

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

ESIA

RECEIVED

JUN 23 2006

WU-NTESA

OMB No. 1004-0136
Expires November 30, 2000

DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

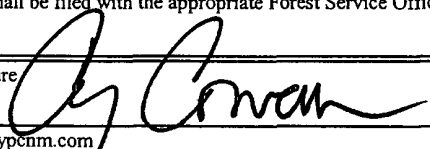
1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-78213
b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name Walt Canyon AMA Federal Com. #8
2. Name of Operator Yates Petroleum Corporation		7. If Unit or CA Agreement, Name and No. 29687
3A. Address 105 South Fourth Street Artesia, New Mexico 88210	3b. Phone No. (include area code) (505) 748-1471	8. Lease Name and Well No. Walt Canyon AMA Federal Com. #8
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 214' FNL & 1561' FEL, Unit B At proposed prod. Zone 660' FNL & 1980' FEL		9. API Well No. 30-015-34982
14. Distance in miles and direction from nearest town or post office* Approximately 32 miles NW of Carlsbad, New Mexico		10. Field and Pool, or Exploratory Indian Basin Upper Penn Associated
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 214'		11. Sec., T., R., M., or Blk. and Survey or Area Section 10, T22S-R24E
16. No. of Acres in lease 931.24		12. County or Parish Eddy County
17. Spacing Unit dedicated to this well N/2 - 320 acres		13. State NM
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1800'		19. Proposed Depth 10,500'
20. BLM/BIA Bond No. on file 585997 NM 2811		21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3980'
22. Approximate date work will start* ASAP		23. Estimated duration 45 days

24. Attachments

~~Carlsbad 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/Land Department	Date 3/7/2006
email: cy@ypcnm.com		
Title: Regulatory Agent		
Approved by (Signature) /s/ James Stovall	Name (Printed/Typed) /s/ James Stovall	Date JUN 21 2006
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)

Previously Approved

C-144 attached

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

**DECLARED WATER BASIN
CEMENT BEHIND THE 98"
CASING MUST BE CIRCULATED**

WITNESS

29.5

District I

1625 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

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

State of New Mexico

Energy, Minerals & Natural Resources Department

Form C-102

Revised August 15, 2000

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

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	
				Indian Basin Upper Penn Associated	
⁴ Property Code		⁵ Property Name			⁶ Well Number
		Walt Canyon AMA Federal Com.			8
⁷ OGRID No.		⁸ Operator Name			⁹ Elevation
025575		Yates Petroleum Corporation			3980'

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
B	10	22S	24E		214	North	1561	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
B	10	22S	24E		660	North	1980	East	Eddy

¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
320			

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-90505	NM-78213		1561'	¹⁷ 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 03/10/2004 Date
			1980'	

YATES PETROLEUM CORPORATION
Walt Canyon AMA Federal Com #8
214' FNL and 1561' FEL – Surface Location
660' FNL and 1980' FEL – Bottom Hole Location
Sec. 10-T22S-R24E
Eddy County, New Mexico

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

San Andres	1175'	Cisco Canyon Dolomite	7955'
Glorietta	2615'	Base of Dolomite	8495'
Bone Springs	3015'	Strawn	8845'
2 nd Bone Springs	4495'	Atoka	9605'
3 rd Bone Springs	7165'	Morrow Clastics	10090'
Wolfcamp	7365'	Chester	10355'
		TD	10500'

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

Water: 250' - 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)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
14 3/4"	9 5/8"	36#	J-55	ST+C	0-1600'	1600'
8 3/4"	7"	26#	L-80	LT+C	0-1500'	1500'
8 3/4"	7"	26#	J-55	LT+C	1500'-6800'	5300'
8 3/4"	7"	26#	N-80	LT+C	6800'-9100'	2300'
8 3/4"	7"	26#	S-95	LT+C	9100'-10574'	1474'

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

B. CEMENTING PROGRAM:

Surface casing: 950 sx Lite (YLD 2.0 WT 12.0), Tailed in with 250sx Class 'C' + 2% CaCl₂ (YLD 1.32 WT 14.8).

Production Casing: TOC: 6800' TVD/6850' MD, scf N2/150 bbls mud ahead, Tail in with 550sx Super C (YLD 1.64 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>
0-1600'	FW/Air Mist	8.4- 8.6	28	N/C
1600'-8000'	Cut Brine	8.6-9.0	28	N/C
8000'-10150'	SWGel/Starch	9.0-9.4	30-34	N/C
10150'-TD	SWGel/Starch	9.4-9.8	34-38	<12

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

6. EVALUATION PROGRAM:

Samples: 10' samples from intermediate casing to TD.

