

Resubmitted
N.M. Oil Cons. Div-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

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: ☒ 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 660' FSL and 1100' FWL
At proposed prod. Zone Same

14. Distance in miles and direction from nearest town or post office*
Approximately 40 miles northwest of Carlsbad, New Mexico.

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
1268.4

17. Spacing Unit dedicated to this well
S/2

18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft. 3000'

19. Proposed Depth
8050'

20. BLM/BIA Bond No. on file
585997

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
4045' GL

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:

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

25. Signature
Debbie L. Caffall
Title:

Name (Printed/Typed)
Debbie L. Caffall

Date
10/18/2005

Regulatory Technician

Approved by (Signature) /s/ Joe G. Lara

Name (Printed/Typed)
/s/ Joe G. Lara

Date
NOV 22 2005

Title
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.

APPROVAL FOR 1 YEAR

Conditions of approval, if any, are attached.

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)

C-144 Attached Previously Approved H2S Contingency Plan Attached

Roswell Controlled Water Basin

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

WITNESS 13 3/8" CSG CEMENT JOB

DISTRICT II
811 South First, Artesia, NM 88210

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

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87506

Form C-102
Revised March 17, 1969
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fed Lease - 3 Copies

**P.O. Box 2088
Santa Fe, New Mexico 87504-2088**

□ AMENDED REPORT

API Number		Pool Code	Pool Name
		96068	Wildcat Mississippian
Property Code	Property Name		Well Number
	GUMBY BAG FEDERAL		2
OSHD No.	Operator Name		Elevation
025575	YATES PETROLEUM CORPORATION		4045

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	17	19S	23E		660	SOUTH	1100	WEST	EDDY

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.						

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NM-92145

Cy Bova

Cy Cowan
Printed Name
Regulatory Agent
Title
October 14, 2003
Date

9/15/2003

Date Surveyed 07/

Signature & Seal of
Professional Surveyor

[illegible]

State of New Mexico
Energy Minerals and Natural Resources

Well

Form C-144
March 12, 2004

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

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

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 ☐

Operator: Yates Petroleum Corporation Telephone: (505) 748-4372 e-mail address: debbiec@ypcnm.com

Address: 105 South 4th Street, Artesia, NM 88210

Facility or well name: Gumby BAG Federal #2 API #: _____ U/L or Qtr/Qtr M Sec 17 T 19S R 23E

County: Eddy Latitude _____ Longitude _____ NAD: 1927 ☐ 1983 ☐ Surface Owner Federal ☒ State ☐ Private ☐ Indian ☐

Pit Type: Drilling ☒ Production ☐ Disposal ☐

Workover ☐ Emergency ☐

Lined ☒ Unlined ☐

Liner type: Synthetic ☒ Thickness 12 mil Clay ☐ Volume
_____ bbl

Below-grade tank

Volume: _____ bbl Type of fluid: _____

Construction material: _____

Double-walled, with leak detection? Yes ☐ 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)

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)

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)

1000 feet or more

(0 points)

Ranking Score (Total Points)

Points 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: October 18, 2004

Printed Name/Title Cy Cowan/Regulatory Agent Signature Debbie S. Caffrey for Cy Cowan

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 OCT 21 2004
Date: Field Sep 20
Printed Name/Title _____ Signature [Signature]

YATES PETROLEUM CORPORATION
Gumby "BAG" Federal #2
 660' FSL & 1110' FWL
 Section 17, T19S-R23E
 Eddy County, New Mexico

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

Glorietta	2093'	Strawn	7207'
Upper Yeso	2205'	Atoka	7565'
Tubb	2850'	Middle Morrow	7768'
Lower Yeso	2987'	Lower Morrow	7828'
Abo	3507'	Base of Morrow	7883'
Wolfcamp	4721'	TD	8050'
Cisco	6007'		

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

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

3. Pressure Control Equipment: BOPE will be installed on the 13 3/8" casing and rated for 3000 BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.

Auxiliary Equipment:

A. Auxiliary Equipment: Kelly cock, pit level indicators, flow sensor equipment and a sub with full opening valve to fit the drill pipe and collars will be available on the rig floor in the open position at all times for use when kelly is not in use.

