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NSL

5/3/01

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



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

105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118

TELEPHONE (505) 748-1471

April 11, 2001

CERTIFIED MAIL

Mr. Michael Stogner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

APR 13 2001

Re: Application for Unorthodox Location
Pan Am Pardue ALZ Fed. Com. #2 (30-015-27507)
Township 21 South, Range 24 East
Section 22: All
Eddy County, New Mexico

Dear Mr. Stogner:

Yates Petroleum Corporation respectfully requests administrative approval for an unorthodox Morrow gas well the Pan Am Pardue ALZ Fed. Com. #2. The proposed well is located on Federal minerals at a location 2610' FEL and 660' FSL of Section 22, Township 21 South, Range 24 East, Eddy County, New Mexico. Field rules for Morrow wells in this area are subject to the Indian Basin Morrow Pool allowing for 640-acre spacing.

This unorthodox location is within a North-South trending Middle Morrow channel sand and it is our belief that drilling is required at this unorthodox location in order to penetrate the objective reservoir at the most favorable structural position. Enclosed is a Gross Sand isopach of the Middle Morrow over this area showing the need to drill this well at an unorthodox location.

All of Section 22 and 27 are pooled under separate Joint Operating Agreements with Yates Petroleum Corporation named as Operator thus notification is not deemed necessary in our judgment because no one is being encroached upon.

Yates respectfully requests that this unorthodox location be administratively approved if all requirements have been met.

Enclosed are Forms C-101, C-102 and a land plat. Please call me at 505-748-4351 if you need any additional information.

Thanks.

