

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.

Print or Type Name	Signature	Title	Date

e-mail Address			

YATES DRILLING COMPANY

105 SOUTH FOURTH ST.
ARTESIA, NEW MEXICO 88210
505-748-8642 office 505-748-8670 fax

September 27, 2006

2006 SEP 29 PM 1 59

New Mexico Oil Conservation Division
Engineering Dept.
1220 South Saint Francis Dr.
Santa Fe, NM 87505

Re: Re-Submitted Application for Unorthodox Location
Parakeet Federal "29" #1
1535' FSL and 662' FEL
Section 29, T19S-R27E
Eddy County, New Mexico

To Whom It May Concern:

Under the original Administrative Order NSL-5274 issued September 8, 2005, Yates Drilling Company received approval for a non-standard location for the captioned well. We have been informed that such Order recently expired. In the meantime, we were forced to move the surface location from 1475' FSL & 710' FEL to 1535' FSL & 662' FEL in order to accommodate the truck mounted drilling rig.

Due to surface restrictions placed on us by the BLM and Bureau of Reclamation, who manages the surface, the well will be drilled on the existing well pad for the Parrot Federal #2 well, resulting in an unorthodox location. The new location is actually further away from 40.00 acre lease line than the previously approved location. The lease ownership is common in the offsetting acreage. Therefore, Yates Drilling Company respectfully requests administrative approval for an unorthodox location for the captioned well as to all formations from surface down to the base of the San Andres formation.

Enclosed please find the BLM - APD approved September 6, 2006 and our Administrative Application Checklist. Since the original application was approved, we trust the re-submitted application will be approved in a timely manner. Thanks for your help in this matter. I may be contacted at (505) 748-8642 should you have any questions.

Sincerely,

YATES DRILLING COMPANY



Tony Krakauskas, CPL
Land Manager

enclosures

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.

COPY OF BLM APPROVED APD FOR PARAKEET "29" FEDERAL #1 ATTACHED.

- II. Completed C-102 showing the well location, proration unit, leases within the unit and other required information.

COPY ATTACHED ALSO ENCLOSED IS C-102 FOR THE PARROT FEDERAL #2 INDICATING THE AFFECTED LEASE

- III. Land plat showing offset operators and working interest owners and any offsetting wells producing from the same pool or formation.

REFER TO ORIGINAL PLAT IN APD

- 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 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;

SEE ATTACHED C-102, DATED JULY 26, 2006, REFLECTING THE NEW 40.00 ACRE SPACING

- B. An outline of the orthodox drilling window 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.

THE SUBJECT WELL WILL BE DRILLED ON THE EXISTING WELL PAD FOR THE PARROT FEDERAL #2

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; *N/A*

B. Proposed access roads and pipelines if they affect the location; *N/A*

C. The location of any surface uses which prevent use of a legal location;

BLM SURFACE RESTRICTIONS, EXISTING PRODUCTION EQUIPMENT AND OLD DRILLING PIT ON PROPOSED LOCATION LIMITS THE SUBJECT WELL TO THE SOUTH OF THE WELL PAD

D. The location of any archeological sites identified in the archeological survey; *N/A*

E. The location and nature of any other surface conditions which prevent the use of an orthodox location. *SEE V.C. ABOVE*

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.

NOT APPLICABLE

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.

SEE V.C. ABOVE

VIII. A statement of why directional drilling to reach a legal bottom-hole location is not feasible.

WELL TO BE DRILLED TO 1,800' AND TOO SHALLOW TO DRILL DIRECTIONALLY.

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

SEE ATTACHED COVER LETTER EXPLAINING ISSUE.

OPERATOR'S COPY

0
OMB No. 1004-0136
J-06-40
Expires November 30, 2000

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

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 checked="" type="checkbox"/> Oil Well <input 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	3b. Phone No. (include area code) (505) 748-8640	8. Lease Name and Well No. Parakeet Federal "29" #1
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		9. API Well No. 30-015-34320
14. Distance in miles and direction from nearest town or post office* Approximately 14 miles southeast of Artesia, New Mexico.		10. Field and Pool, or Exploratory Seven Rivers Queen
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	11. Sec., T., R., M., or Blk, and Survey or Area Section 29, T19S-R27E
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 65'	19. Proposed Depth 1800'	12. County or Parish Eddy County
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3408' GL	22. Approximate date work will start* ASAP	13. State NM
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) Tony Krakauskas	Date 7/27/2006
Land Manager		

Approved by (Signature) <i>Tony J. Herrell</i>	Name (Printed/Typed) /s/ Tony J. Herrell	Date 9-6-06
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.