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

A. Casing Program: (All New)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
17 1/2"	13 3/8"	48#	H-40	ST&C	0-350'	350'
12 1/4"	9 5/8"	36#	J-55	ST&C	0-2150'	2150'
8 3/4"	5 1/2"	17#	J-55	LT&C	0-100'	100'
8 3/4"	5 1/2"	15.5#	J-55	LT&C	100-6800'	6700'
8 3/4"	5 1/2"	17#	L-80	LT&C	6800'-8050'	2850'

7" casing may be set at 7300' if lost circulation is encountered.

Yates Petroleum Corporation requests a variance to install a rotating head on the surface casing strings when intermediate casing will be set. If a BOP system is required then we wish to install a 2M system and receive a variance to test the system to 1000# using the rig pumps. The test will be held for 30 minutes on each system component. Components to be tested include pipe rams, blind rams, and annular preventer.

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

B. Cementing Program:

Surface Casing: 200 sx Class C (YLD 1.52 WT 14.6). Tail in with 400 sx Class C (YLD 1.34 WT 14.8).

Intermediate Casing: 700 sx Lite (YLD 2.0 WT 12.5) Tail in with 200 sx "C" (YLD 1.33 WT 14.8).

Production Casing: TOC: 1000', 700 sx Lite (YLD 2.0 WT 12.5). Tail in with 1200 sx Class C (YLD 1.60 WT 1.32).

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

Interval	Type <i>JSS</i>	Weight	Viscosity	Fluid Loss
0-350'	FW/Air Mist	8.4	28	N/C
350'-2150'	Cut Brine <i>FW</i>	8.4	28	N/C
2150'-3450'	Cut Brine	8.6-9.2	28	N/C
3450'-7200'	Cut Brine/6%KCL	9.2-9.8	28	N/C
7200'-TD	Salt Gel/Starch	9.6-9.9	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' samples from intermediate casing.
Logging: Platform Express/HALS/Sonic, Possible FMI.
Coring: Rotary sidewall cores
DST's: As warranted.

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

Anticipated BHP:

From: 0	TO: 350'	Anticipated Max. BHP: 175	PSI
From: 350'	TO: 2150'	Anticipated Max. BHP: 950	PSI
From: 2150'	TO: 8050'	Anticipated Max. BHP: 4150	PSI

Abnormal Pressures Anticipated: None

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

H2S Zones Anticipated: Possible Canyon

Maximum Bottom Hole Temperature: 153 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

Gumby "BAG" Federal #2

660' FSL & 1110' FWL

Section 17, T19S-R23E

Eddy County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed well site is located approximately 40 miles northwest of Carlsbad, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go south of Artesia on Highway 285 to Rocking R Red Road (CR-21). Turn west on Rocking R Red Road and go approximately 18 miles to Armstrong Road (CR-12). Turn south on Armstrong Road and go approx. 2.5 miles to a cattleguard on Armstrong Road. Turn right on north side of cattleguard on existing two track road. Follow two track west for approx. 1.1 miles. The new road will start here going southwest.

2. PLANNED ACCESS ROAD

The new access will be approximately 200 feet in length from the point of origin to the southeast corner of the well pad.

3. LOCATION OF EXISTING WELL

- A. There is drilling activity within a one-mile radius of the well site.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed well site.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

- A. There are production facilities on this lease at the present time.
- B. In the event that the well is productive, the 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 locate closest pit and will obtain any permits and materials needed for construction.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
 - B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
 - C. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
 - D. Oil produced during operations will be stored in tanks until sold.
 - E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- F. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary 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 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 after they have evaporated and dried.

11. SURFACE OWNERSHIP: Please be advised that Yates Petroleum Corporation has made a surface damage agreement with the Frank Runyan Trust, which represents the Private Surface Owners on whose private land the captioned well is located.

