

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

Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

MAR 26 2004

OCD-ARTESIA

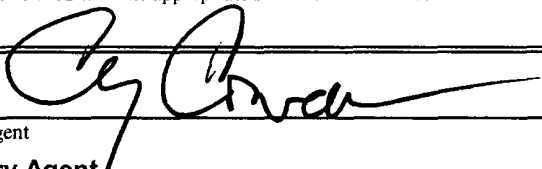
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OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. LC-049945-B	
b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name	
2. Name of Operator Yates Drilling Company		7. If Unit or CA Agreement, Name and No.	
3A. Address 105 South Fourth Street Artesia, New Mexico 88210		8. Lease Name and Well No. Parrot Federal Com. #2	
3b. Phone No. (include area code) (505) 748-1471		9. API Well No. 30-015-33345	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1600' FSL and 660' FEL At proposed prod. Zone Same		10. Field and Pool, or Exploratory Wildcat Chester	
14. Distance in miles and direction from nearest town or post office* Approximately 14 miles southeast of Artesia, New Mexico.		11. Sec., T., R., M., or Blk. and Survey or Area Section 29, T19S-R27E	
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660'		12. County or Parish Eddy County	
16. No. of Acres in lease 320		13. State NM	
17. Spacing Unit dedicated to this well E/2			
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1/2 mile		20. BLM/BIA Bond No. on file 586000	
21. Elevations (Show whether DF, KDB, RT, GL, etc.)		23. Estimated duration 45 days	
22. Approximate date work will start* ASAP			
24. Attachments ROSWELL CONTROLLED WATER BASIN			

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- | | |
|---|---|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized office. |

25. Signature 	Name (Printed/Typed) Cy Cowan	Date 2/10/04
Regulatory Agent		
Regulatory Agent		
Approved by (Signature) /s/ Joe G. Lara	Name (Printed/Typed) /s/ Joe G. Lara	Date 24 MAR 2004
Title ACTING FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

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)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

Witness Surface and
Intermediate Casing

DISTRICT II

Q11 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
OGRID 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.			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

		NM-049945 B		NM-049945 C	
				N.32°37'43.3" W.104°17'40.4" 3379 3409 660' 3391 3414 1600'	

OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Cy Cowan
Signature

Cy Cowan
Printed Name

Regulatory Agent
Title

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.

1/21/2004
Date Surveyed

Signature of Professional Surveyor
Professional Surveyor

HERSCHEL L. JONES
REGISTERED PROFESSIONAL LAND SURVEYOR
NEW MEXICO
3640

Certification No. Herschel Jones RLS 3640
GENERAL SURVEYING COMPANY

0 330' 660' 990' 1650' 1980' 2310' 2310' 1980' 1650' 990' 660' 330' 0'

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

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

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

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

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

3. Pressure Control Equipment: BOPE will be installed on the 9 5/8" casing and rated for 5000 BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.

Auxiliary Equipment:

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

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

A. Casing Program: (All New)

Hole Size	Casing Size	Wt./Ft	Grade	Thread	Interval	Length	WITNESS WITNESS
17 1/2"	13 3/8"	48#	H-40	ST&C	0-400'	400'	
12 1/4"	9 5/8"	36#	J-55	ST&C	0-2800'	2800'	
8 3/4"	5 1/2"	17#	L-80	LT&C	0-1100'	1100'	
8 3/4"	5 1/2"	17#	J-55	LT&C	1100'-2200'	1100'	
8 3/4"	5 1/2"	15.5#	J-55	LT&C	2200'-6200'	4000'	
8 3/4"	5 1/2"	17#	J-55	LT&C	6200'-8000'	1800'	
8 3/4"	5 1/2"	17#	L-80	LT&C	8000'-9400'	1400'	
8 3/4"	5 1/2"	17#	HCP-110	LT&C	9400'-10725'	3425'	

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

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

B. CEMENTING PROGRAM:

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

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

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

5. Mud Program and Auxiliary Equipment:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
Spud to 400'	FW Gel/Paper	8.4-8.8	32-40	N/C
400'-2800'	Fresh Water	8.4	28	N/C
2800'-9600'	Cut Brine	8.6-9.6	28	N/C
9600'-10725'	S Gel/KCL/Starch/Driscap	9.6-10.0	32-38	<12cc

Sufficient mud material(s) to maintain mud properties, control lost circulation and contain a blow out will be available at the well site during drilling operations. Mud will be checked hourly by rig personnel.

6. EVALUATION PROGRAM:

Samples: 10' out from under intermediate casing to TD.

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

Coring: None anticipated.

DST's: Possible Wolfcamp thorough Strawn.