Logging: Platform Express, HALS, NGT.

Coring: None anticipated.

DST's: As warranted.

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

Anticipated BHP:

From: 0	To: 1600'	Anticipated Max. BHP	700 PSI.
From: 1600'	To: 10500'	Anticipated Max. BHP	5300 PSI.

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None.

H₂S Zones Anticipated: Possible in Canyon.

Maximum Bottom Hole Temperature: 178 F.

8. ANTICIPATED STARTING DATE:

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

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Yates Petroleum Corporation

Walt Canyon AMA Federal Com. #8

214' FNL and 1561' FEL – Surface Location

660' FNL and 1980' FEL – Bottom Hole Location

Sec. 10-T22S-R24E

Eddy County, New Mexico

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

1. EXISTING ROADS:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed well site is located approximately 32 miles northwest of Carlsbad, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go north of Carlsbad on Highway 285 for 12.5 miles to Highway 137. Turn west for 14 miles, and then turn south on lease road for 1.9 miles. Road will fork. Take right fork and go 0.6 of a mile to the Anemone #2 Battery. Continue east for 0.8 of a mile to the first road going right. Turn right here and go 0.5 of a mile. Turn right and go 0.1 of a mile to a big power line. Turn left under the power line. The new road will start here going east for approx. 0.3 of a mile to the northwest corner of the well location.

2. PLANNED ACCESS ROAD

The new access road will be approximately 0.3 of a mile in length from the point of origin to the northwest corner of the well pad.

3. LOCATION OF EXISTING WELL

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

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

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

5. LOCATION AND TYPE OF WATER SUPPLY:

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

6. SOURCE OF CONSTRUCTION MATERIALS:

The dirt contractor will locate closest pit and will obtain any permits and materials for needed for construction.

7. METHODS OF HANDLING WASTE DISPOSAL:

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

8. ANCILLARY FACILITIES: None

9. WELLSITE LAYOUT:

- A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach.
- B. The reserve pits will be plastic lined.
- C. A 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 well site in as aesthetically pleasing a condition as possible.
- B. Unguarded pits, if any, containing fluids will be fenced until they have dried and been leveled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level after they have evaporated and dried.

11. SURFACE OWNERSHIP: Federal surface, Administered by the Bureau of Land Management, Carlsbad, 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:

Pinson McWhorter, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

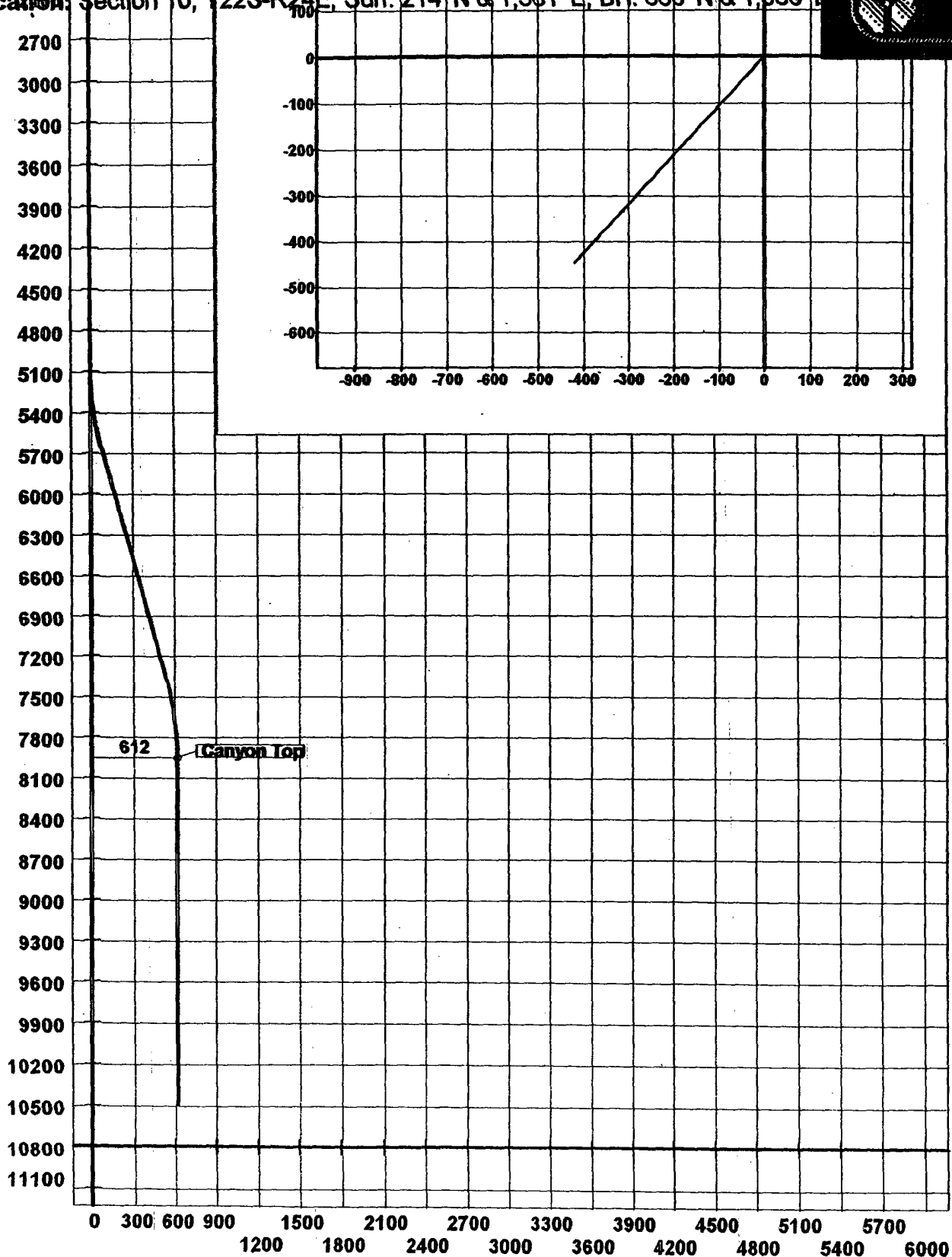
14. CERTIFICATION:

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

3/7/2006


Regulatory Agent

Company: Yates Petroleum Corporation
Lease/Well: Walt Canyon AMA Federal Com. #8
Location: Section 10, T22S-R24E, Surf: 214' N & 1,561' E, BH: 660' N & 1,980' E



Job Number: 1

State/Country: Eddy/NM/USA

Company: Yates Petroleum Corporation

Declination:

Lease/Well: Walt Canyon AMA Federal Com. #8

Grid:

Location: Section 10; T22S-R24E, Surf: 214' N & 1,561' E, BH: 660' N & 1,980' E

Date/Time: 24-Jan-02 / 08:23

Rig Name:

Curve Name: Proposed/Preliminary

RKB:

G.L. or M.S.L.: 3,930'

WINERVE SURVEY CALCULATIONS

Minimum Curvature Method

Vertical Section Plane 223.21

Vertical Section Referenced to offset from Wellhead: EW =.00 Ft, NS=.00 Ft

Rectangular Coordinates Referenced to Wellhead

Measured Depth FT	Incl Angle Deg	Drift Direction Deg	True Vertical Depth	N-S FT	E-W FT	Vertical Section FT	CLOSURE Distance FT	CLOSURE Direction Deg	Dogleg Severity Deg/100
RUN GYRO TIE-IN, PU DIRECTIONAL TOOLS, KICK-OFF BUILDING AT A RATE OF 2.5 DEG/100'.									
5067.74	.00	.00	5067.74	.00	.00	.00	.00	.00	.00
5097.74	.75	223.21	5097.74	-.14	-.13	.20	.20	223.21	2.50
5127.74	1.50	223.21	5127.73	-.57	-.54	.79	.79	223.21	2.50
5157.74	2.25	223.21	5157.72	-1.29	-1.21	1.77	1.77	223.21	2.50
5187.74	3.00	223.21	5187.68	-2.29	-2.15	3.14	3.14	223.21	2.50
5217.74	3.75	223.21	5217.63	-3.58	-3.36	4.91	4.91	223.21	2.50
5247.74	4.50	223.21	5247.55	-5.15	-4.84	7.06	7.06	223.21	2.50
5277.74	5.25	223.21	5277.44	-7.01	-6.58	9.61	9.61	223.21	2.50
5307.74	6.00	223.21	5307.30	-9.15	-8.60	12.55	12.55	223.21	2.50
5337.74	6.75	223.21	5337.11	-11.58	-10.88	15.89	15.89	223.21	2.50
5367.74	7.50	223.21	5366.88	-14.29	-13.42	19.61	19.61	223.21	2.50
5397.74	8.25	223.21	5396.60	-17.29	-16.24	23.72	23.72	223.21	2.50
5427.74	9.00	223.21	5426.26	-20.56	-19.32	28.22	28.22	223.21	2.50
5457.74	9.75	223.21	5455.86	-24.13	-22.67	33.10	33.10	223.21	2.50
5487.74	10.50	223.21	5485.39	-27.97	-26.28	38.38	38.38	223.21	2.50
5517.74	11.25	223.21	5514.85	-32.10	-30.15	44.04	44.04	223.21	2.50
5547.74	12.00	223.21	5544.24	-36.50	-34.29	50.08	50.08	223.21	2.50
5577.74	12.75	223.21	5573.54	-41.19	-38.69	56.51	56.51	223.21	2.50
5607.74	13.50	223.21	5602.76	-46.15	-43.36	63.32	63.32	223.21	2.50
5637.74	14.25	223.21	5631.88	-51.39	-48.28	70.52	70.52	223.21	2.50
END OF BUILD. HOLD 15 DEGREE ANGLE, ADJUST AS NECESSARY									
5667.74	15.00	223.21	5660.91	-56.92	-53.47	78.09	78.09	223.21	2.50
5697.74	15.00	223.21	5690.91	-56.92	-53.47	78.09	78.09	223.21	2.76
5727.74	15.00	223.21	5757.50	-75.78	-71.19	103.97	103.97	223.21	.00
5857.74	15.00	223.21	5854.09	-94.64	-88.91	129.86	129.86	223.21	.00
5987.74	15.00	223.21	5950.69	-113.51	-106.63	155.74	155.74	223.21	.00
6017.74	15.00	223.21	6047.28	-132.37	-124.36	181.62	181.62	223.21	.00