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

Debbie L. Caffell Regulatory Tech

10/18/2005

for *Sp. Counsel*
Regulatory Agent

Yates Petroleum Corporation

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

Hydrogen Sulfide (H₂S) Contingency Plan

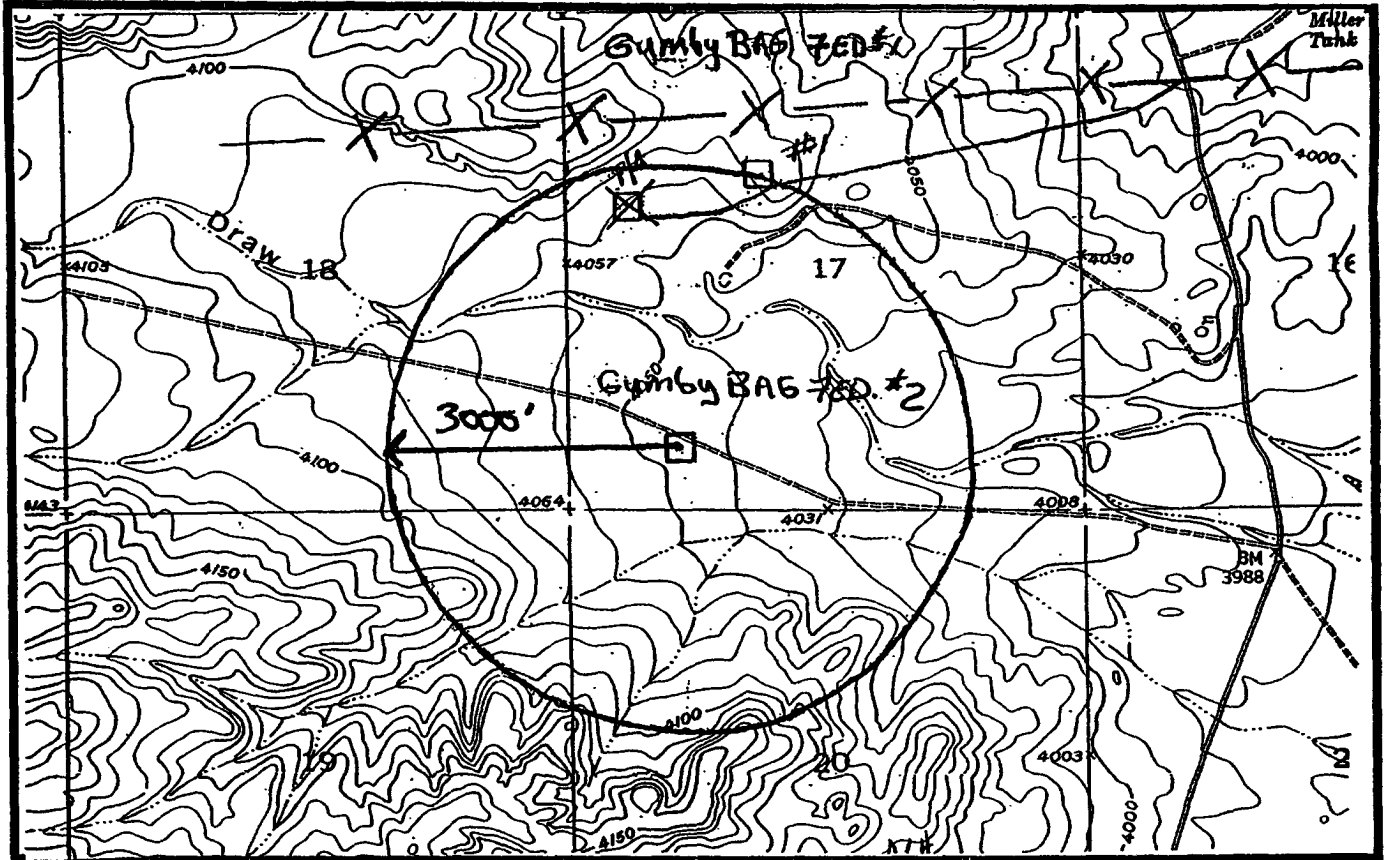
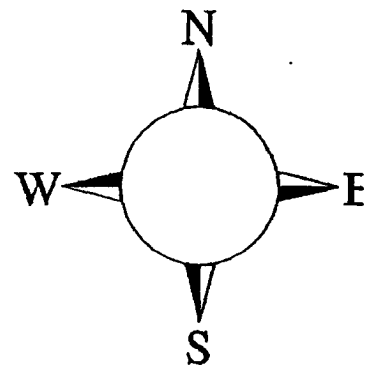
For