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

Anticipated BHP:

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

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None

H₂S Zones Anticipated: None

Maximum Bottom Hole Temperature: 189° F

8. ANTICIPATED STARTING DATE:

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

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

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

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

1. EXISTING ROADS:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 14 miles southeast of Artesia, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go south of Artesia on Highway 285 for approx. 24.5 miles to intersection of Capitan Reef Road and Hwy 285. Turn left on Capitan Reef Road and go approx. 5.9 miles to the intersection of Lake Road and Capitan Reef Road. Turn left on Lake Road (CR-34) and go approx. 0.2 of a mile. Turn right here on Netherland Road (CR-236) and go approx. 3.9 miles. The new road will start here going west.

2. PLANNED ACCESS ROAD:

- A. The new access road will be approximately .4 of a mile from the point of origin to the southeast corner of the well location.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on one side. Traffic turnouts will not be built.
- D. The route of the road is visible.
- E. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL

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

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

- A. There are no production facilities on this lease at the present time.
- B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power. No power will be required if the well is productive of gas.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with a fresh water system. The water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

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

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- C. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- D. Oil produced during operations will be stored in tanks until sold.
- E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- F. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not approved.

8. ANCILLARY FACILITIES: None

9. WELLSITE LAYOUT:

- A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach.
- B. The reserve pits will be plastic lined.
- C. A 600' x 600' area has been staked and flagged.

10. PLANS FOR RESTORATION

- A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the wellsite in as aesthetically pleasing a condition as possible.
- B. Unguarded pits, if any, containing fluids will be fenced until they have dried and been leveled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level within 90 days after abandonment.

11. SURFACE OWNERSHIP: Bureau of Reclamation Albuquerque, New Mexico.

12. OTHER INFORMATION:

- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, historical and cultural sites.
- B. The primary surface use is for grazing.

13. OPERATOR'S REPRESENTATIVE

A. Through A.P.D. Approval:

Cy Cowan, Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

B. Through Drilling Operations,
Completions and Production:

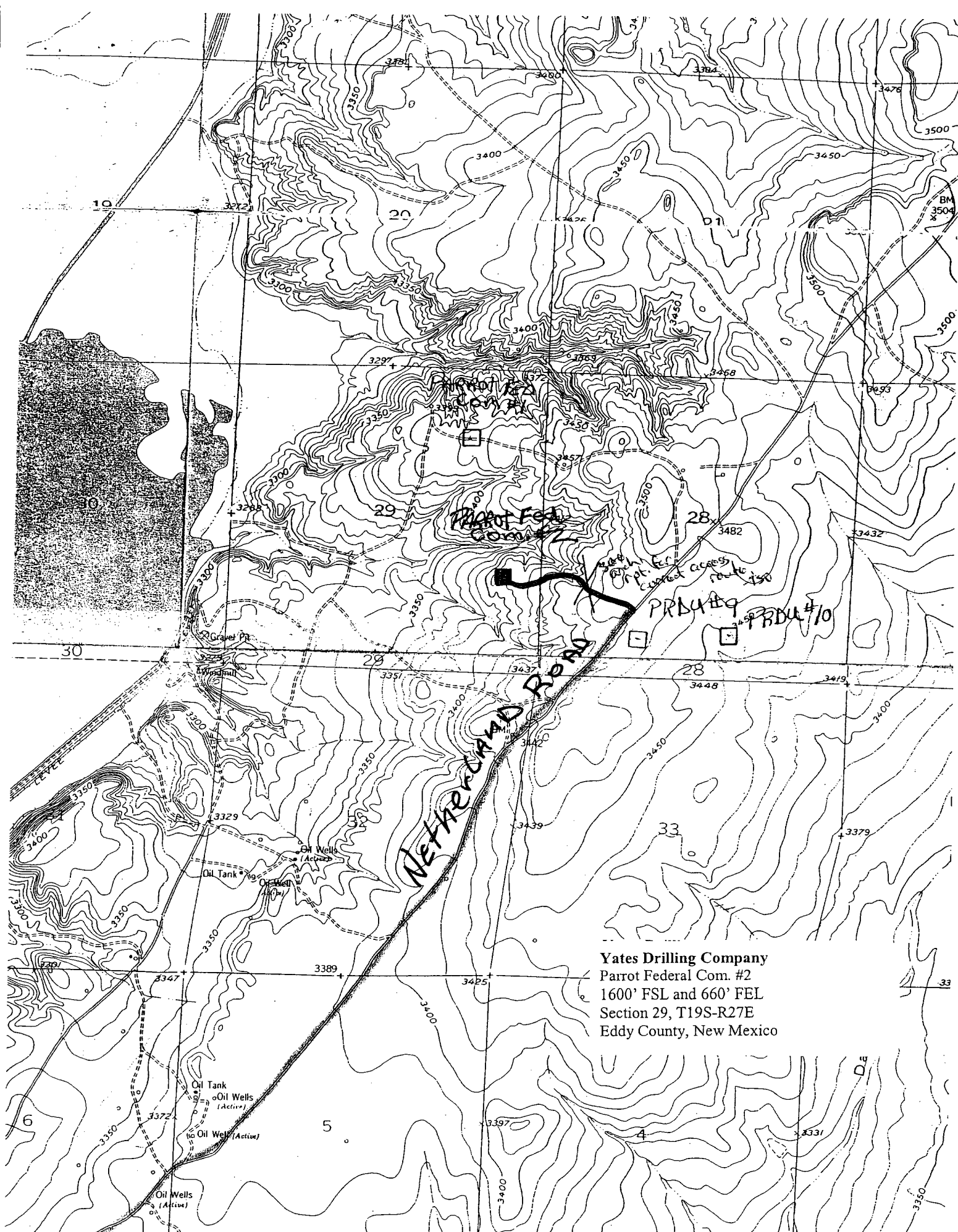
Toby Rhodes, Operations Manager
Yates Drilling Company
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

