

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

Form 3160-3
(August 1999)

0546

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

APR 29 2005

OOD-ARTESIA

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OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

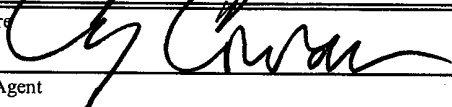
1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. LC-049945-B	
b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> 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		8. Lease Name and Well No. Parakeet Federal "29" #1	
3b. Phone No. (include area code) (505) 748-1471		9. API Well No. 30-015-34320	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1475' FSL and 710' FEL At proposed prod. Zone Same		10. Field and Pool, or Exploratory Wildcat San Andres	
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 NE/SE			
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 150 feet		20. BLM/BIA Bond No. on file 586000	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3408' GL		22. Approximate date work will start* ASAP	
23. Estimated duration 45 days			

24. Attachments **Recessed 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. |

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

25. Signature 	Name (Printed/Typed) Cy Cowan	Date 3/16/05
Regulatory Agent		
Approved by (Signature) /s/ Joe G. Lara		
Name (Printed/Typed) /s/ Joe G. Lara		
Date APR 27 2005		
Title ACTING FIELD MANAGER		
Office CARLSBAD FIELD OFFICE		

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

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

PLEASE NOTE: H2S Contingency Plan and C-144 are attached.

NSC-5274 WITNESS 8⁵/₈" and 5¹/₂" cement jobs

District I
1825 N. French Dr. Hobbs, NM 88240

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

State of New Mexico
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, N M 87505

Form C-102
Revised March 17, 1999
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 96077	Pool Name WILDCAT, San Andres
Property Code	Property Name PARAKEET FEDERAL "29"	Well Number 1
OGRID No. 025573	Operation Name YATES DRILLING COMPANY	Elevation 3408

Surface Location

UL or Lot No. I	Section 29	Township 19-S	Range 27-E	Lot Idn.	Feet from the 1475	North/South line SOUTH	Feet from the 710	East/West line EAST	County EDDY
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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 40	Joint or Infill	Consolidation Code	Order No.						

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

<p>LC-049945-B</p> <p>LAT N 32°37'42.1" LON W 104°17'40.9"</p> <p>710'</p> <p>1475'</p>	<p>OPERATOR CERTIFICATION</p> <p>I HEREBY CERTIFY THAT THE INFORMATION HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.</p>
	<p>Signature <i>Cy Cowan</i></p> <p>Printed Name Cy Cowan</p> <p>Title Regulatory Agent</p> <p>Date March 16, 2005</p>
	<p>SURVEYOR CERTIFICATION</p> <p>I HEREBY CERTIFY THAT THE WELL LOCATION SHOWN ON THIS PLAT WAS PLOTTED FROM FIELD NOTES OF ACTUAL SURVEYS MADE BY ME OR UNDER MY SUPERVISION, AND THAT THE SAME IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.</p> <p>MARCH 1, 2005</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor</p>
	<p>NEW MEXICO</p> <p>REGISTERED PROFESSIONAL SURVEYOR</p> <p>5412</p> <p>NM 5412</p> <p>Certificate Number</p>

YATES DRILLING COMPANY
Parakeet Federal "29" #1
1475' FSL and 710' 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}~~7/8~~" casing and rated for 2000 BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.

Auxiliary Equipment:

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

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

- A. Casing Program: (All New)

	<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Thread</u>	<u>Interval</u>	<u>Length</u>
WITNESS	12 1/4"	8 7/8 ^{5/8}	24#	J-55	ST&C	0-400'	400'
WITNESS	7 7/8"	5 1/2"	15.5#	J-55	LT&C	0-1800'	1800'

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

- B. CEMENTING PROGRAM:

Surface casing: 300 sx Class 'C' + 2% 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'	Cut-Brine <div style="display: inline-block; vertical-align: middle;"> <i>SSS</i> <i>Fresh</i> <i>Water</i> <i>Mud</i> </div>	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
1475' FSL and 710' 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:

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:

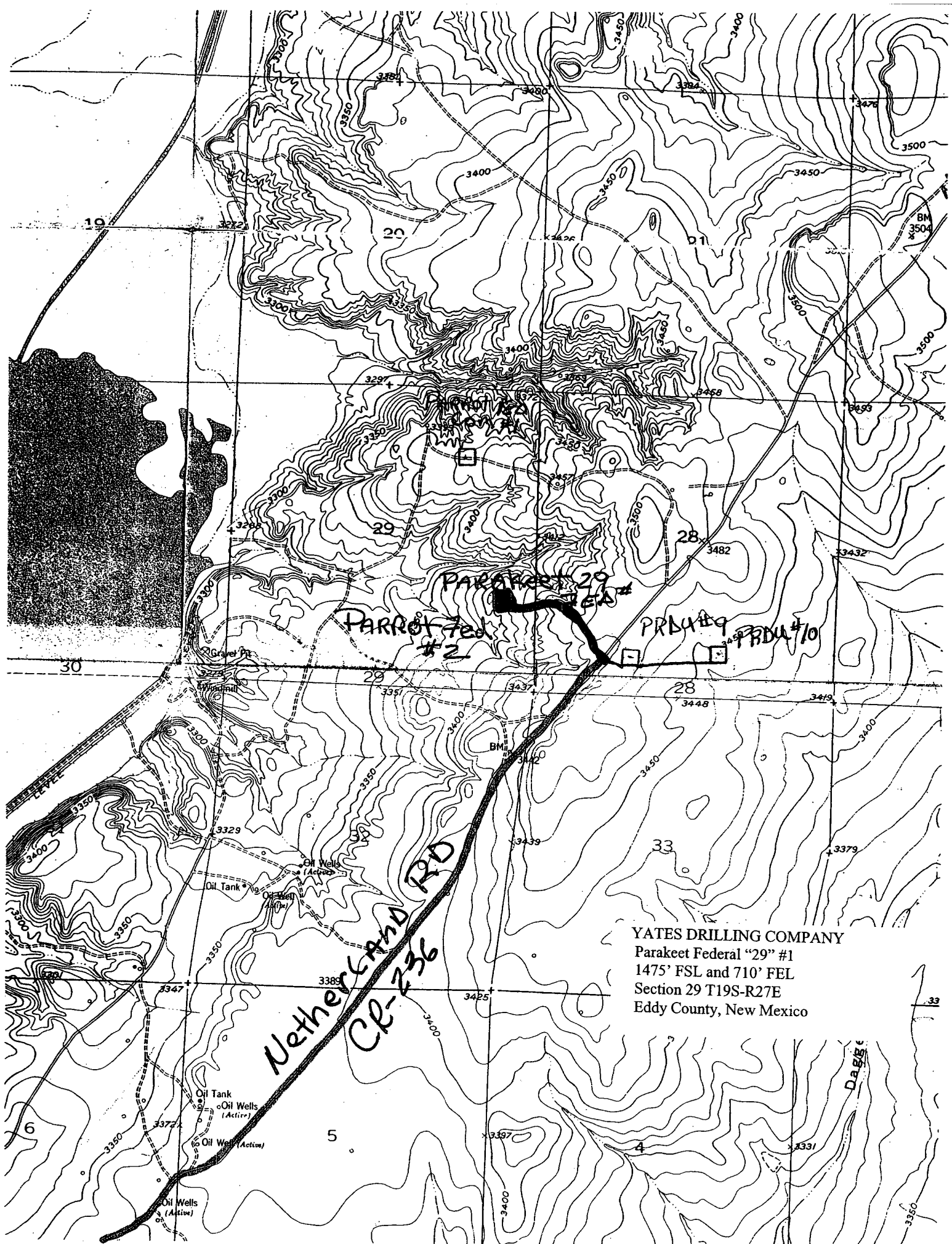
Toby Rhodes, Operations Manager
Yates Drilling Company
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

14. CERTIFICATION:

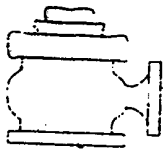
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and, that the work associated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