Gumby BAG Federal #2

**660' FSL, 1100' FWL
Sec-17, T-19S, R-23E
Eddy County NM**

Gumbo BAG Federal #2 Location

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



Yates Petroleum Corporation Phone Numbers

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

Agency Call List

Eddy County (505)

Artesia

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

Carlsbad

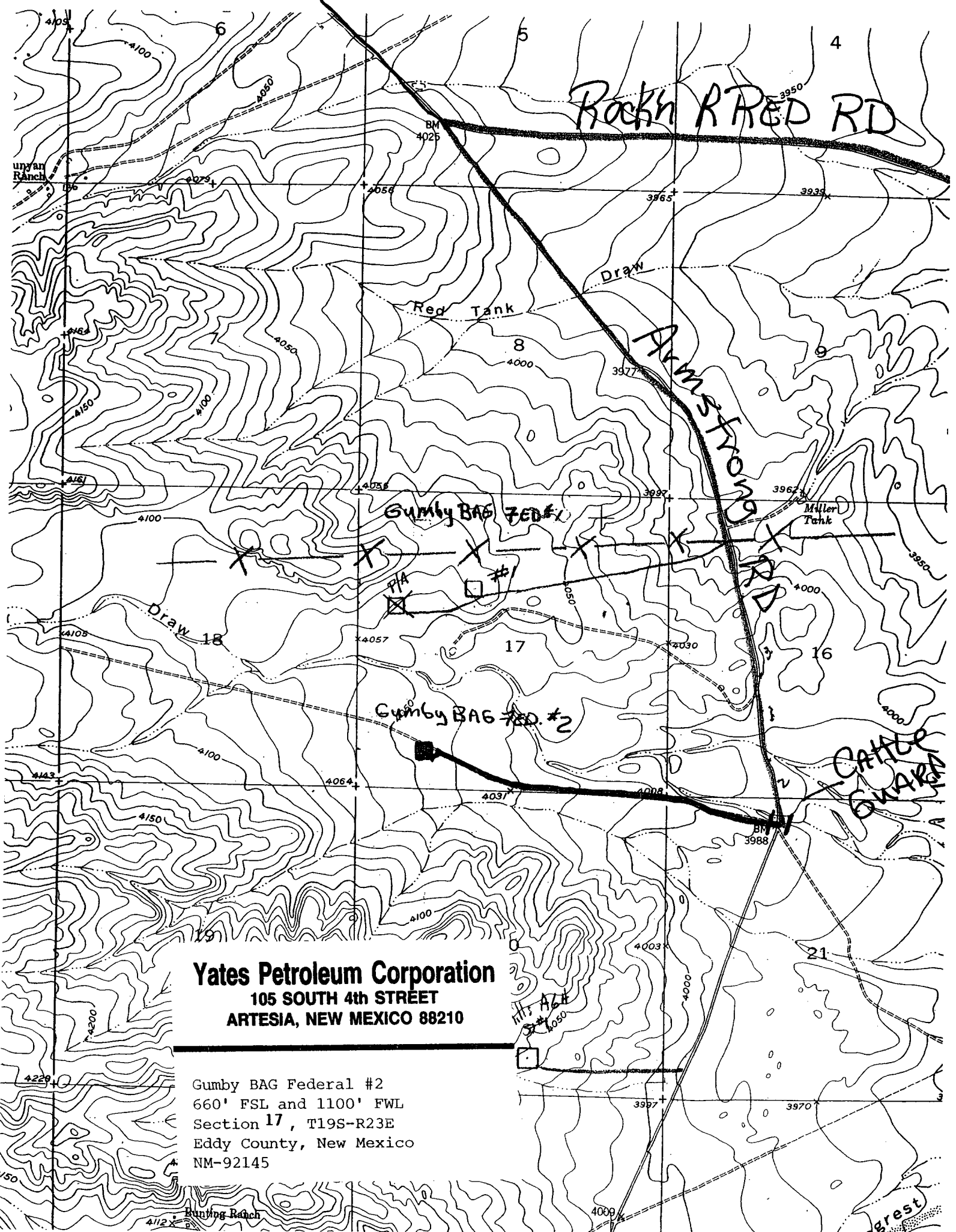
State Police.....	885-3137
City Police.....	885-2111
Sheriff's Office	887-7551
Ambulance	911
Fire Department	885-2111
LEPC (Local Emergency Planning Committee).....	887-3798
US Bureau of Land Management.....	887-6544