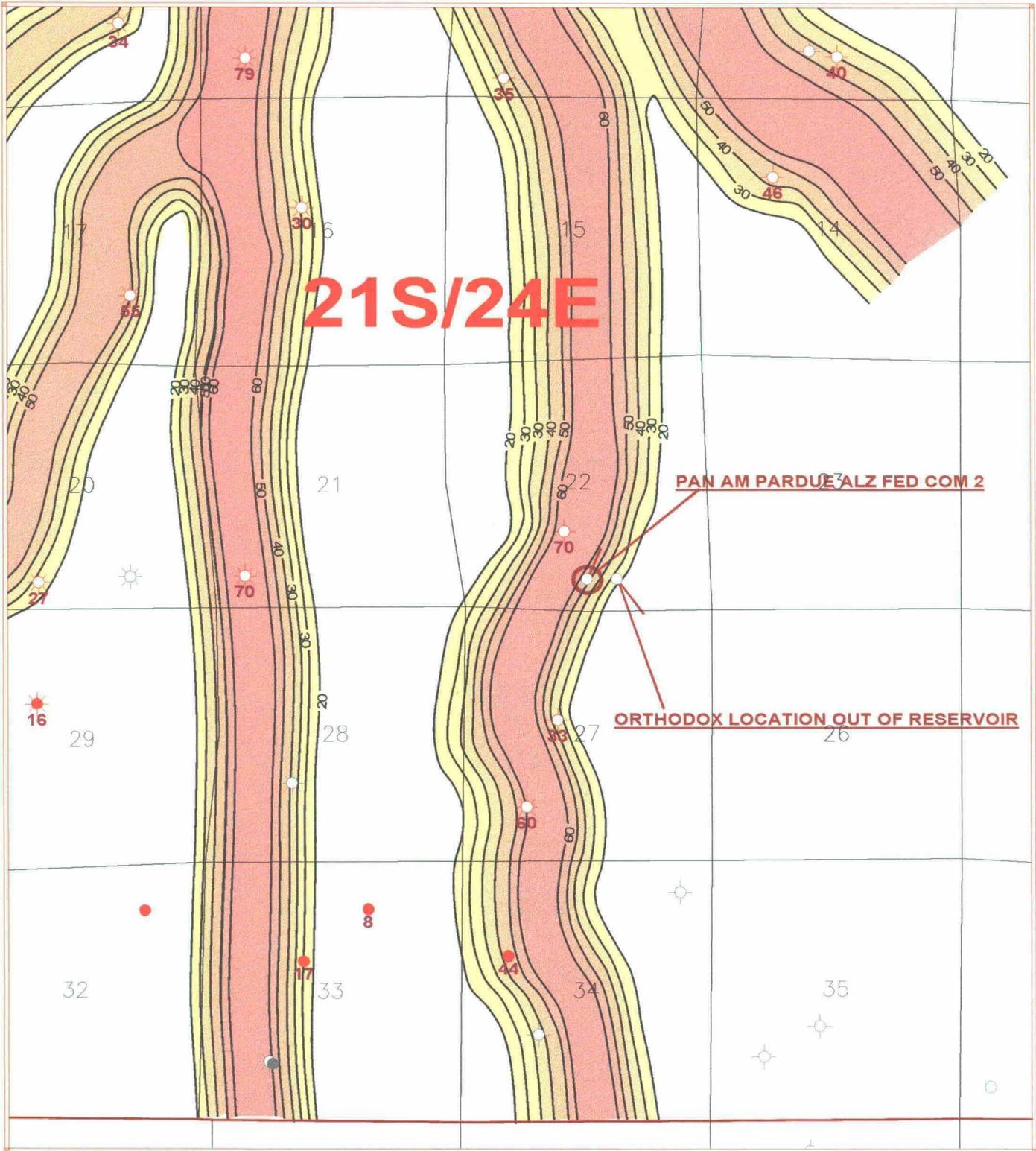
Very truly yours,

YATES PETROLEUM CORPORATION

Robert Bullock
Landman

RB/mw

Enclosures



Yates Petroleum Corporation

PAN AM PARDUE 'ALZ' FED COM 2
 660 FSL/2610 FEL T21S R24E SECTION 22
 MIDDLE MORROW GROSS SAND ISOPACH

John F. Humphrey	CI=10'	4/5/01
Scale 1:36000.		

LEGEND

☀ WELLS IN RED- MORROW TESTS

Operator

Form 3160-5
(August 1993)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
Yates Petroleum Corporation

3a. Address **105 South Fourth Street
 Artesia, New Mexico 88210**

3b. Phone No. (include area code)
(505) 748-1471

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
**660' FSL and 2610' FEL
 Section 22, T21S-R24E**

5. Lease Serial No.
NM-76944

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.
Pan Am Pardue ALZ Federal #2

9. API Well No.

10. Field and Pool, or Exploratory Area
Morrow

11. County or Parish, State
Eddy County, New Mexico

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other EXTEND APD
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Yates Petroleum Corporation wishes to extend the captioned well's APD expiration date for one (1) year to June 15, 2001.

Thank you.

Approved For 12 **Month Period**
Ending 6/25/2001

* See attached.

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed) Jamie Savoie Title Regulatory Technician

Signature Jamie Savoie Date April 19, 2000

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by Joe S. Lara Title Petroleum Engineer Date 1/24/2001

* Conditions of approval, if any, are attached. Approval of this notice 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.

Office CFO

CONDITIONS OF APPROVAL

Pan Am Pardue "ALZ" Federal Comm. No. 2 well,
O&G Lease No.: NM-76944

1. Contact Doug Hoag at least three working days before the start of well construction to arrange a pre-construction field meeting at the well site.
2. Make the size of the well pad as small as practical.
3. Use a minimum thickness of caliche in constructing the well pad.
4. Construct the pad from non-white, gray or reddish-gray material rather than white caliche. Alternatively, if the pad is built from white caliche, cover the caliche with gray or reddish-gray material, such as gravel. (Note, the Zingaro compressor site was constructed or covered with a gray gravel material which would be suitable for this purpose.)
5. Construct the pad with uneven, irregular sides, "feathered" into the surrounding soil, to disguise and minimize the square or rectangular appearance of a standard well site.
6. Slope any pad cut-and-fill (if needed) to a grade of 4 to 1.
7. If the well is completed as a gas well, the only permanent appurtenances to be allowed on the well pad will be the wellhead and production pipeline connection. If the well is completed as an oil producer, a submersible pump will be used for oil production. In this case, a power line and the electronics for power conditioning and well pump control will also be allowed at the well pad. The power line will be constructed using light colored poles with similarly colored cross-arms. The electrical control boxes will be hidden behind screening painted to blend with their surroundings.
8. Restore and rehabilitate the reserve pits, plus any portion of the well pad not needed for production and well maintenance activities, promptly upon final completion of the well site.
9. A permit pursuant to Section 404 of the Clean Water Act (33 CFR 330) for crossing Waters of the U.S. (either a Department of the Army Permit and NM Water Quality Certification or Nationwide Permit No. 12 for Utility Line Discharges), must be acquired from the U.S. Army Corps of Engineers—and a copy submitted to the BLM, Carlsbad Field Office—before any grading, surfacing or other maintenance or upgrades to the well access road may be done.