Walt8.txt

Measured Depth FT	Incl Angle Deg	Drift Direction Deg	True Vertical Depth	N-S FT	E-W FT	Vertical Section FT	CLOSURE Distance FT	CLOSURE Direction Deg	Dogleg Severity Deg/100
6167.74	15.00	223.21	6143.87	-151.23	-142.08	207.50	207.50	223.21	.00
6267.74	15.00	223.21	6240.46	-170.10	-159.80	233.38	233.38	223.21	.00
6367.74	15.00	223.21	6337.06	-188.96	-177.52	259.27	259.27	223.21	.00
6467.74	15.00	223.21	6433.65	-207.82	-195.24	285.15	285.15	223.21	.00
6567.74	15.00	223.21	6530.24	-226.69	-212.96	311.03	311.03	223.21	.00
6667.74	15.00	223.21	6626.83	-245.55	-230.68	336.91	336.91	223.21	.00
6767.74	15.00	223.21	6723.43	-264.41	-248.41	362.79	362.79	223.21	.00
6867.74	15.00	223.21	6820.02	-283.28	-266.13	388.68	388.68	223.21	.00
6967.74	15.00	223.21	6916.61	-302.14	-283.85	414.56	414.56	223.21	.00
7067.74	15.00	223.21	7013.20	-321.00	-301.57	440.44	440.44	223.21	.00
7167.74	15.00	223.21	7109.80	-339.87	-319.29	466.32	466.32	223.21	.00
7267.74	15.00	223.21	7206.39	-358.73	-337.01	492.20	492.20	223.21	.00
7367.74	15.00	223.21	7302.98	-377.59	-354.73	518.08	518.08	223.21	.00
7428.66	15.00	223.21	7361.83	-389.08	-365.53	533.85	533.85	223.21	.00
END OF HOLD SECTION. BEGIN DROPPING ANGLE AT A RATE OF 2.5 DEG/100'									
7458.66	14.25	223.21	7390.86	-394.61	-370.72	541.43	541.43	223.21	2.50
7488.66	13.50	223.21	7419.98	-399.85	-375.64	548.62	548.62	223.21	2.50
7518.66	12.75	223.21	7449.20	-404.81	-380.31	555.43	555.43	223.21	2.50
7548.66	12.00	223.21	7478.50	-409.50	-384.71	561.86	561.86	223.21	2.50
7578.66	11.25	223.21	7507.89	-413.90	-388.85	567.91	567.91	223.21	2.50
7608.66	10.50	223.21	7537.35	-418.03	-392.72	573.57	573.57	223.21	2.50
7638.66	9.75	223.21	7566.88	-421.87	-396.33	578.84	578.84	223.21	2.50
7668.66	9.00	223.21	7596.48	-425.44	-399.68	583.73	583.73	223.21	2.50
7698.66	8.25	223.21	7626.14	-428.71	-402.76	588.23	588.23	223.21	2.50
7728.66	7.50	223.21	7655.86	-431.71	-405.58	592.34	592.34	223.21	2.50
7758.66	6.75	223.21	7685.62	-434.42	-408.12	596.06	596.06	223.21	2.50
7788.66	6.00	223.21	7715.44	-436.85	-410.40	599.39	599.39	223.21	2.50
7818.66	5.25	223.21	7745.29	-438.99	-412.42	602.33	602.33	223.21	2.50
7848.66	4.50	223.21	7775.19	-440.85	-414.16	604.88	604.88	223.21	2.50
7878.66	3.75	223.21	7805.11	-442.42	-415.64	607.04	607.04	223.21	2.50
7908.66	3.00	223.21	7835.05	-443.71	-416.85	608.80	608.80	223.21	2.50
7938.66	2.25	223.21	7865.02	-444.71	-417.79	610.18	610.18	223.21	2.50
7968.66	1.50	223.21	7895.01	-445.43	-418.46	611.16	611.16	223.21	2.50
7998.66	.75	223.21	7925.00	-445.86	-418.87	611.75	611.75	223.21	2.50
8028.66	.00	223.21	7955.00	-446.00	-419.00	611.95	611.95	223.21	2.50
Canyon Top, WELLBORE SHOULD BE RETURNED TO VERTICAL AT THIS POINT, AT A BHL OF 660' N & 1,980' E									
8028.66	.00	223.21	7955.00	-446.00	-419.00	611.95	611.95	223.21	2.76
8128.66	.00	223.21	8055.00	-446.00	-419.00	611.95	611.95	223.21	.00
8228.66	.00	223.21	8155.00	-446.00	-419.00	611.95	611.95	223.21	.00
8328.66	.00	223.21	8255.00	-446.00	-419.00	611.95	611.95	223.21	.00
8428.66	.00	223.21	8355.00	-446.00	-419.00	611.95	611.95	223.21	.00
8528.66	.00	223.21	8455.00	-446.00	-419.00	611.95	611.95	223.21	.00