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

Witness Surface Casing
Roswell Controlled Water Basin

**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 & 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

¹ API Number		² Pool Code		³ Pool Name	
⁴ Property Code	⁵ Property Name PARAKEET FEDERAL 29				⁶ Well Number 1
⁷ OGRID No.	⁸ Operator Name YATES DRILLING COMPANY				⁹ Elevation 3408

¹⁰ 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

¹¹ 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
¹² Dedicated Acre	¹³ Joint or Infill	¹⁴ Consolidation Code		¹⁵ Order No.					

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

¹⁶ 	¹⁷ OPERATOR CERTIFICATION 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> Title: <u>LAND MANAGER</u>
	¹⁸ 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. Date of Survey: <u>JULY 14, 2006</u> Signature and Seal of Professional Surveyor: Certificate Number: <u>5412</u> DAN R. REDDY N.M.P.E. & S. NO. 5412
	LAT N32.62854 LON W104.29455 LC-049945-B 662' 1535'

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>
<i>Witness</i>	12 1/4"	8 5/8"	24#	J-55	ST&C	0-400'	400'
<i>Witness</i>	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% CaCl₂(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

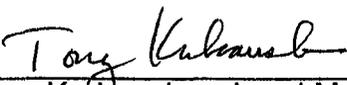
B. Through Drilling Operations,
Completions and Production:

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

14. CERTIFICATION:

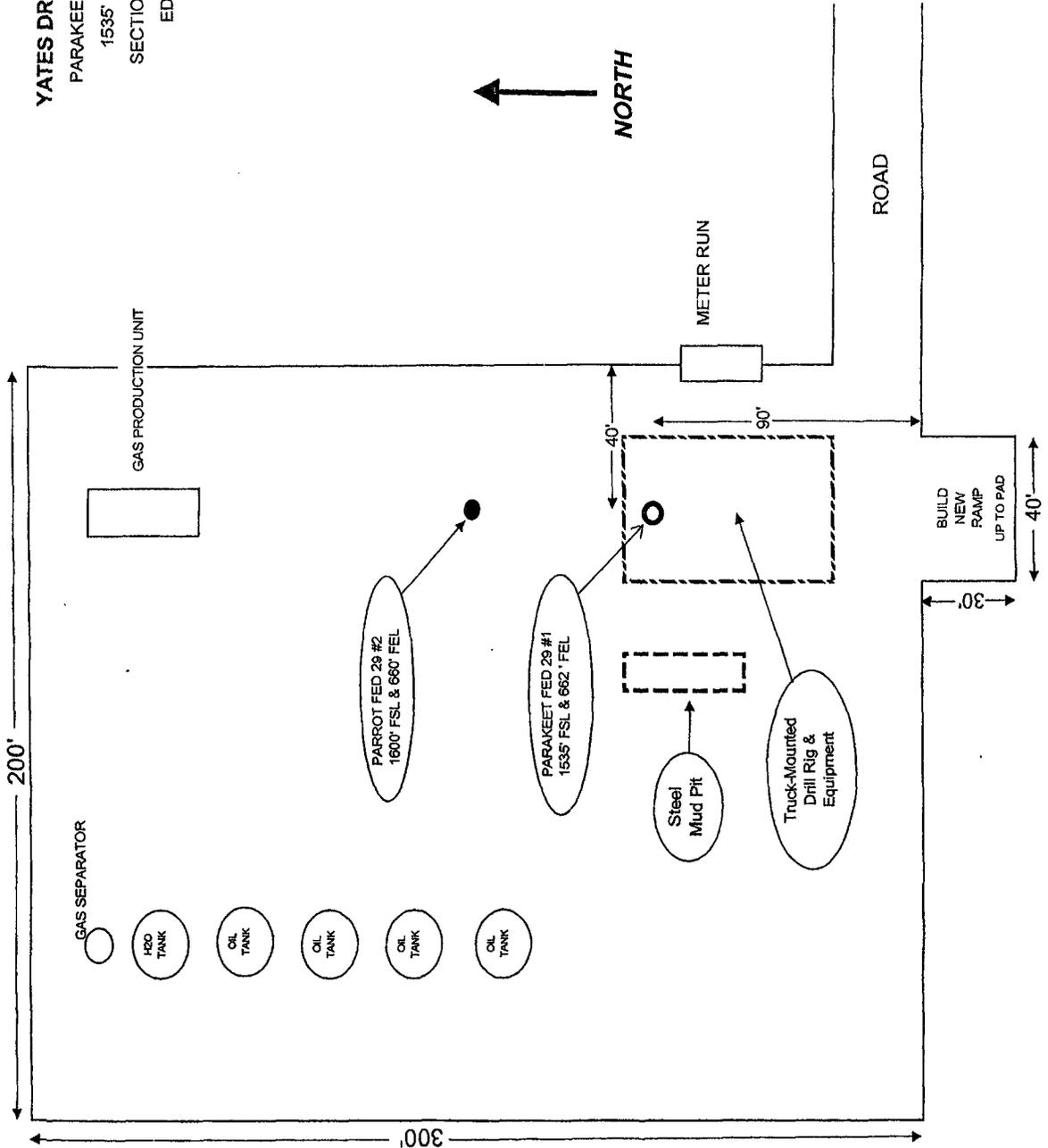
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and, that the work associated 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
 PARAKEET FEDERAL "29" #1
 1535' FSL & 662' FEL
 SECTION 29, T19S-R27E
 EDDY CO., NM