Contact the Corps of Engineers to the attention of Dan Malanchuk, telephone (915) 568-1359, mailing address:

U.S. Army Corps of Engineers
Albuquerque District
El Paso Regulatory Office
P.O. Box 6096
Fort Bliss, TX 79706-0096

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

5. LEASE DESIGNATION AND SERIAL NO.
NM-76944

6. IF INDIAN, ALLOTTEE OR TRIBE NAME
-

7. UNIT AGREEMENT NAME
-

8. FARM OR LEASE NAME
Pan Am Pardue "ALZ" Fed

9. WELL NO.
#2

10. FIELD AND POOL, OR WILDCAT
Morrow

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
Sec. 22-T21S-R24E

12. COUNTY OR PARISH
Eddy

13. STATE
NM

17. NO. OF ACRES ASSIGNED TO THIS WELL
640

20. ROTARY OR CABLE TOOLS
Rotary

22. APPROX. DATE WORK WILL START*
ASAP

1a. TYPE OF WORK
DRILL DEEPEN PLUG BACK

b. TYPE OF WELL
OIL WELL GAS WELL OTHER SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
Yates Petroleum Corporation

3. ADDRESS OF OPERATOR
105 South Fourth Street, Artesia, New Mexico 88210

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*
At surface
660' FSL & 2610' FEL
At proposed prod. zone
Same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
Approximately 14 miles NW of Carlsbad, New Mexico

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drig. unit line, if any) 660'

16. NO. OF ACRES IN LEASE

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.

19. PROPOSED DEPTH
10,000

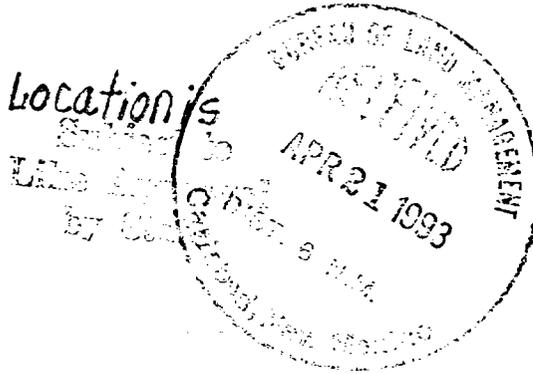
21. ELEVATIONS (Show whether DF, RT, GR, etc.)
3650' GR

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	13 3/8"	450 # - J55	300	300 sacks circulated
12 1/4"	9 5/8"	2800 # - J55	2800	250 sacks circulated
8 3/4"	7"	26 - N80	TD	600 sacks Tie-Back to 6500' (See Stipulations)

Drilling info enclosed on APD

APPROPRIATE AGENCIES
HAVE BEEN ADVISED BY
SPECIAL DELIVERY
ATTACHED



V-Door: North or Southwest

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED Ken Beardsley TITLE Landman DATE 4-21-93

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____
APPROVED BY Donald E. Mann TITLE AREA MANAGER DATE 6/25/93
CONDITIONS OF APPROVAL, IF ANY:

*See Instructions On Reverse Side

Submit to Appropriate District Office
 State Lease - 4 copies
 Fee Lease - 3 copies