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

Other

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

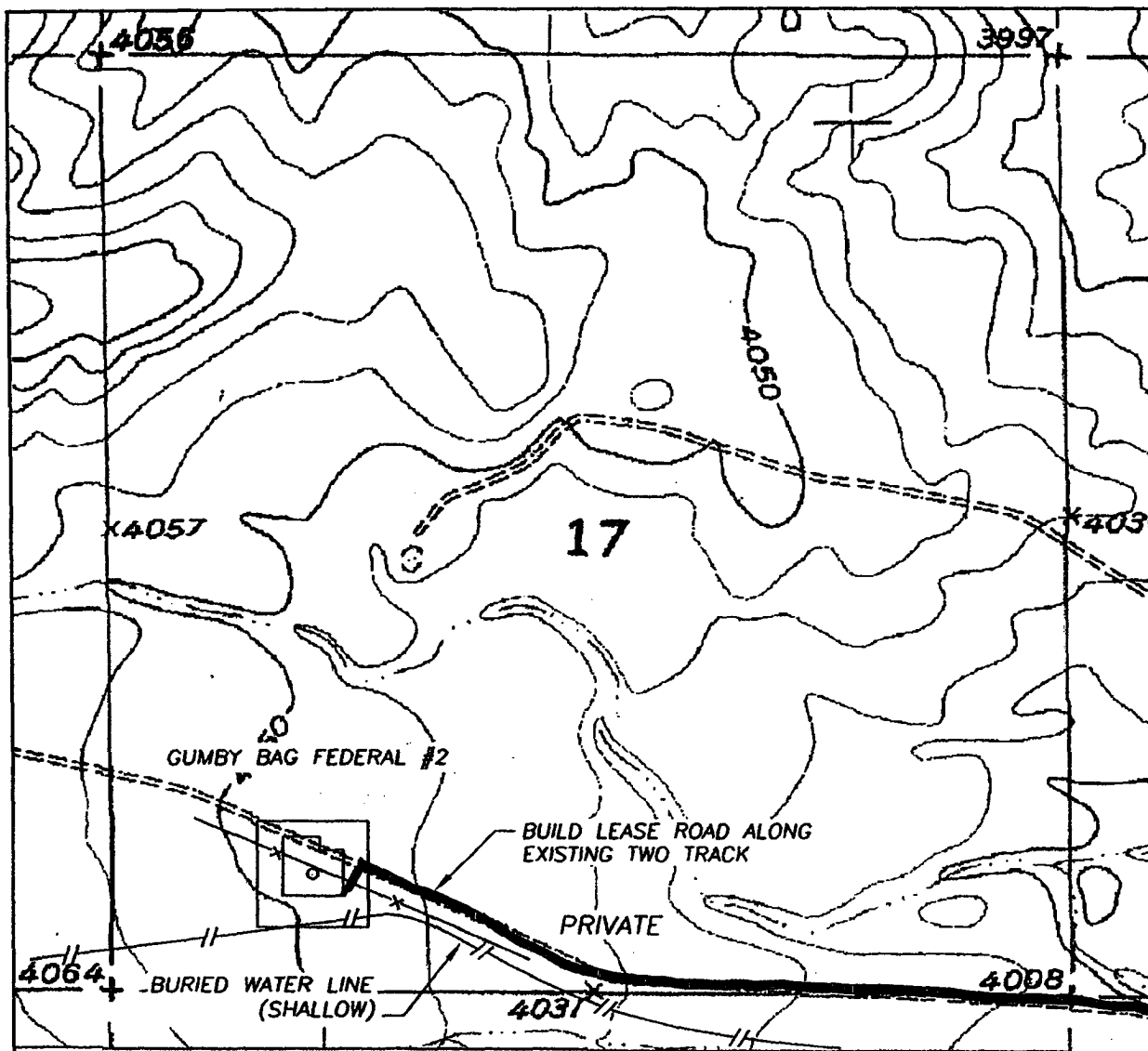
Flight For Life -4000 24th St, Lubbock, TX	(806) 743-9911
Aerocare -Rr 3 Box 49f, Lubbock, TX	(806) 747-8923
Med Flight Air Amb 2301 Yale Blvd SE #D3, Albuq, NM	(505) 842-4433
S B Air Med Svc 2505 Clark Carr Loop SE, Albuq, NM	(505) 842-4949