3/16/05


Regulatory Agent



YATES DRILLING COMPANY
Parakeet Federal "29" #1
1475' FSL and 710' FEL
Section 29 T19S-R27E
Eddy County, New Mexico



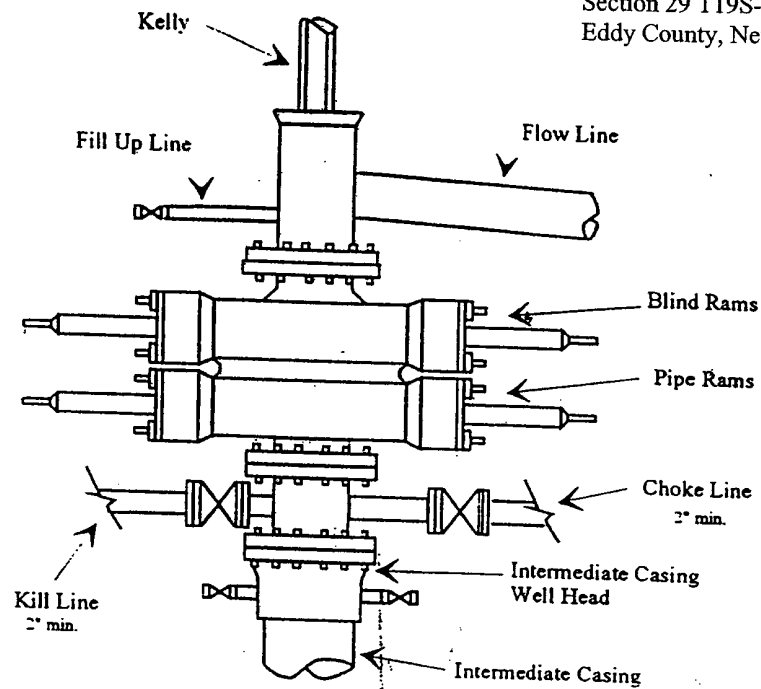
YATES DRILLING COMPANY

BOP-2

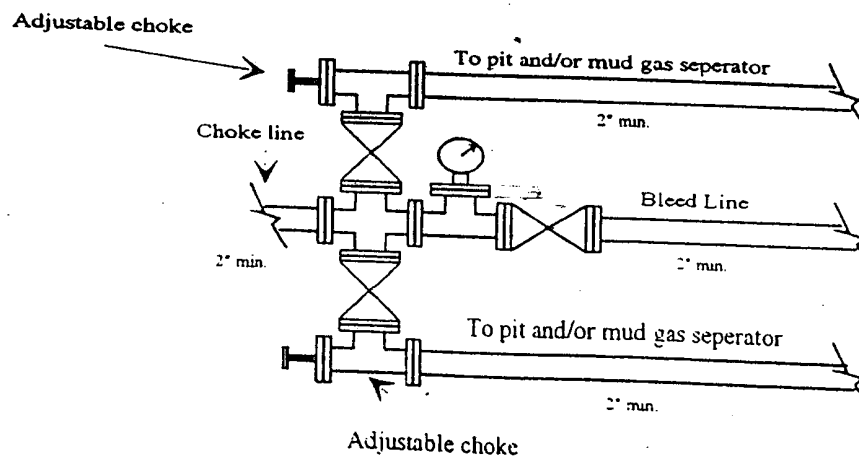
Typical 2,000 psi Pressure System
Schematic

Double Ram Preventer Stack

YATES DRILLING COMPANY
Parakeet Federal "29" #1
1475' FSL and 710' FEL
Section 29 T19S-R27E
Eddy County, New Mexico