State of New Mexico
 Energy, Minerals and Natural Resources Department

Form C-102
 Revised 1-1-89

OIL CONSERVATION DIVISION

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

DISTRICT I
 P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

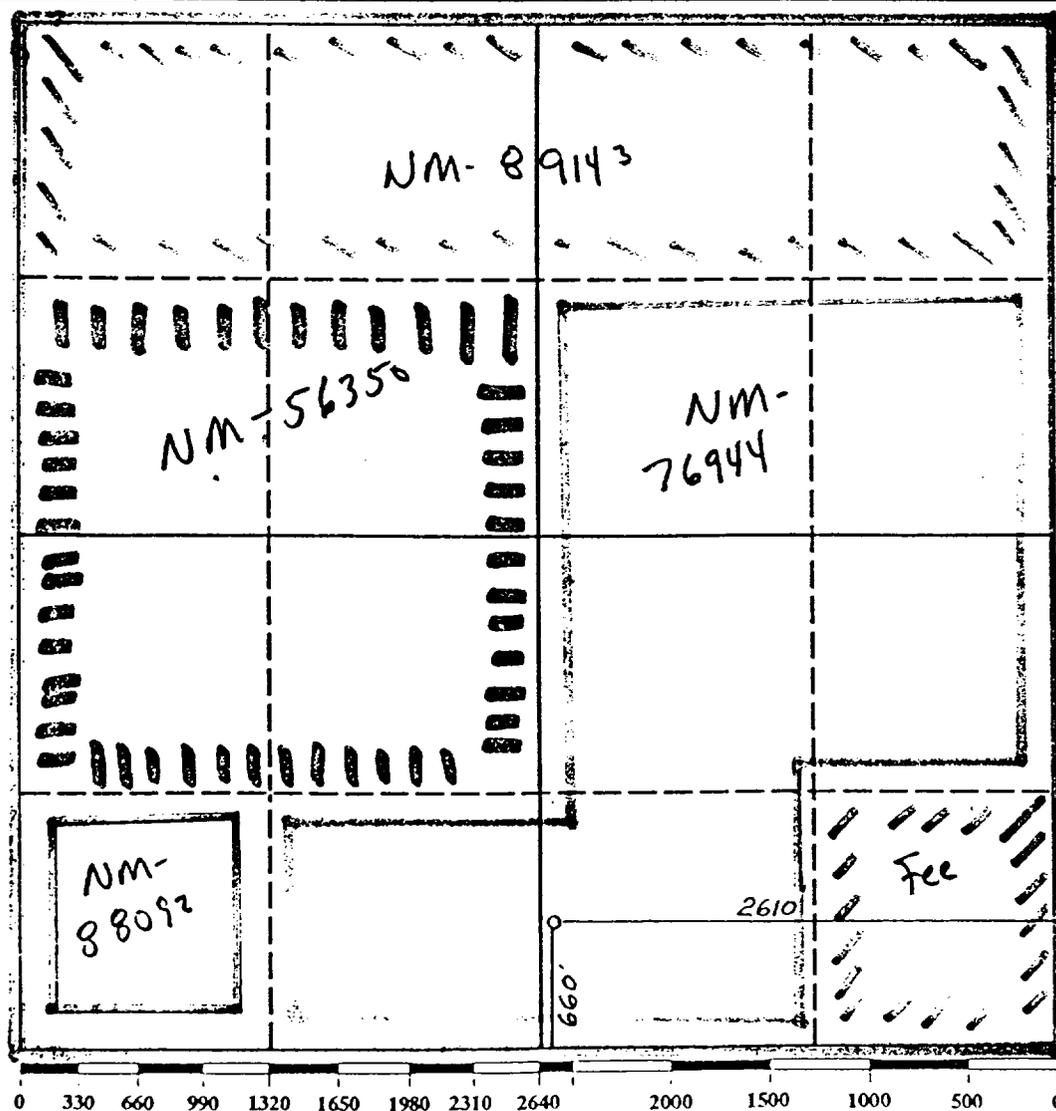
DISTRICT III
 1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator YATES PETROLEUM CORPORATION			Lease PAN AM PARDUE ALZ FEDERAL COM		Well No. 2
Unit Letter 0	Section 22	Township 21 SOUTH	Range 24 EAST	County EDDY COUNTY, NM	
Actual Footage Location of Well: 2610 feet from the EAST line and 660 feet from the SOUTH line					
Ground level Elev. 3650.	Producing Formation Morrow		Pool Indian Hills (Morrow)	Dedicated Acreage: 640 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
 - If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
 - If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?
 - Yes No If answer is "yes" type of consolidation Communitization
 If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary).
- No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

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

Signature: *Ken Beard*
 Printed Name: **KEN BEARD**
 Position: **Landman**
 Company: **Yates Pet. Corp.**
 Date: **4-21-93**

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes actual surveys made by me or under supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed: **APRIL 3, 1993**
 Signature: *Ken Beard*
 Professional Surveyor
 NEW MEXICO
 5412
 CERTIFICATE NO. **105412**
 NM REGS. NO. **105412**

**YATES PETROLEUM CORPORATION
 PAN AM PARDUE "ALZ" FED COM #2
 660' FSL AND 2610' FEL
 Sec. 22-T21S-R24E
 Eddy County, New Mexico**