14. CERTIFICATION:

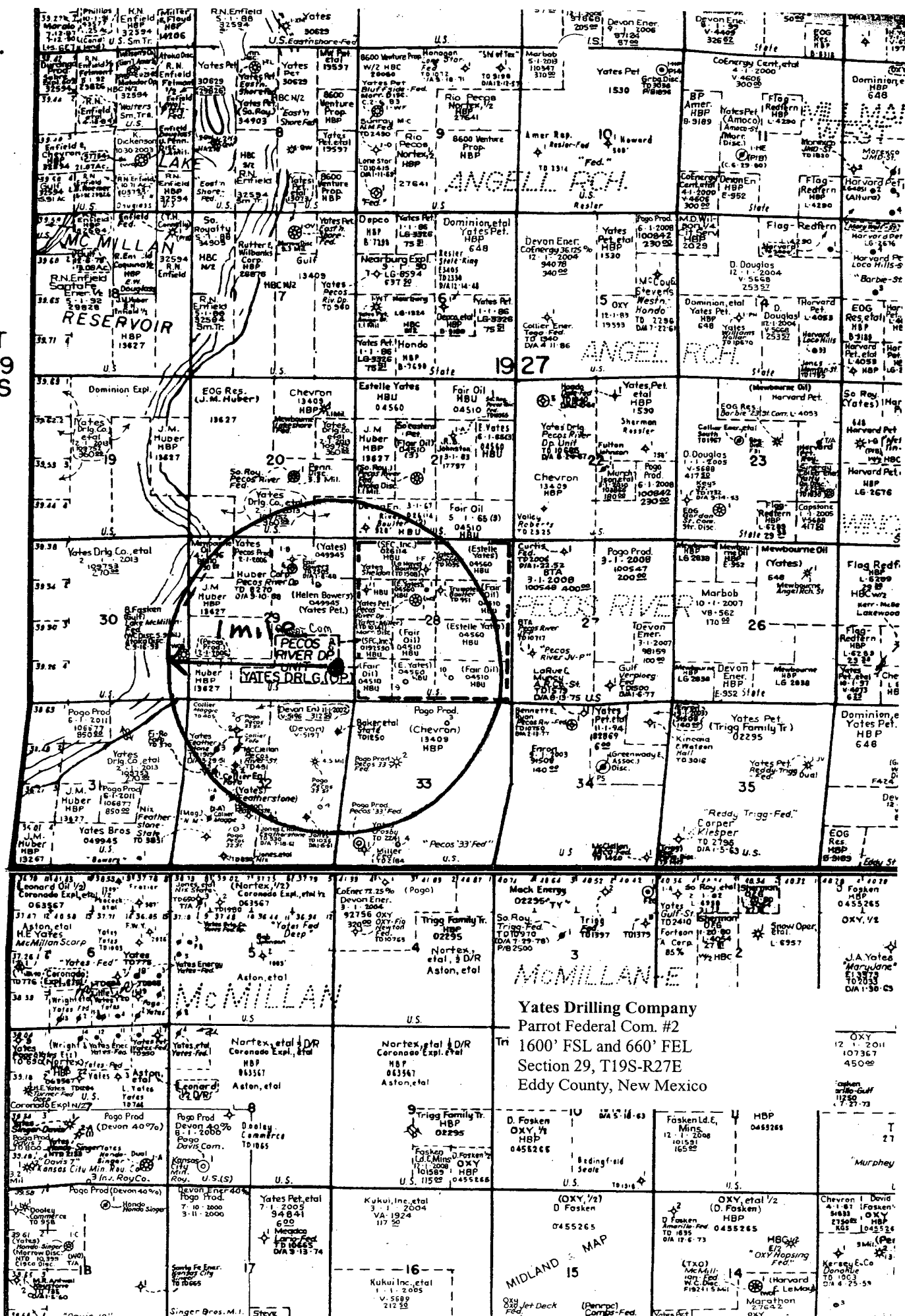
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Yates Petroleum Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