T 19 S

RESERVOIR

ANGELL FEL

ANGELL FEL

PECOS RIVER

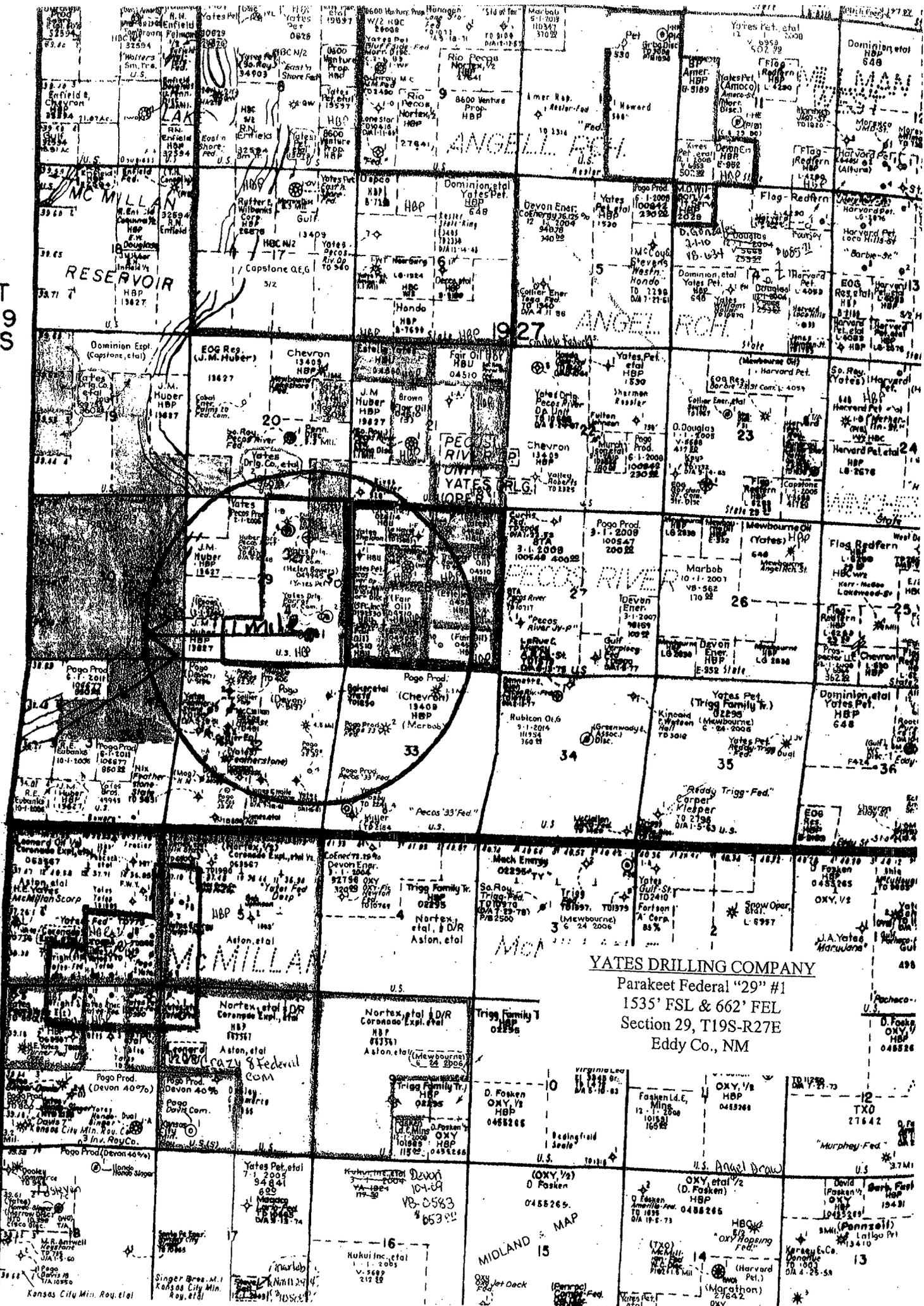
PECOS RIVER

McMILLAN

McMILLAN

YATES DRILLING COMPANY

Parakeet Federal "29" #1
1535' FSL & 662' FEL
Section 29, T19S-R27E
Eddy Co., NM



MIDLAND MAP

498

U.S.