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

San Andres	872
Glorieta	2469
Bone Spring	3142
Wolfcamp	7307
Canyon	7593
Lower Strawn	8632
Atoka	8942
Morrow	9480
TD	9950-10000

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

Water: None Expected
 Oil or Gas: Canyon Morrow

3. Pressure Control Equipment: BOPE will be installed on the 9 5/8" casing and rated for 3M 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, 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 time: 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>Coupling</u>	<u>Interval</u>	<u>Length</u>
17 1/2"	13 3/8"	450	J55	8R	ST&C	300'	300'
12 1/4"	9 5/8"	2800	J55	8R	ST&C	0-2800'	2800'
8 3/4"	7"	26	N80	8R	LT&C	0-1500'	1500'
8 3/4"	7"	26	J55	8R	LT&C	1500-7200'	5700'
8 3/4"	7"	26	N80	8R	LT&C	7200-9500'	2300'
8 3/4"	7"	26	S-95	8R	LT&C	9500-9950'	450'

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

B. CEMENTING PROGRAM:

Surface casing: 300 sx. "C" w/ 2% CaCl₂. Cement calculated to circulate. wt 14.8 Yield 1.32.

Intermediate Casing: 1000 sx. Pacesetter Lite "C" w/ 1/4# Cellocel, 2% CaCl₂. wt. 12.7 Yield 1.92 + 250 sx. "Class C" w/ 2% CaCl₂. wt. 14.8 Yield 1.32 Cement calculated to circulate.

Production Casing: 600 sx. Class H w/ 8# CSE, 1/4 # Cellocel 6/10% CFR. wt. 13.8 Yield 1.76 Top of Cement calculated to 6500'.

2nd Stage: N/A

5. Mud Program and Auxiliary Equipment:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-300	FW/Gel	8.4-8.9	30-34	N/C
300-2800	F/W	8.4	28	N/C
2800-6000	F/W	8.4	28	N/C
6000-7400	Cut Brine	9.0-9.3	28	N/C
7400-TD	SW/gel, Starch	9.2-9.6	31-34	< 15cc

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 450' to TD.

Logging: CNL-LTD from TD to casing with GR-CNL up to surface; DLL from TD to casing with Rxo from TD over select intervals.

Coring: As warranted.

DST's: As warranted.

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

Anticipated BHP:

From: 0	TO: 300	Anticipated Max. BHP:	110	PSI
From: 300	TO: 2800	Anticipated Max. BHP:	1020	PSI
From: 2800	TO: 9950	Anticipated Max. BHP:	3620	PSI

**Pan Am Pardue "ALZ" Fed. Com #2
PAGE 3**

7. Continued

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: 0-2800

H2S Zones Anticipated: Possible in Canyon at 7500'.

Maximum Bottom Hole Temperature: 145 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 30 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Yates Petroleum Corporation
PAN AM PARDUE "ALZ" FED COM #2
660' FSL AND 2610' FEL
Sec. 22-T21S-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 wellsite is located approximately 14 miles northwest of Carlsbad, New Mexico, and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

1. Go south of Carlsbad on Highway 285 for approximately 12 miles.
2. Turn on Highway 137, west for approximately 8.5 miles.
3. New road starts here going north.

2. PLANNED ACCESS ROAD

- A. The proposed new access will be approximately .7 miles in length from the point of origin to the south of the drilling pad. The road will lie in a(n) north east to east direction.
- 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. Some traffic turnout will 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:

Should not need any as surface is caliche. If any needed dirt contractor will use closest pit and pay for any material.

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 land fill. 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 400' x 400' 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 after they have evaporated and dried.