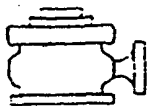
2/10/2004


Regulatory Agent



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

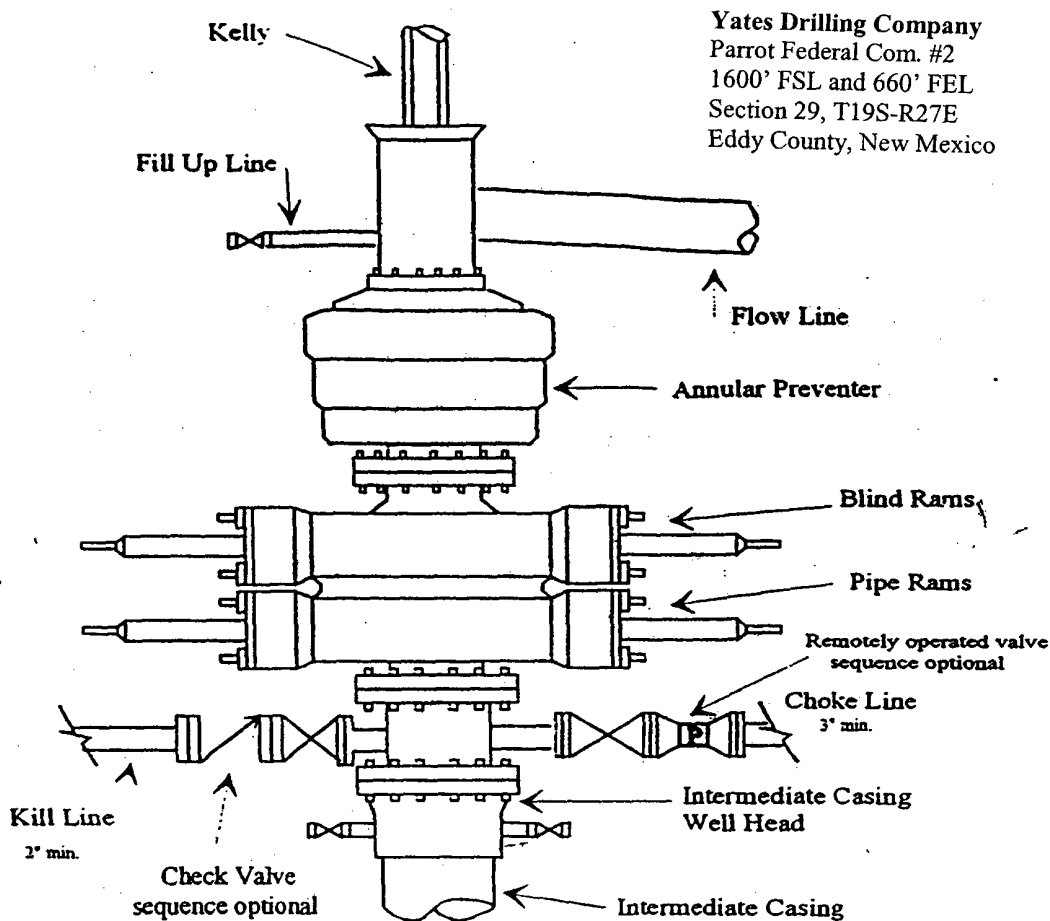




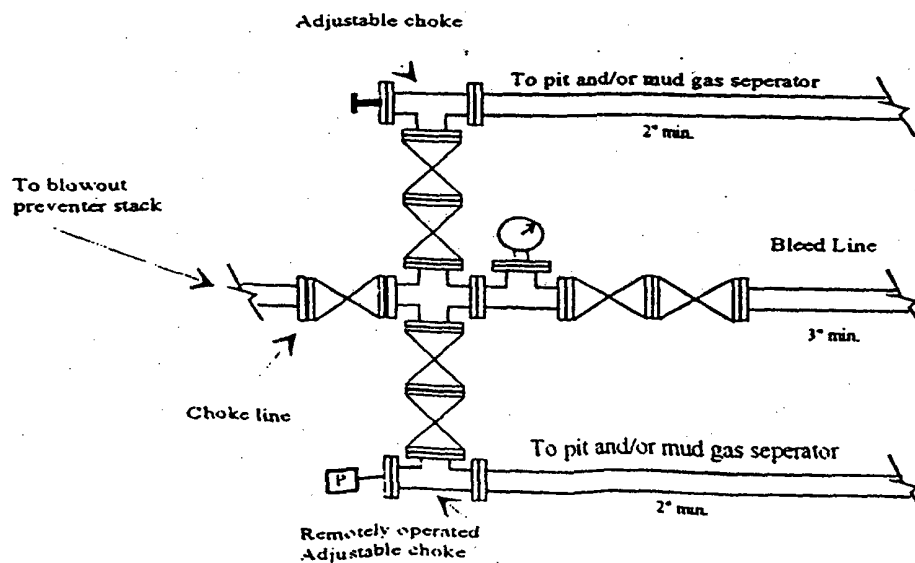
YATES DRILLING COMPANY

BOP-4