D. Fosken
HBP
0488265

TXO
27642

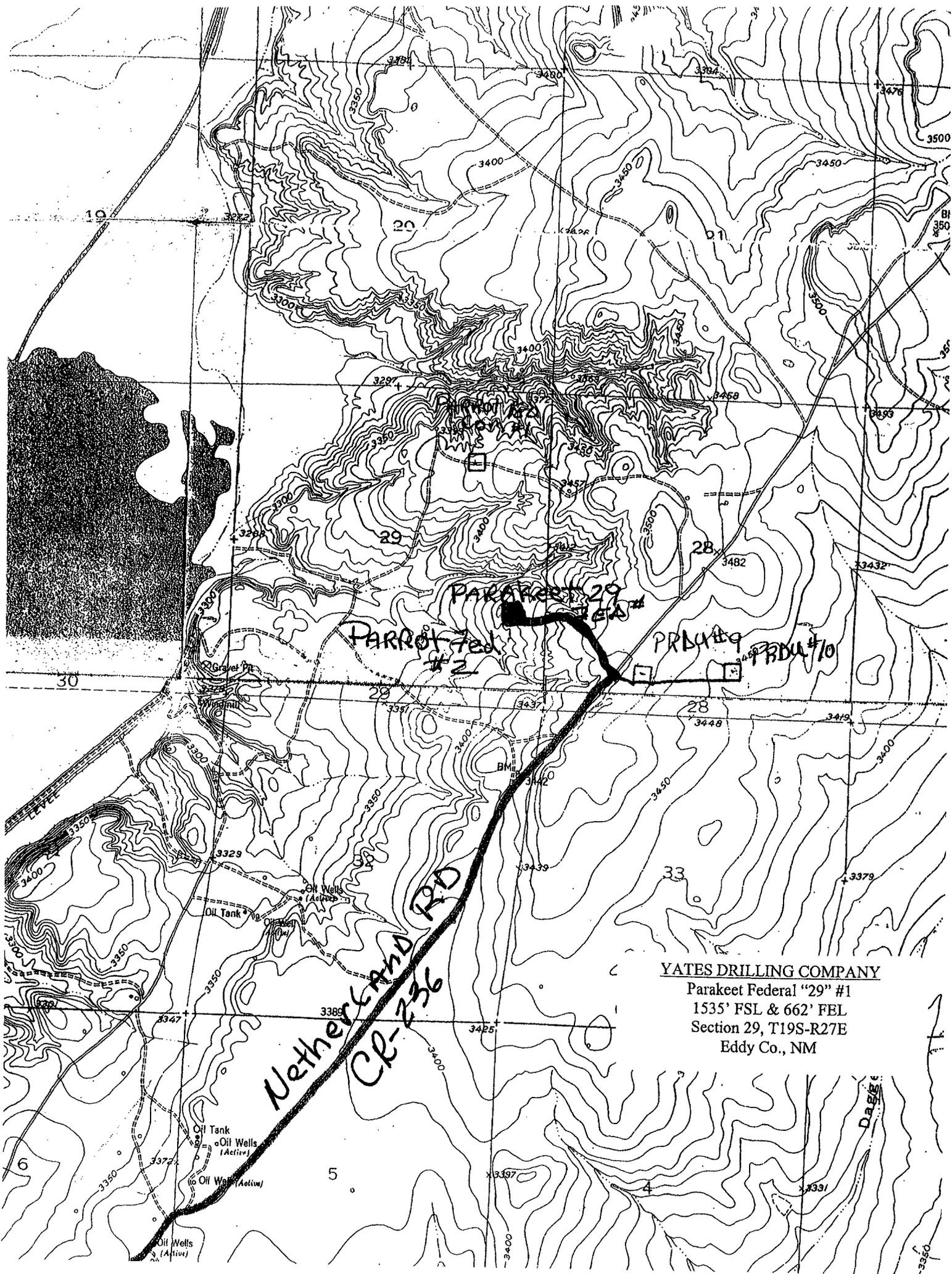
"Murphy-Fed"

U.S.

