sub>2</sub>S) Contingency Plan**

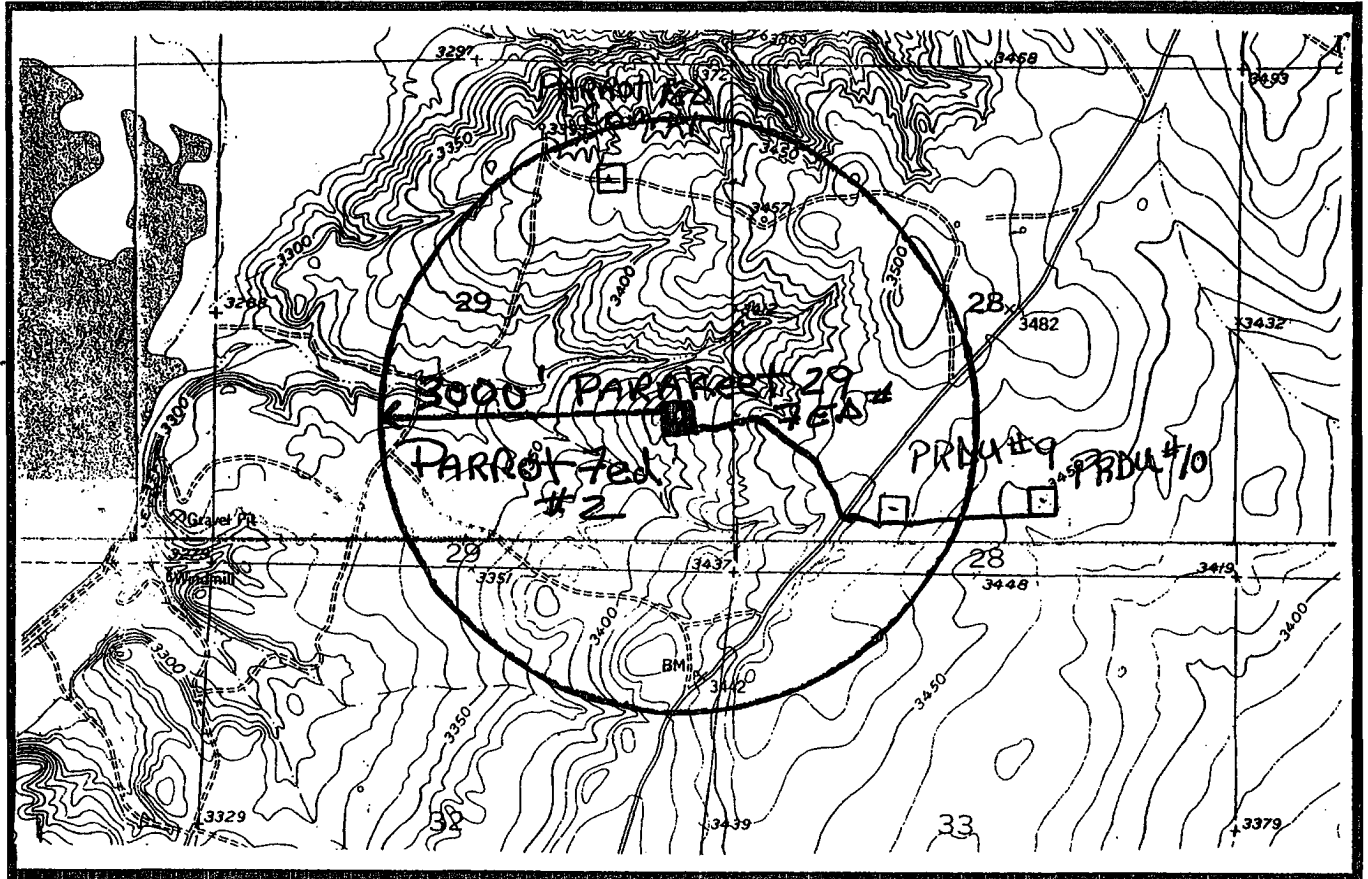
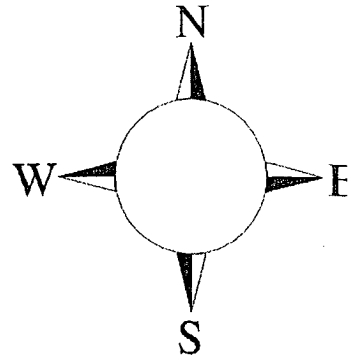
**For**

### **Parakeet Federal “29” #1**

**1535' FSL and 662' FEL  
Sec-29, T-19S, R-27E  
Eddy County NM**

## Parakeet Federal "29" #1 Location

This is an open drilling site. H<sub>2</sub>S monitoring equipment and emergency response equipment will be used within 500' of zones known to contain H<sub>2</sub>S, including warning signs, wind indicators and H<sub>2</sub>S monitor.