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



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

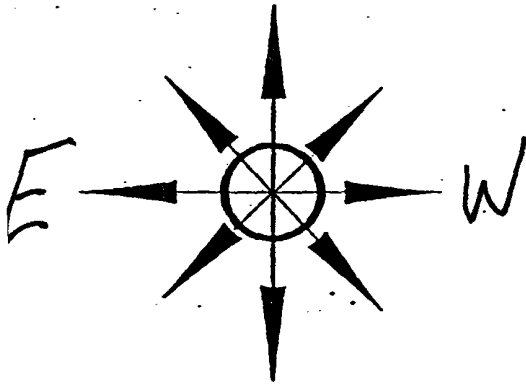


Yates Drilling Company

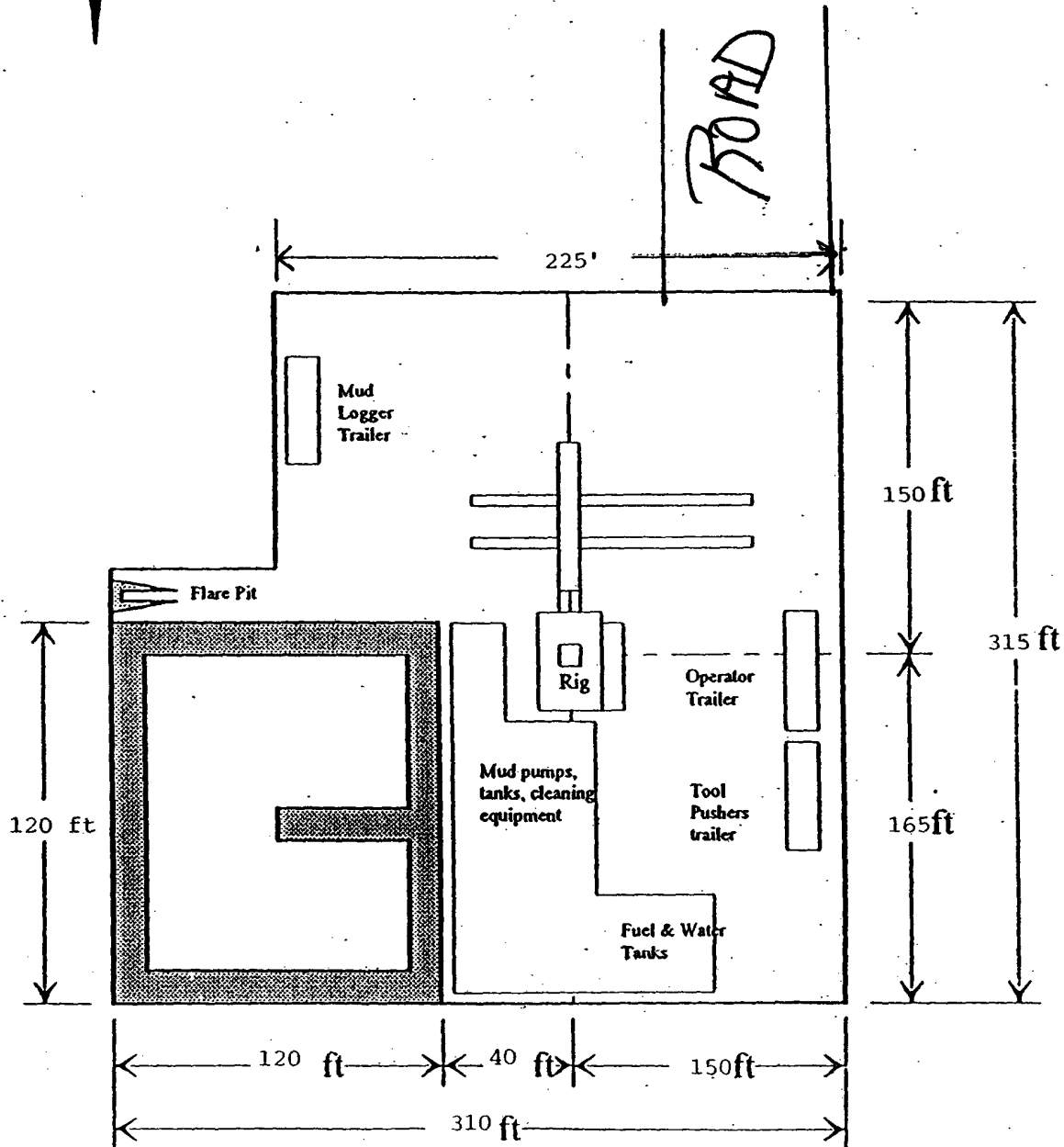
Location Layout for Permian Basin

Up to 12,000'