David
Fosken
HBP
19491

SMI (Pannell)
131310

Yates
Pet. et al
0488265



YATES DRILLING COMPANY
Parakeet Federal "29" #1
1535' FSL & 662' FEL
Section 29, T19S-R27E
Eddy Co., NM

Netherland RD
CR-236

PARAKEET #29
PARROT Fed #2

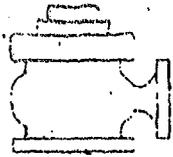
PRDU #9
PRDU #10

Oil Wells (Active)
Oil Tank

Oil Wells (Active)
Oil Tank

Oil Wells (Active)

Daguer



YATES DRILLING COMPANY

Typical 2,000 psi Pressure System Schematic

Double Ram Preventer Stack

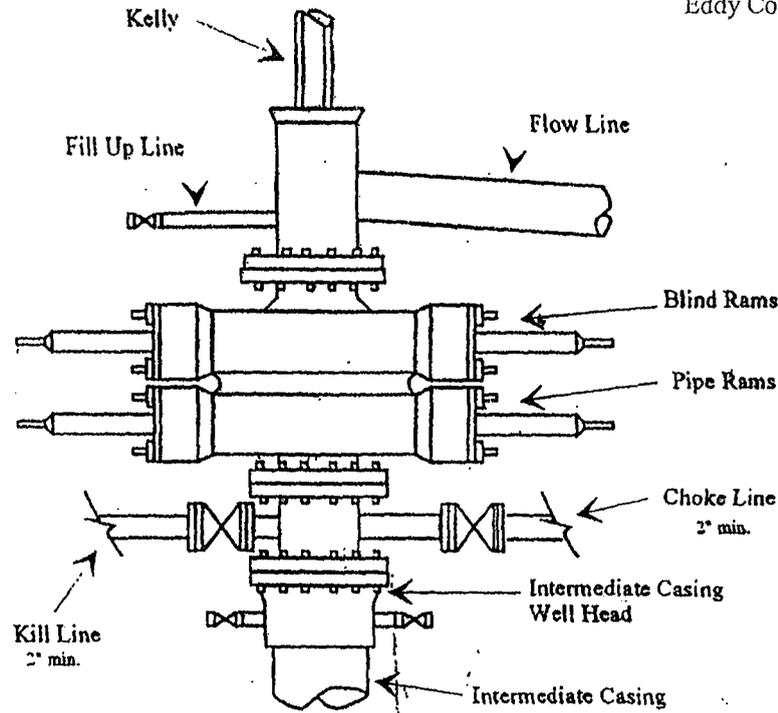
YATES DRILLING COMPANY

Parakeet Federal "29" #1

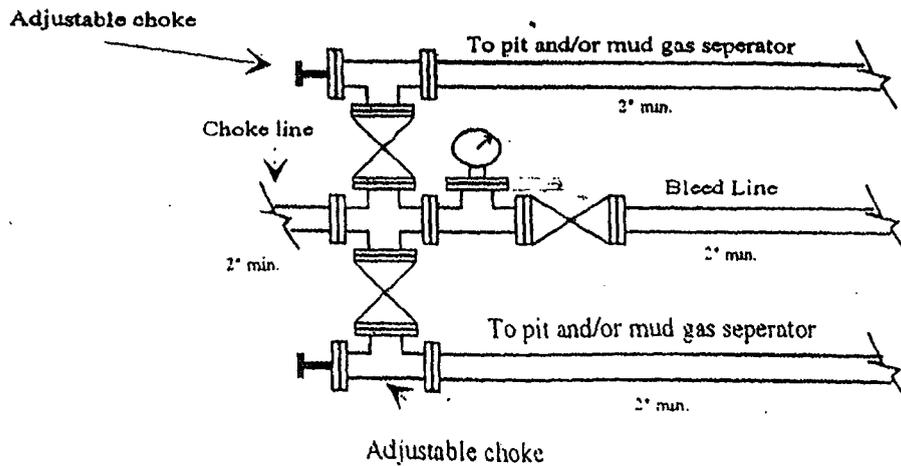
1535' FSL & 662' FEL

Section 29, T19S-R27E

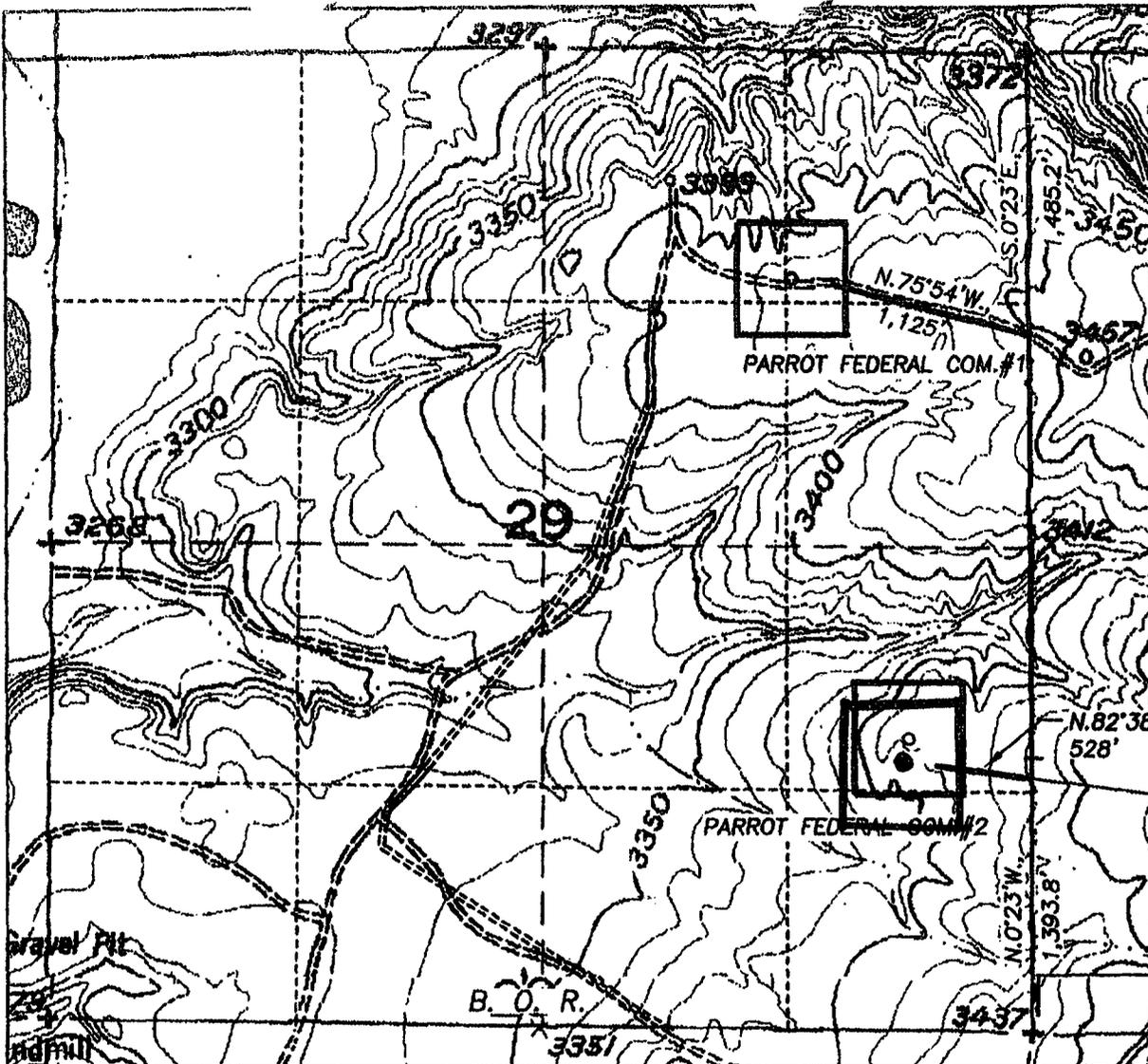
Eddy Co., NM



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



SECTION 29, TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM EDDY COUNTY, NEW MEXICO.



DESCRIPTION:

LEASE ROAD RIGHT OF WAYS 30 FEET WIDE AND 1,653.0 FEET IN LENGTH, BEING 15 FEET TO THE LEFT AND RIGHT OF THE SURVEY LINES AS SHOWN ON THIS PLAT.

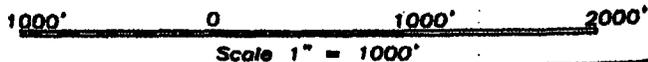
1,653.0 FEET = 100.1818 RODS, 0.3131 MILES OR 1.1384 ACRES, MORE OR LESS.

YATES DRILLING COMPANY

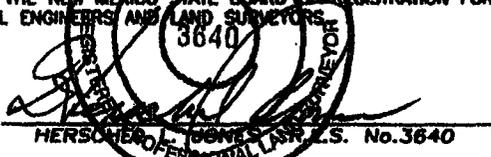
Parakeet Federal "29" #1
 1535' FSL & 662' FEL
 Section 29, T19S-R27E
 Eddy Co., NM



= 's PARAKEET FED
 "29" #1



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 REALTIES 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.