Assumed 100 ppm ROE = 3000'

100 ppm H<sub>2</sub>S concentration shall trigger activation of this plan.

## Emergency Procedures

In the case of a release of gas containing H<sub>2</sub>S, 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 H<sub>2</sub>S, measures for protection against the gas, equipment used for protection and emergency response. Additionally, responders must be equipped with H<sub>2</sub>S 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 (SO<sub>2</sub>). 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 H<sub>2</sub>S and SO<sub>2</sub>

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentration
Hydrogen Sulfide	H <sub>2</sub> S	1.189 Air = 1	10 ppm	100 ppm/hr	600 ppm
Sulfur Dioxide	SO <sub>2</sub>	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 Drilling Company Phone Numbers***

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YDC Office .....(505) 748-8640  
Toby Rhodes/Operations Manager .....(505) 748-8661  
Greg Boans/Production Manager .....(505) 365-5233  
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

SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name: Yates Drilling Company Well Name & #: Parakeet 29 Fed. #1  
Location 1535 F S L & 662 F E L; Sec. 29, T. 19 S., R. 27 E.  
Lease #: LC-049945B County: Eddy State: New Mexico

The Special stipulations check marked below are applicable to the above described well and approval of this application to drill is conditioned upon compliance with such stipulations in addition to the General Requirements. The permittee should be familiar with the General Requirements, a copy of which is available from a Bureau of Land Management office. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 43 CRF 3165.3 AND 3165.4.

This permit is valid for a period of one year from the date of approval or until lease expiration or termination whichever is shorter.

I. SPECIAL ENVIRONMENT REQUIREMENTS

- ( ) Lesser Prairie Chicken (stips attached) ( ) Flood plain (stips attached)  
( ) San Simon Swale (stips attached) ( ) Other

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

( x ) The BLM will monitor construction of this drill site. Notify the ( x ) Carlsbad Field Office at (505) 234-5972 ( ) Hobbs Office (505) 393-3612, at least 3 working days prior to commencing construction.

( x ) Roads and the drill pad for this well must be surfaced with 6 inches of compacted caliche upon completion of well and it is determined to be a producer.

( ) All topsoil and vegetation encountered during the construction of the drill site area will be stockpiled and made available for resurfacing of the disturbed area after completion of the drilling operation. Topsoil on the subject location is approximately \_\_\_\_\_ inches in depth. Approximately \_\_\_\_\_ cubic yards of topsoil material will be stockpiled for reclamation.

( x ) Other. **See attached Bureau of Reclamation Stipulations.**

III. WELL COMPLETION REQUIREMENTS

( ) A Communitization Agreement covering the acreage dedicated to the well must be filed for approval with the BLM. The effective date of the agreement must be prior to any sales.

( x ) Surface Restoration: If the well is a producer, the cut-and-fill slopes will be reduced to a slope of 3:1 or less. All areas of the pad not necessary for production must be re-contoured to resemble the original contours of the surrounding terrain, and topsoil must be re-distributed and re-seeded with a drill equipped with a depth indicator (set at depth of 1/2 inch) with the following seed mixture, in pounds of Pure Live Seed (PLS), per acre.