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

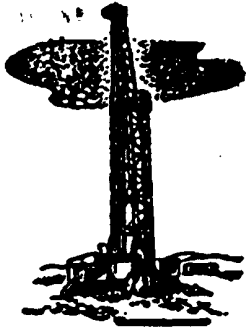


PITS EAST



Distance from Well Head to Reserve Pit will vary between rigs

The above dimension should be a maximum



YATES DRILLING COMPANY

105 SOUTH FOURTH STREET - (505) 748-1471

FAX (505) 746-2268

ARTESIA, NEW MEXICO 88210

PEYTON YATES
PRESIDENT

S. P. YATES
VICE PRESIDENT

RANDY G. PATTERSON
SECRETARY

DENNIS G. KINSEY
TREASURER

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

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

Lease Number: LC-049945-B

Bond Coverage: Individually Bonded

Parrot Federal Com. #2

Legal Description of Land:

BLM Bond File Number: NM 0344

E/2 Section 29, T19S-R27E

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

Date: 2/13/04

YATES DRILLING COMPANY


Cy Cowan, Regulatory Agent

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-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 DRILLING COMPANY Telephone: (505) 748-1471 e-mail address:
Address: 105 South Forth Street, Artesia, NM 88210
Facility or well name: Parrot Federal #2 API #: 30-015-33345 U/L or Qtr/Qtr NE/SE Sec 29 T19S R27E
County: Eddy Latitude N32°37'43.3" Longitude W104°17'40.4" 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 20 mil Clay <input type="checkbox"/> Volume bbl		Below-grade tank Volume: bbl Type of fluid: Construction material: Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not: RECEIVED MAY 10 2004 OCD-ARTESIA	
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.) N/A	Less than 50 feet	(20 points)	Information not Available
	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.) N/A	Yes	(20 points)	Information not Available
	No	(0 points)	
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.) Approximately 1.3 miles west.	Less than 200 feet	(20 points)	0
	200 feet or more, but less than 1000 feet	(10 points)	
	1000 feet or more	(0 points)	
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 ☐, or an (attached) alternative OCD-approved plan ☒.

Printed Name/Title Cy Cowan, Regulatory Agent

Signature

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:

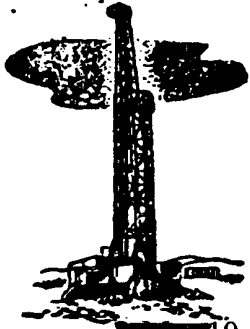
Date:

Printed Name/Title

Signature

Pit(s) must satisfy all
requirements of OCD Rule 50,
Pit Guidelines, and your
approved General Plan

NOTIFY O.C.D. PRIOR
TO CONSTRUCTION OF
PIT(S).



YATES DRILLING COMPANY

105 SOUTH FOURTH STREET - ARTESIA, NEW MEXICO 88210

(505) 748-1471 • FAX (505) 748-4579

PEYTON YATES
PRESIDENT

S. P. YATES
VICE PRESIDENT

RANDY G. PATTERSON
SECRETARY

DENNIS G. KINSEY
TREASURER

May 10, 2004

Water Well Information

Re: Parrot Federal #2
1600' FSL and 660' FEL
Section 29, T19S-R27E
Eddy County, New Mexico

The State Engineers Web Site has been accessed for the captioned well. There were no records found of ground water depth, water well, or any indication of any surface water in the area surrounding this well location.

RECEIVED

MAY 10 2004

OCB-ARTESIA

New Mexico Office of the State Engineer
Well Reports and Downloads

Township: 19S Range: 27E Sections: 29

NAD27 X: Y: Zone: Search Radius:

County: ED Basin: Number: Suffix:

Owner Name: (First) (Last) ☐ Non-Domestic ☐ Domestic
☒ All

Well / Surface Data Report

Avg Depth to Water Report

Water Column Report

Clear Form

WATERS Menu

Help

WELL / SURFACE DATA REPORT 05/10/2004

(acre ft per annum)
DB File Nbr Use Diversion Owner

Well Number

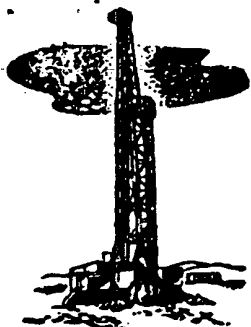
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No Records found, try again

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MAY 10 2004

OGP-ARTESIA



YATES DRILLING COMPANY

105 SOUTH FOURTH STREET - ARTESIA, NEW MEXICO 88210

(505) 748-1471 • FAX (505) 748-4579

PEYTON YATES
PRESIDENT

S. P. YATES
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May 10, 2004

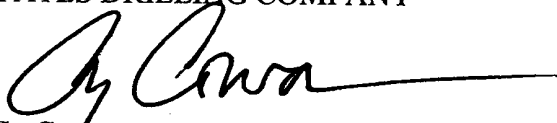
Mr. Van Barton
New Mexico Oil Conservation Division, District II Office
1301 West Grand Ave.
Artesia, NM 88210

Re: Parrot Federal #2
1600' FSL and 660' FEL
Section 29, T17S-R27E
Eddy County, New Mexico

Enclosed please find copies of the OCD approved drilling pit plans and schematics for the above captioned well.