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



Yates Drilling Company

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

Hydrogen Sulfide (H₂S) Contingency Plan

For

Parakeet Federal “29” #1

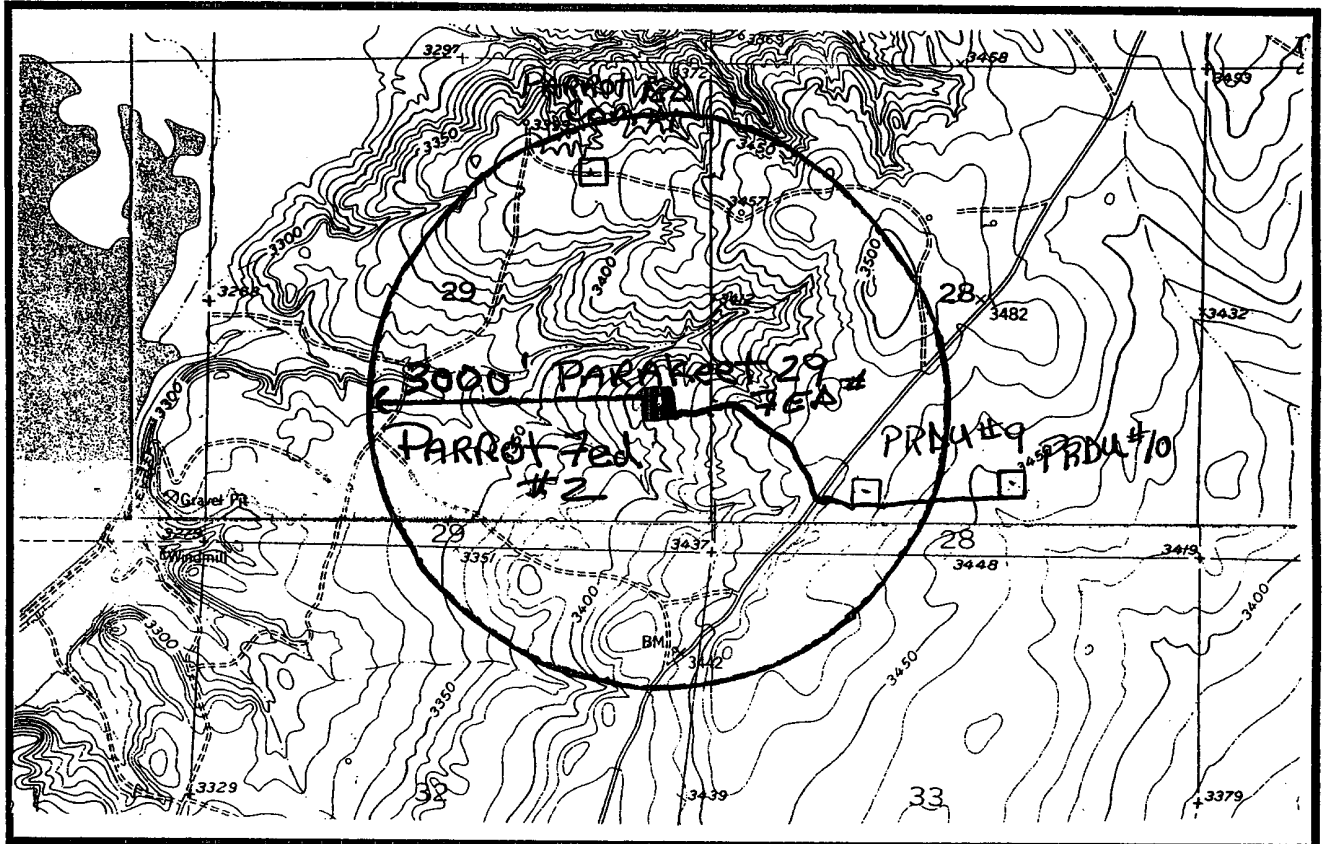
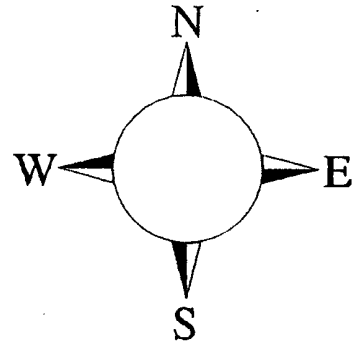
1475' FSL and 710' FEL

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 R.O.D. = 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 NMOCD and local officials. Additionally the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever there is an ignition of the gas

Characteristics of 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) 748-8460
Toby Rhodes/Operations Manager (505) 748-8461
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