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

Gumby BAG Federal #2
660' FSL and 1100' FWL
Section 17, T19S-R23E
Eddy County, New Mexico
NM-92145

SECTION 17, TOWNSHIP 19 SOUTH, RANGE 23 EAST, NMPM, 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.

Herschell L. Jones
HERSCHELL L. JONES R.L.S. NO. 3640
SUPERVISOR

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

YATES PETROLEUM CORP.

LEASE ROAD TO ACCESS THE YATES GUMBY BAG FEDERAL #2 WELL, LOCATED IN SECTION 17, TOWNSHIP 19 SOUTH, RANGE 23 EAST, NMPM, EDDY COUNTY, NEW MEXICO.

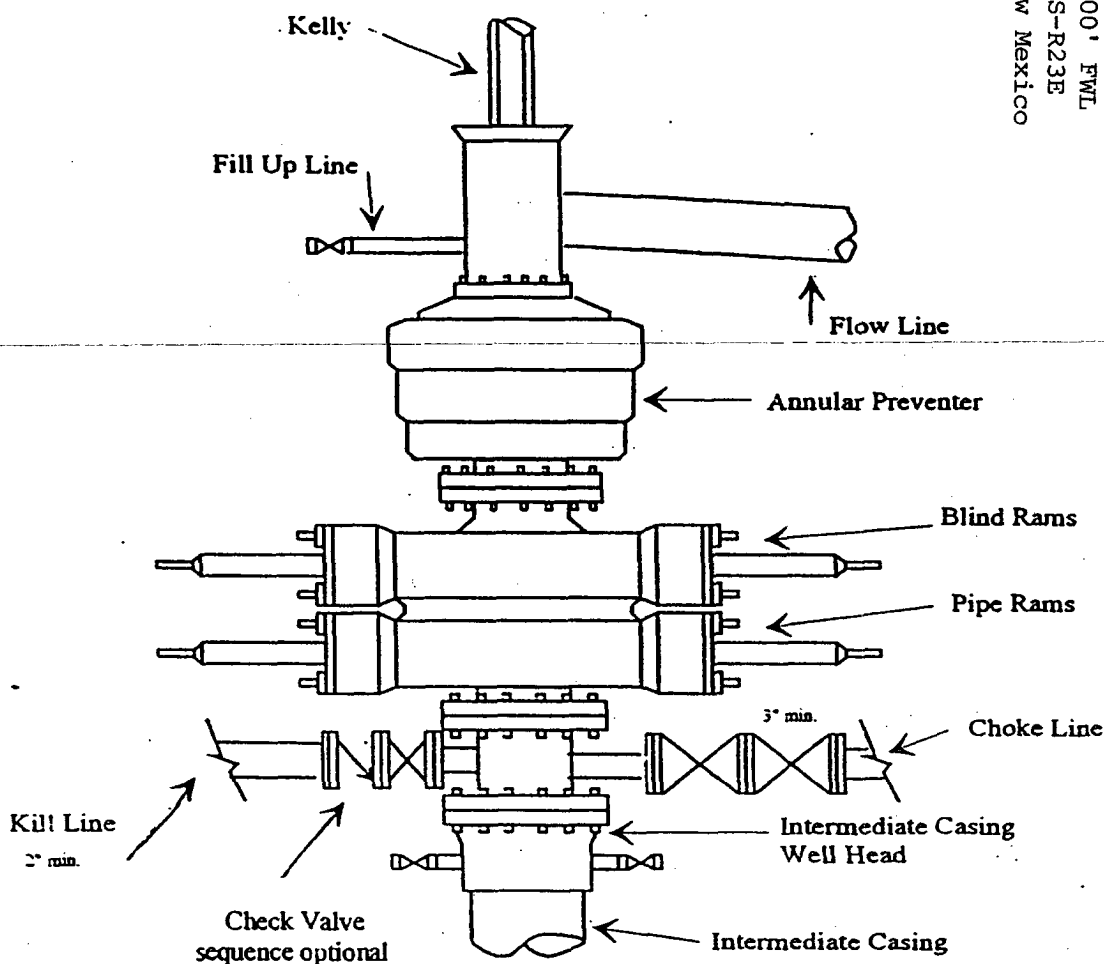
Survey Date: 9/15/2003	Sheet 1 of 1 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 9/15/03	Scale 1" = 1000' GUMBY BAG