Measured Depth FT	Incl Angle Deg	Drift Direction Deg	True Vertical Depth	N-S FT	E-W FT	Vertical Section FT	CLOSURE Distance FT	CLOSURE Direction Deg	Dogleg Severity Deg/100
8628.66	.00	223.21	8555.00	-446.00	-419.00	611.95	611.95	223.21	.00
8728.66	.00	223.21	8655.00	-446.00	-419.00	611.95	611.95	223.21	.00
8828.66	.00	223.21	8755.00	-446.00	-419.00	611.95	611.95	223.21	.00
8928.66	.00	223.21	8855.00	-446.00	-419.00	611.95	611.95	223.21	.00
9028.66	.00	223.21	8955.00	-446.00	-419.00	611.95	611.95	223.21	.00
9128.66	.00	223.21	9055.00	-446.00	-419.00	611.95	611.95	223.21	.00
9228.66	.00	223.21	9155.00	-446.00	-419.00	611.95	611.95	223.21	.00
9328.66	.00	223.21	9255.00	-446.00	-419.00	611.95	611.95	223.21	.00
9428.66	.00	223.21	9355.00	-446.00	-419.00	611.95	611.95	223.21	.00
9528.66	.00	223.21	9455.00	-446.00	-419.00	611.95	611.95	223.21	.00
9628.66	.00	223.21	9555.00	-446.00	-419.00	611.95	611.95	223.21	.00
9728.66	.00	223.21	9655.00	-446.00	-419.00	611.95	611.95	223.21	.00
9828.66	.00	223.21	9755.00	-446.00	-419.00	611.95	611.95	223.21	.00
9928.66	.00	223.21	9855.00	-446.00	-419.00	611.95	611.95	223.21	.00
10028.66	.00	223.21	9955.00	-446.00	-419.00	611.95	611.95	223.21	.00
10128.66	.00	223.21	10055.00	-446.00	-419.00	611.95	611.95	223.21	.00
10228.66	.00	223.21	10155.00	-446.00	-419.00	611.95	611.95	223.21	.00
10328.66	.00	223.21	10255.00	-446.00	-419.00	611.95	611.95	223.21	.00
10428.66	.00	223.21	10355.00	-446.00	-419.00	611.95	611.95	223.21	.00
10528.66	.00	223.21	10455.00	-446.00	-419.00	611.95	611.95	223.21	.00
10573.66	.00	223.21	10500.00	-446.00	-419.00	611.95	611.95	223.21	.00

TD @ 10,500' TVD, RUN CASING OR P & A.