Thank you,

YATES DRILLING COMPANY


Cy Cowan
Regulatory Agent

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MAY 10 2004

OCD-ARTESIA

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

April 14, 2004

Oil Conservation Division
State of New Mexico
Attn: Mr. Van Barton
1301 W. Grand Ave.
Artesia, NM 88210

Re: General Plan
Pit design and operation, Drilling Workover, and Blowdown.

Companies included in this plan are:

1. Yates Petroleum Corporation
2. Yates Drilling Company
3. Abo Energy Company
4. Myco Industries
5. Agave Energy Company

RECEIVED

MAY 10 2004

OCD-ARTESIA

Yates Petroleum Corporation Et Al is requesting approval to construct, use and close the above described pits, as per the attached diagrams the aforementioned pits will be lines as required, according to the rules and guidelines as set forth in Pit Rule 50.

The attached diagrams are standard pits used on all Yates Petroleum Et Al drilling and workover operations, minor changes may be needed from time to time to work safely with the terrain and environmental conditions on a site-specific basis.

All pits will be constructed to prevent contamination of fresh waters, human health, and the environment.

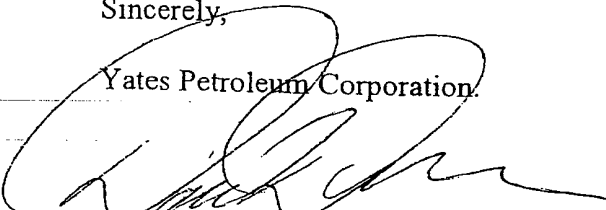
During operations, all pits will be fenced as required to maintain safety for livestock and wildlife.

When the pit is no longer used, it will be closed according to all applicable rules of the OCD, and all required reports will be submitted at that time.

If we can be further assistance, please feel free to call (505) 748-4181.

Sincerely,

Yates Petroleum Corporation.


Daniel W. Dolan CWC
Environmental Field Tech.



NEW MEXICO ENERGY, MINERALS and
NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

15 April 2004

Yates Petroleum Corporation Et Al
Yates Petroleum Corp.
105 South 4th Street
Artesia, New Mexico 88210

RECEIVED

MAY 10 2004

OCD-ARTESIA

RE:

General Plan for Pits Submitted 4-14-04.

Dear Mr. Dolan,

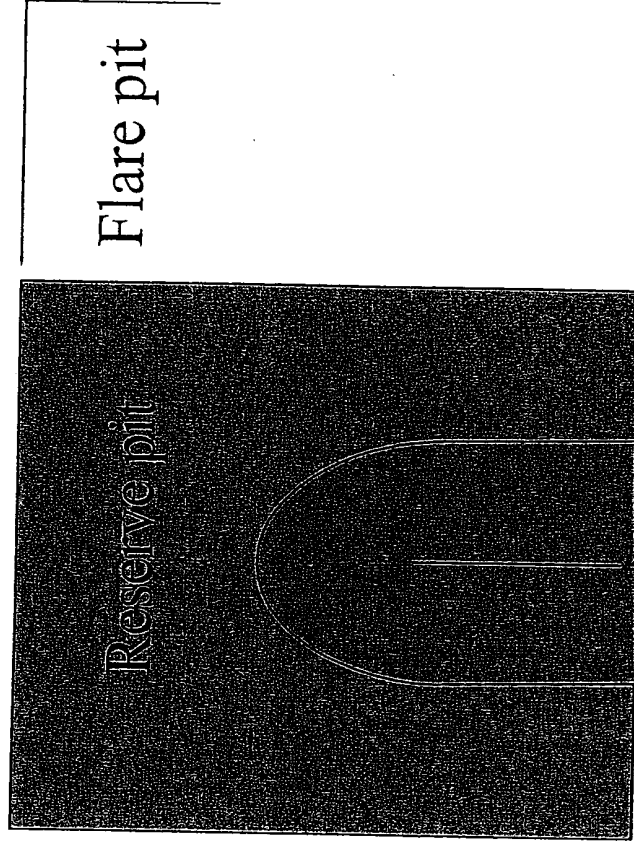
The Oil Conservation Division of Artesia is in receipt of your plan. The plan is hereby accepted and approved with the following provisions:

1. Approval of plan does not permit pits in any watercourse, lakebed, sinkhole, playa lake, or wetland. (19.15.2.50.C.2.a.)
2. Pits in groundwater sensitive areas or wellhead protection areas may be subject to additional measures or may not be allowed. This will be on site specific, case-by-case basis. (19.15.2.50.C.2.a.)
3. All pit encapsulations must meet all specific criteria including, but not limited to, site evaluation, liner thickness, and/or amount of and type of cover.
4. The Division may attach additional conditions to any permit upon a finding that such conditions are necessary to prevent the contamination of fresh water, or to protect public health or the environment. (19.15.2.50.C.3.G.1.)
5. Notify the Artesia O.C.D. 48 hours prior to the closing of any storage or production pit.
6. Notify the Artesia O.C.D. 48 hours prior to any sampling event.
7. Re-seeding mixture will be approved or authorized by surface owner.