11. SURFACE OWNERSHIP: Federal Lands, 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:

Ken Beardemphl, Landman
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

B. Through Drilling Operations,
Completions and Production:

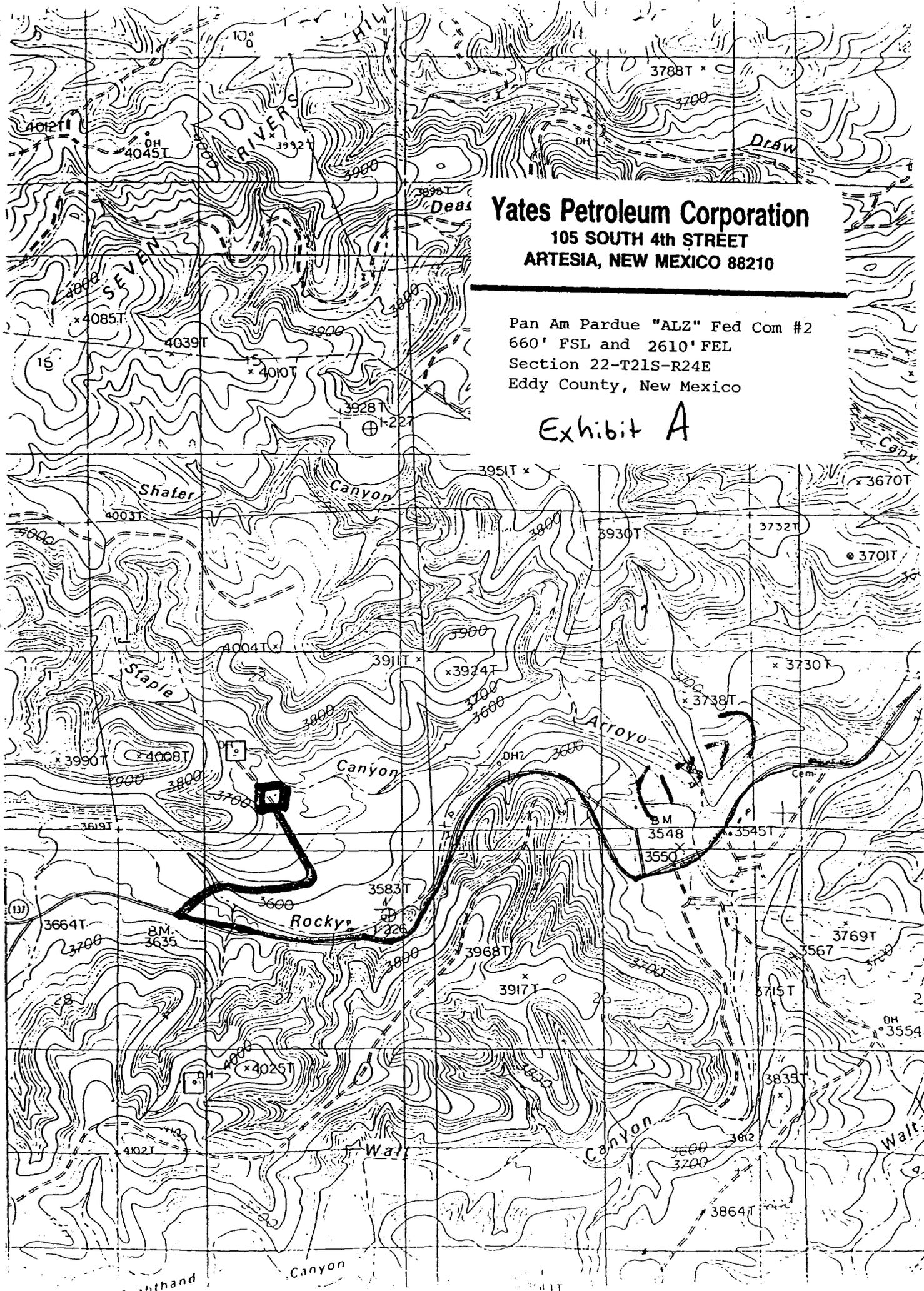
Mike Slater, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

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.

