

7. ABNORMAL CONDITIONS - PRESSURE - TEMPERATURE - POTENTIAL HAZARDS:
CONTINUED:

c. 8-3/4" Production Hole from 2,360' to 11,745' MD:

- iii. Potential H2S is anticipated in the Cherry Canyon Fm. and Bone Springs Fm. intervals from 2,360' to 8,870' MD if these intervals are productive. An H2S Safety Plan is prepared as Exhibit #3 and will be posted at the well-site. An H2S monitoring system will be rigged-up and functional AND CREW TRAINING WILL BE COMPLETED after the Surface Casing is set at 700', and PRIOR TO DRILLING OUT THE SURFACE CASING @ 700'. ALL RIG-SITE AND SUPERVISORY PERSONNEL WILL BE TRAINED AND CERTIFIED TO WORK IN AN H2S ENVIRONMENT PRIOR TO ENTRY ONTO THIS JOB SITE.

8. DIRECTIONAL WELL PLAN SCHEMATIC AND PROFILE:

A copy of the proposed directional plan along with a wellbore profile is attached as Exhibit #4 for your information.

Exhibit #5 is a plot of the actual drilled trajectory of the Avalon 1 Federal #2 well and the proposed trajectories of the Avalon 1 Federal #3 and Avalon 1 federal #4 wells. **The proposed path of the Avalon 1 Federal # 4 well does go underneath the existing Avalon 1 Federal #2 well with a PLANNED VERTICAL SEPARATION of 1,715'.**

The proposed path of the Avalon 1 Federal #4 well does not intersect either the currently permitted path of the Avalon 1 Federal #3 well nor the anticipated revised path of the Avalon 1 Federal #3 well.

Substantial and continuous efforts will be made during the drilling of the proposed Avalon 1 Federal #4 and Avalon 1 Federal #3 wells to insure that these wells DO NOT INTERSECT each other, or any other wellbore, during drilling operations.

9. ANTICIPATED STARTING DATE AND DURATION OF OPERATIONS:

Location construction may be commenced on September 1, 2000 after APD approval is received. Upon granting of this APD request, and as soon as a rig is available to drill this well economically, this well will be spud and drilled to a projected T.D. @ 11,745' MD or +100' into the Barnett Shale Fm. Anticipated spud date is September 15, 2000. Est. 40 drilling days. Est. 15 completion days. Est. 1st production on or after November 15, 2000.