If I can be of any further assistance, please feel free to call (505) 748-1283 ext. 109.

Sincerely,

Van Barton

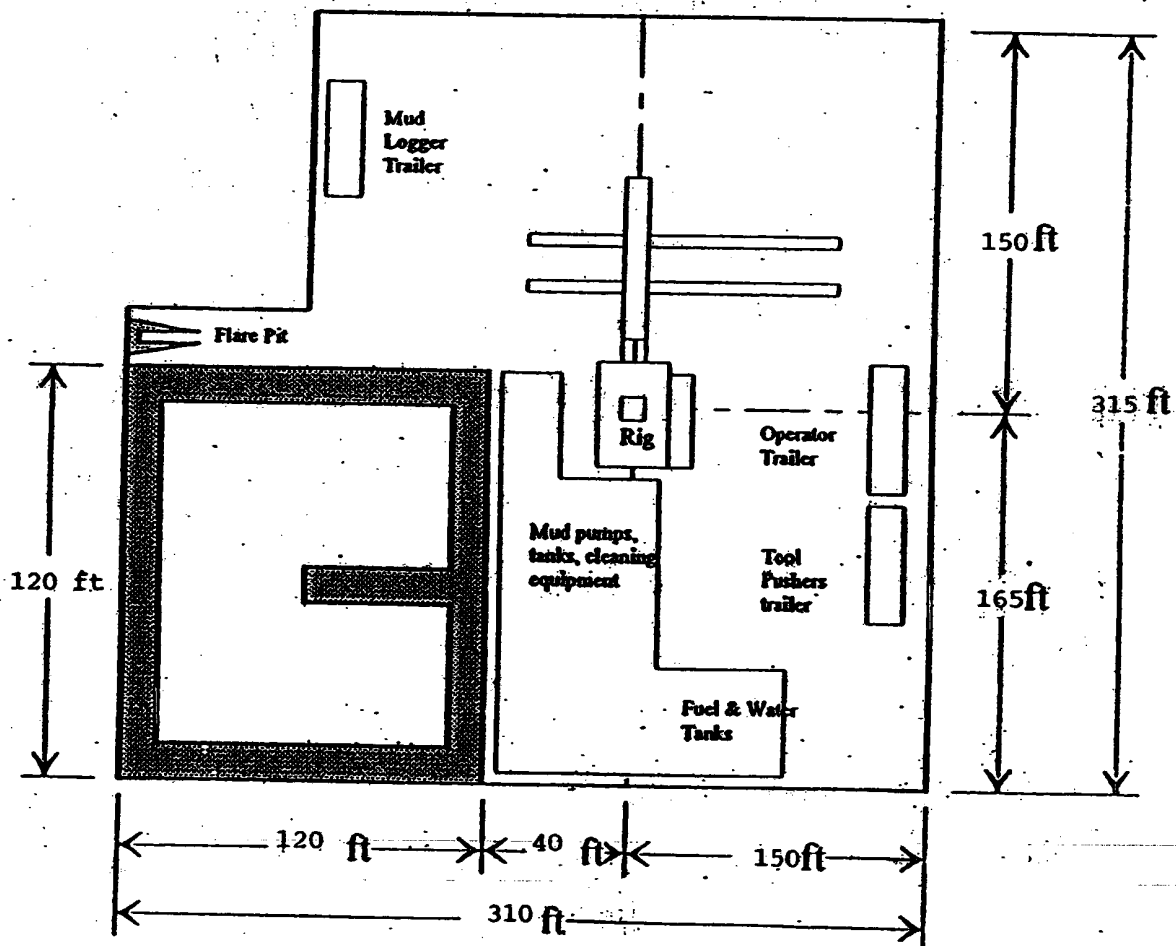
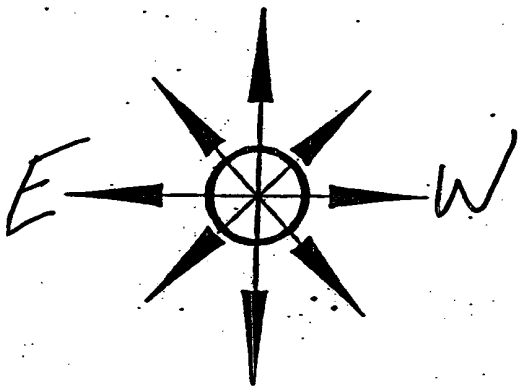


Standard reserve pit. All Reserve pits are double
Horse shoe size varies with depth of well

YATES DRILLING COMPANY

PB - L1

Location Layout for Permian Basin
Up to 12,000'



Distance from Well
Head to Reserve Pit
will vary between rigs

The above dimension
should be a maximum