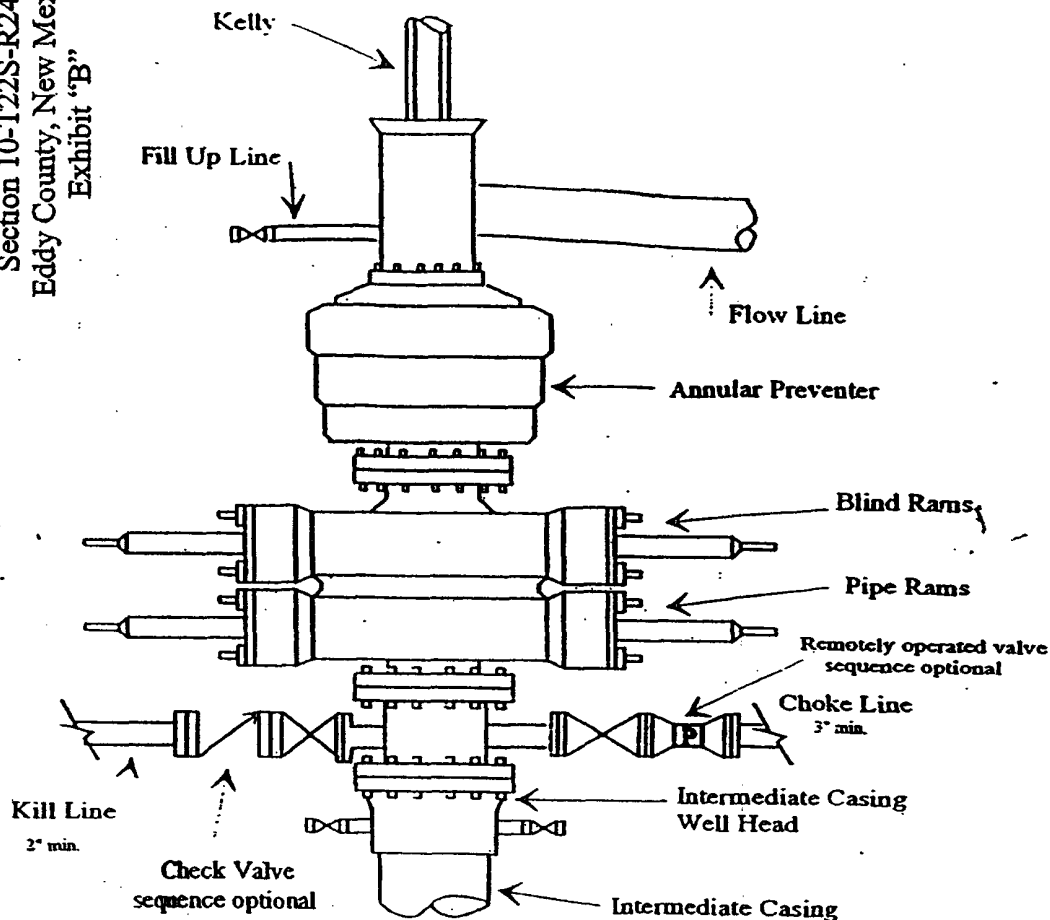
YATES PETROLEUM CORPORATION
 105 South 4th Street
 Artesia, NM 88210

Walt Canyon "AMA" Federal Com. #8
 214' FNL & 1561' FEL - Surface Location
 660' FNL & 1980' FEL - Bottom Hole Location
 Section 10-T22S-R24E
 Eddy County, New Mexico
 Exhibit "B"

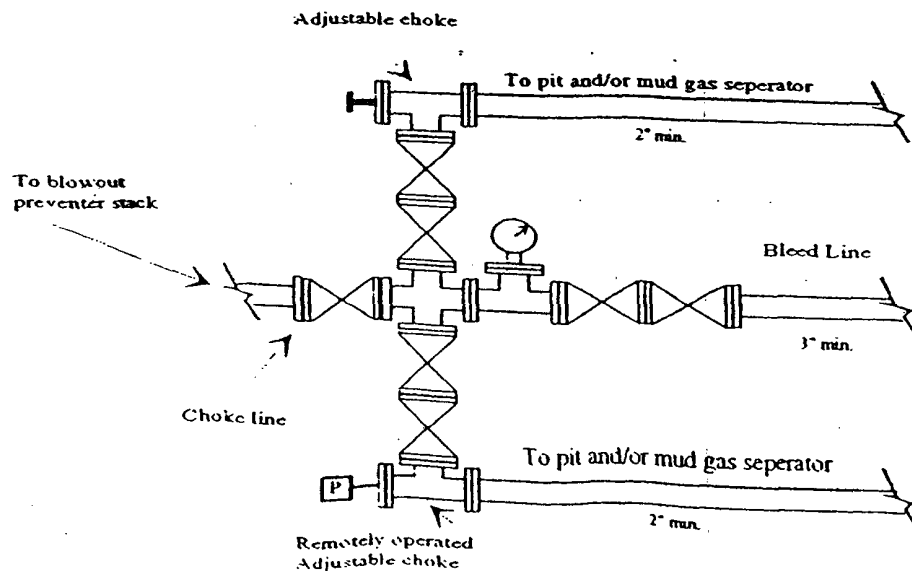
Yates Petroleum Corporation

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



Conditions of Approval Cave and Karst

Cave/Karst Surface Mitigation

The following stipulations will be applied to minimize impacts during construction, drilling and production.