GENERAL SURVEYING COMPANY P.O. BOX 1928
 LOVINGTON, 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 19 SOUTH, RANGE 27 EAST, NMPM,
 EDDY COUNTY, NEW MEXICO.

Survey Date: 1/21/2004	Sheet 1 of 1 Sheets
Drawn By: Ed Blavins	W.O. Number
Date: 1/24/04	Scale 1" = 1000' PARROT 1&2

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-14
March 12, 200

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 DRILLING COMPANY Telephone: (505) 748-8640 e-mail address: _____
Address: 105 South Fourth Street, Artesia, NM 88210
Facility or well name: Parakeet Federal "29" #1 API #: 30-015-34320 U/L or Qtr/Qtr I Sec 29 T19S R 27E
County: Eddy Latitude N 32.62854 Longitude W 104.29455 NAD: 1927 1983 Surface Owner Federal State Private Indian

Pit Type: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined <input checked="" type="checkbox"/> Unlined <input type="checkbox"/> Liner type: Synthetic <input checked="" type="checkbox"/> Thickness <u>12</u> mil Clay <input type="checkbox"/> Volume <u>20,000</u> bbl	Below-grade tank Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not.	
	Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet 50 feet or more, but less than 100 feet 100 feet or more
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes No	(20 points) (0 points) 0
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet 200 feet or more, but less than 1000 feet 1000 feet or more	(20 points) (10 points) (0 points) 0
Ranking Score (Total Points)		0

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 XX or an (attached) alternative OCD-approved plan .
Date: July 27, 2006

Printed Name/Title Tony Krakauskas, Land Manager Signature Tony

Our 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.

Approval:

Date: _____

Printed Name/Title _____ Signature _____

Yates Drilling Company

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

Hydrogen Sulfide (H₂S) Contingency Plan

For

Parakeet Federal "29" #1

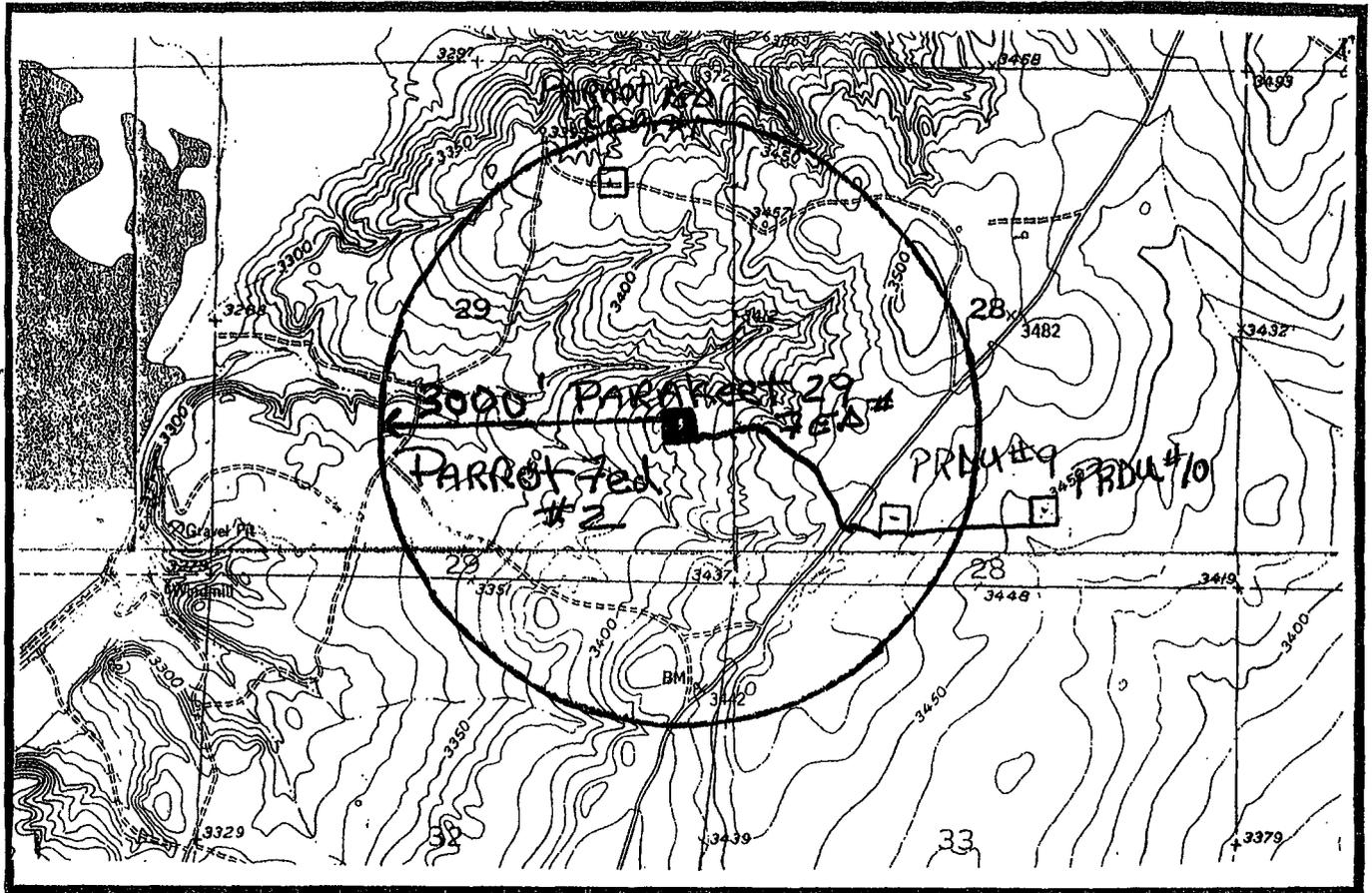
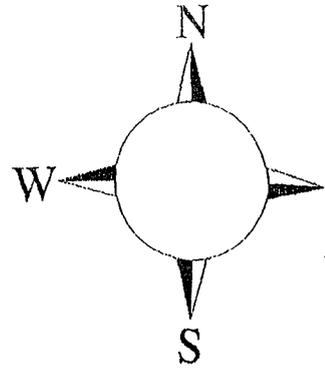
1535' FSL and 662' FEL