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

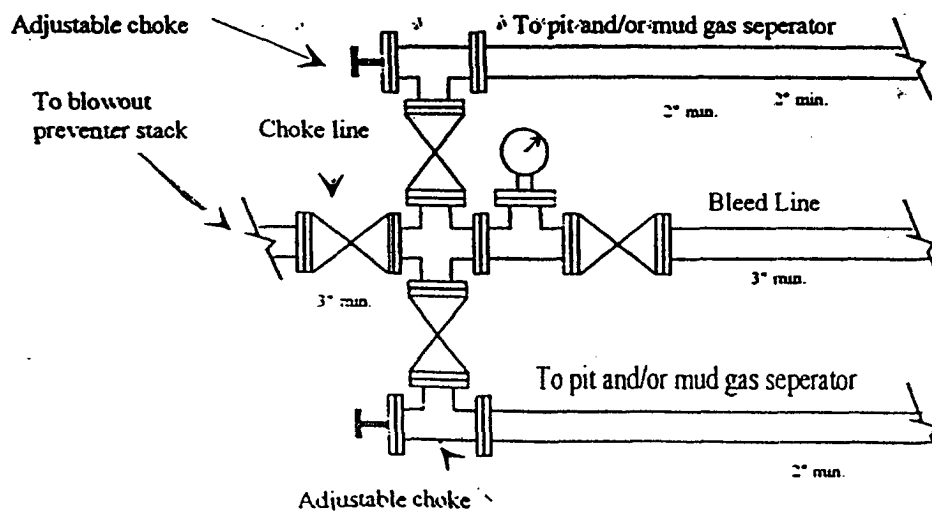
Gumbly BAG Federal #2
 660' FSL and 1100' FWL
 Section 17, T19S-R23E
 Eddy County, New Mexico
 NM-92145

Yates Petroleum Corporation

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



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



CONDITIONS OF APPROVAL - DRILLING

Operator's Name: YATES PETROLEUM CORPORATION
Well Name & No. 2 - GUMBY BAG FEDERAL
Location: 660' FSL & 1100' FWL - SEC 17 - T19S - R23E - EDDY COUNTY
Lease: NM-92145

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) 234-5909 or (505) 361-2822 (After hours) - 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: 13-3/8 inch 9-5/8 inch 5-1/2 inch

C. BOP tests

2 Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

3. 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 13-3/8 inch surface casing shall be set at 350 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 9-5/8 inch intermediate casing is circulate cement to the surface. Note: The 12-1/4" hole drilled to 2150' shall be drilled with fresh water or fresh water mud.

3. The minimum required fill of cement behind the 5-1/2 inch production casing is cement shall extend upward a minimum of 500 feet above the uppermost hydrocarbon bearing interval.

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 13-3/8 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) is 3000 psi.

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

- A variance to test the BOP on the surface casing to 1000 psi using the rig pumps is approved.
- 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.
- BOPE must be tested prior to drilling into the Wolfcamp Formation by an independent service company.

IV. DRILLING MUD:

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

1. Recording pit level indicator to indicate volume gains and losses.
2. Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
3. Flow-sensor on the flow line to warn of abnormal mud returns from the well.