Berming:

Any tank batteries will be constructed and bermed large enough to contain any spills that may occur.

Bermed areas will be lined with rip-stop padding to prevent tears or punctures in liners and lined with a permanent 20 mil plastic liner.

Closed Mud System with Cuttings Removed:

A closed mud system or steel tanks will be utilized to drill the well. All fluids and cuttings will be hauled off site for disposal.

Cave/Karst Subsurface Mitigation

The following stipulations will be applied to protect cave/karst and ground water concerns:

Rotary Drilling with Fresh Water:

Rotary drilling techniques in cave or karst areas will include the use of fresh water as a circulating medium in zones where caves or karst features are expected. See geologist report for depth.

Directional Drilling:

Kick off for directional drilling will occur at least 100 feet below the bottom of the cave occurrence zone as identified in the geologic report.

Casing:

All casing will meet or exceed National Association of Corrosion Engineers specifications pertaining to the geology of the location and be run to American Petroleum Institute and BLM standards.

Cementing:

All casing strings will be cemented to the surface.

Lost Circulation:

ALL lost circulation zones from the surface to the base of the cave occurrence zone will be logged and reported.

Regardless of the type of drilling machinery used, if a bit drops of four feet or more and circulation losses greater than 75 percent occur simultaneously while drilling in any cave-bearing zone, drilling operations will immediately stop and the BLM will be notified by the operator. The BLM will assess the consequences of the situation and work with operator on corrective actions to resolve the problem.

Delayed Blasting:

Any blasting will be a phased and time delayed.

Abandonment Cementing:

Upon well abandonment the well bore will be cemented completely from 100 feet below the bottom of the cave bearing zone to the surface.

Pressure Tests:

Annual pressure tests will be performed by the Operator on all casing annuli. If the test results indicated a casing failure, remedial actions approved by the BLM will be undertaken to correct the problem.

Differential Shut-off Systems:

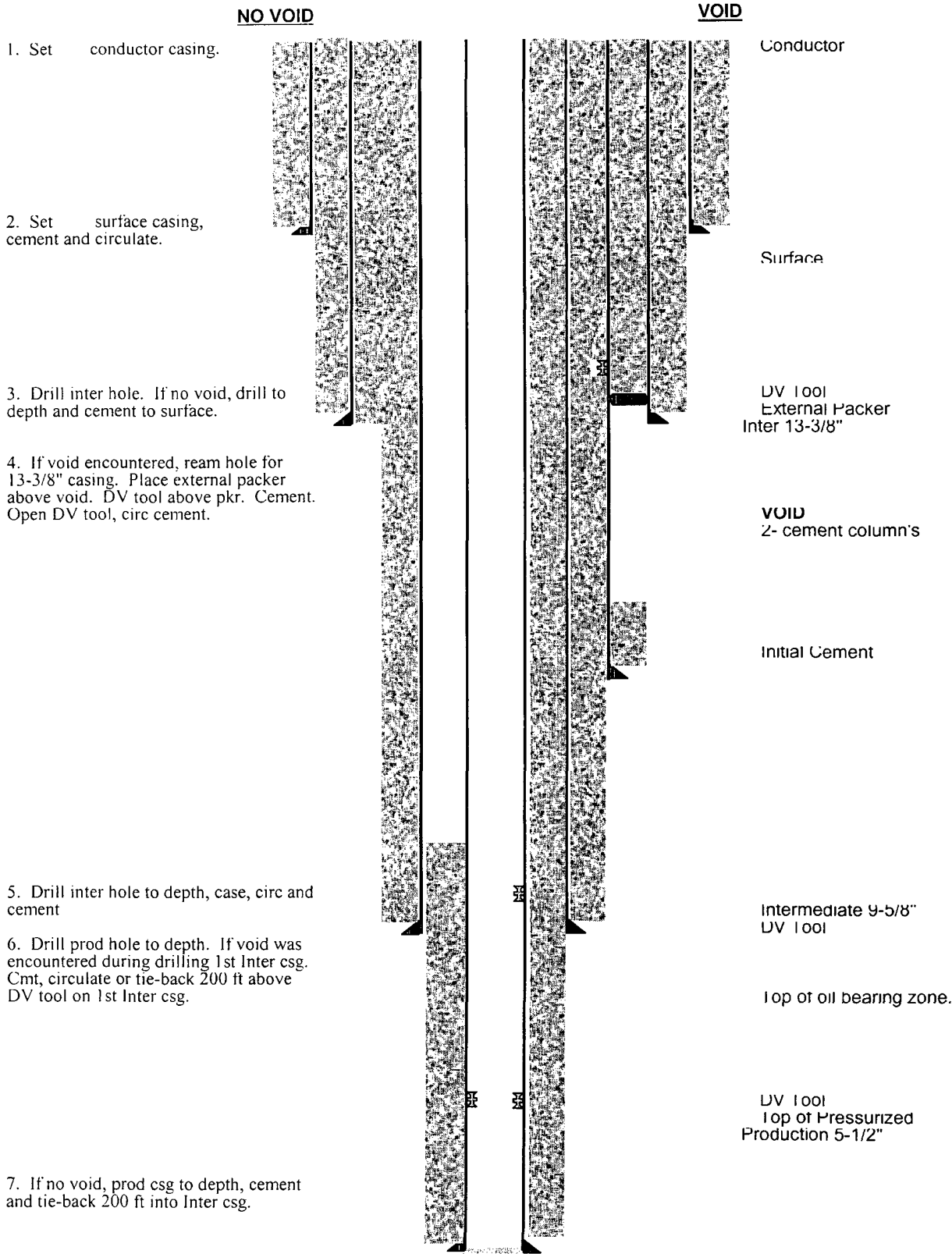
A leak detection system and differential shut off systems will be installed for pipelines and tanks used in production or drilling.