Sec-29, T-19S, R-27E

Eddy County NM

Parakeet Federal "29" #1 Location

This is an open drilling site. 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.



Assumed 100 ppm ROE = 3000'
100 ppm H₂S concentration shall trigger activation of this plan.

Emergency Procedures

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

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

Ignition of Gas Source

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

Characteristics of H₂S and SO₂

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentration
Hydrogen Sulfide	H ₂ S	1.189 Air = 1	10 ppm	100 ppm/hr	600 ppm
Sulfur Dioxide	SO ₂	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

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

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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.

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**

SPECIAL DRILLING STIPULATIONS (Continued)

Operator/Well Name: Yates Drilling/ Parakeet 29 Fed. #1

III. WELL COMPLETION REQUIREMENTS

(x) Other: Visual Resources

1. PAINTING REQUIREMENT- IN ACCORDANCE WITH NOTICE TO LESSEES (NTL) 87-1 NEW MEXICO, "Painting of Oil Field Facilities to Minimize Visual Impacts": ALL permanent surface production facilities, including the well-drive control system, treatment, storage, power (except specifically approved electrical transmission lines and poles, or other permanent above-ground facilities not otherwise specifically subject to safety coloring requirements), shall be painted by the holder to blend with the dominant natural color of the surrounding landscape. The paint used shall be one of the "Standard Environmental Colors" designated by the Rocky Mountain Five-State Interagency Committee, and shall be a flat, non-reflective finish. The color specified for this location is:

Standard Environmental Color: **Shale Green**

Munsell Soil Color Chart Number: **5Y 4/2**

Any exception to this Painting Requirement must be approved by the BLM Authorized Officer in writing prior to implementation.

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 Tukumcari 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
Tukumcari Project - Hudson Lake = 160 acres
Tukumcari 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.

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 87505

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code	Pool Name Wildcat Chester
Property Code	Property Name PARROT FEDERAL COM.		Well Number 2
OGRD No. 025575	Operator Name YATES DRILLING COMPANY		Elevation 3413

Surface Location

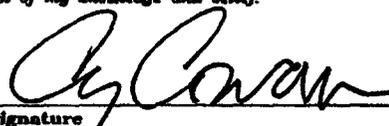
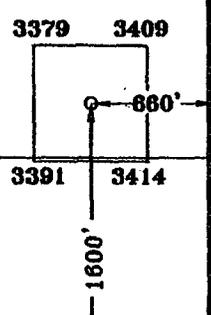
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	29	19S	27E		1600	SOUTH	660	EAST	EDDY

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 Infill	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	<div style="border: 2px solid black; padding: 5px; display: inline-block;"> NM-049945 C </div>	OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature Cy Cowan Printed Name Regulatory Agent Title February 6, 2004 Date
				SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date Surveyed 1/21/2004
				N.32°37'43.3" W.104°17'40.4" 3379 3409  3391 3414
				Certificate No. Harsco/Land Surveyors RLS 3640 PROFESSIONAL LAND SURVEYOR GENERAL SURVEYING COMPANY