- |   |   |
|---|---|
| ( ) A. Seed Mixture 1 (Loamy Sites)                   | ( ) B. Seed Mixture 2 (Sandy Sites)                     |
| Side Oats Grama ( <i>Bouteloua curtipendula</i> ) 5.0 | Sand Dropseed ( <i>Sporobolus crptandrus</i> ) 1.0      |
| Sand Dropseed ( <i>Sporobolus cryptandrus</i> ) 1.0   | Sand Lovegrass ( <i>Eragostis trichodes</i> ) 1.0       |
|   | Plains Bristlegrass ( <i>Setaria magrostachya</i> ) 2.0 |
| ( ) C. Seed Mixture 3 (Shallow Sites)                 | ( x ) D. Seed Mixture 4 (Gypsum Sites)                  |
| Side oats Grama ( <i>Boute curtipendula</i> ) 1.0     | Alkali Sacaton ( <i>Sporobollud airoides</i> ) 1.0      |
|   | Four-Wing Saltbush ( <i>Atriplex canescens</i> ) 5.0    |

( ) OTHER SEE ATTACHED SEED MIXTURE

Seeding should be done either late in the fall (September 15 - November 15, before freeze up, or early as possible the following spring to take advantage of available ground moisture.

( x ) Other **See attached Visual Resources Management Stipulations**

### CULTURAL

Whether or not an archaeological survey has been completed and notwithstanding that operations are being conducted as approved, the lessee/operator/grantee shall notify the BLM immediately if previously unidentified cultural resources are observed during surface disturbing operations. From the time of the observation, the lessee/operator/grantee shall avoid operations that will result in disturbance to these cultural resources until directed to process by BLM.

### TRASH PIT STIPS

All trash, junk, and other waste material shall 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 permitted.

## MINERAL LEASING STIPULATIONS CARLSBAD AND TUCUMCARI PROJECT LANDS

The United States Bureau of Reclamation (Reclamation) is the surface managing agency for approximately 59,800 acres of acquired and withdrawn lands in the Roswell Area Office's Bureau of Land Management mineral jurisdiction. The subject lands are located within and adjacent to three reservoirs of the Carlsbad Project and two reservoirs of the Tucumcari Project, being listed as follows:

Carlsbad Project	-	Brantley Reservoir	=	43,500 acres
Carlsbad Project	-	Avalon Reservoir	=	4,000 acres
Carlsbad Project	-	Sumner Reservoir	=	11,500 acres
Tucumcari Project	-	Hudson Lake	=	160 acres
Tucumcari Project	-	Dry Lake	=	640 acres

With regard to the leasing of the mineral estate(s) within the 59,800 acres, Reclamation will provide specific leasing stipulations for each prospective lease. The general leasing stipulations and requirements for the subject Reclamation managed lands are as follows:

### **Brantley Reservoir**

No surface occupancy will be allowed within one half mile of the Brantley Dam site, drilling between one half mile and one mile of the Brantley dam site will be reviewed on a case by case basis.  
No surface occupancy within the Brantley Lake State Park.  
No storage facilities will be allowed below contour elevation 3286.  
No surface occupancy below natural contour elevation 3271.

### **Avalon Reservoir**

No surface occupancy will be allowed within one half mile of the Avalon Dam site.  
No surface occupancy below contour elevation 3190.  
No storage facilities below contour elevation 3200.

### **Sumner Reservoir**

No surface occupancy will be allowed within one half mile of the Sumner Dam site.  
No surface occupancy within Sumner Lake State Park.  
No surface occupancy below contour elevation 4279.  
No storage facilities below contour elevation 4300.

### **Hudson Lake**

No surface occupancy within the boundaries of Hudson Lake

### **Dry Lake**

No surface occupancy below contour elevation 4085.

In addition to those restrictions above, Reclamation proposes that the first paragraph of page 3 of MANAGEMENT COMMON TO ALL ALTERNATIVES be omitted. The subject paragraph states that if lands presently managed by Reclamation revert to BLM, they would be leased and managed under appropriate Roswell District Office stipulations or conditions of approval (e.g. stipulations for flood plains). **Once production of all wells permitted are terminated, the permittee shall immediately plug the well hole and reclaim the surface disturbed by the operation**

## CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Yates Drilling Company  
Well Name & No. Parakeet Federal 29 #1 - RESUBMITTAL  
Location: 1535' FSL, 662' FEL, Section 29, T. 19 S., R. 27 E., Eddy County, New Mexico  
Lease: LC-049945B

### I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County in sufficient time for a representative to witness:

- A. Well spud
- B. Cementing casing: 8-5/8 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. 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.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

### II. CASING:

1. The 8-5/8 inch surface casing shall be set at approximately 400 feet and 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 5-1/2 inch production casing is to be circulated to the surface.

### 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. The BOP and related equipment shall be installed and operational before drilling below the 8-5/8 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 2000 psi.

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

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