Record Keeping:

The Operator will track customary drilling activities, including the rate of penetration, pump pressure, weight on bit, bit drops, percent of mud returns, and presence or absence of cuttings returning to the surface. As part of customary record keeping, each detectable void or sudden increase in the rate of penetration not attributable to a change in the formation type should be documented and evaluated as it is encountered.

WELLBORE SCHEMATIC

"CAVE PROTECTION"



CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Yates Petroleum Corporation Well No. 8 – Walt Canyon AMA Federal Com
Location: SH: 214' FNL & 1561' FEL BH: 660' FNL & 1980' FEL sec. 10, T. 22S., R. 24 E.
Lease: NM-78213
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I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at (505) 234-5972 in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 9-5/8 inch 7 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. Include the API No. assigned to well by NMOCD on the subsequent report of setting the first casing string.

4. A Communitization Agreement covering the acreage and formation dedicated to this well may be required for approval with the BLM. The effective date of the agreement shall be prior to any sales.

II. CASING:

1. 9-5/8 inch surface casing should be set at approximately 1600 feet, below usable water and circulate cement to the surface. If cement does not circulate to the surface, the BLM Carlsbad Field Office shall be notified at (505) 234-5972 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. Minimum required fill of cement behind the 7 inch production casing is sufficient to tie back 500 feet above the uppermost perforation in the pay zone.

III. PRESSURE CONTROL:

1. Before drilling below the 9-5/8 inch surface casing, the blowout preventer assembly shall consist of a minimum of One Annular Preventer, Two Ram-Type Preventers, and a Kelly Cock/Stabbing Valve.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 3000 psi.

CONDITIONS OF APPROVAL – DRILLING (CONTINUED)

Operator's Name: Yates Petroleum Corporation **Well No.** 8 – Walt Canyon AMA Federal Com
Location: SH: 214' FNL & 1561' FEL BH: 660' FNL & 1980' FEL sec. 10, T. 22S., R. 24 E.
Lease: NM-78213

.....

III. PRESSURE CONTROL:

3. After setting the 9-5/8 inch surface casing string and before drilling into the Wolfcamp formation, the BOPE shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

A. The BLM Carlsbad Field Office shall be notified at (505) 234-5972 in sufficient time for a representative to witness the tests.

B. The tests shall be done by an independent service company.

C. The results of the test will be reported to the BLM Carlsbad Field Office at 620 East Greene Street, Carlsbad, New Mexico 88220-6292.

D. 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.

E. Testing must be done in a safe workman like manner. Hard line connections shall be required. mud returns from the well.

IV. DRILLING MUD:

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

A. Recording pit level indicator to indicate volume gains and losses.

B. Flow-sensor on the flow-line to warn of abnormal mud returns from the well.