4-21-93

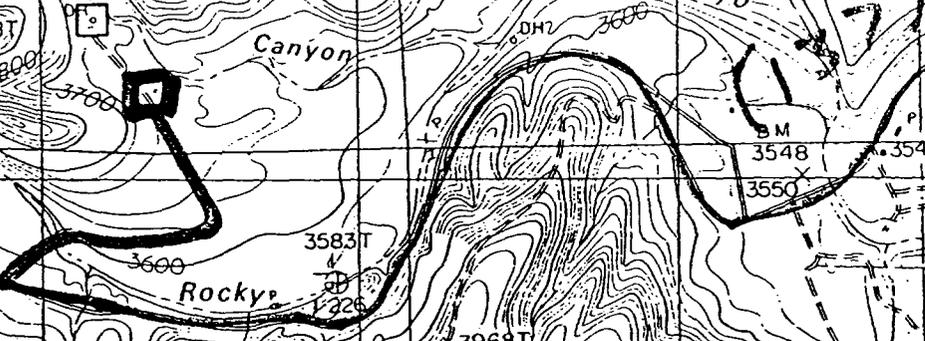

Landman

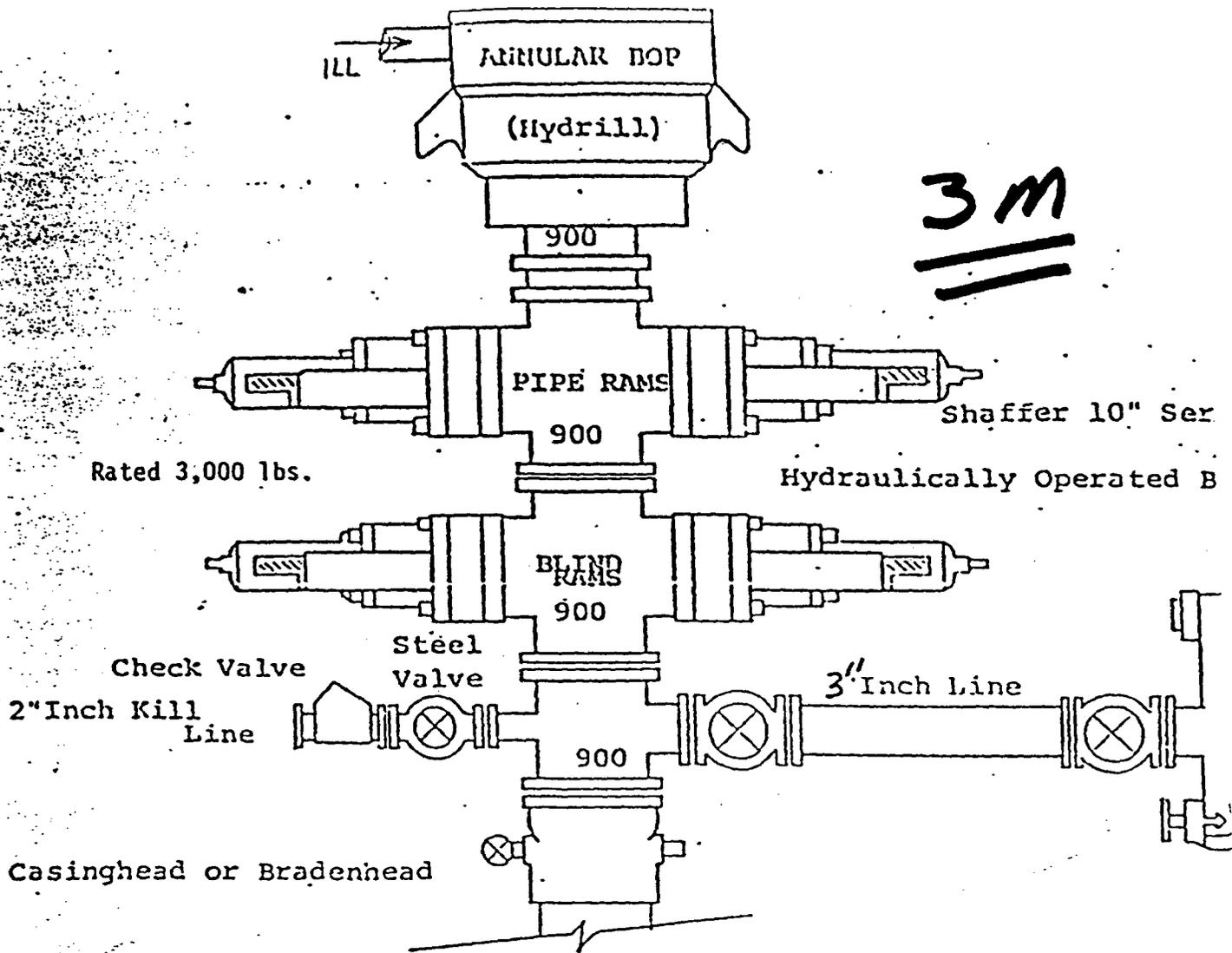


Yates Petroleum Corporation
105 SOUTH 4th STREET
ARTESIA, NEW MEXICO 88210

Pan Am Pardue "ALZ" Fed Com #2
660' FSL and 2610' FEL
Section 22-T21S-R24E
Eddy County, New Mexico

Exhibit A



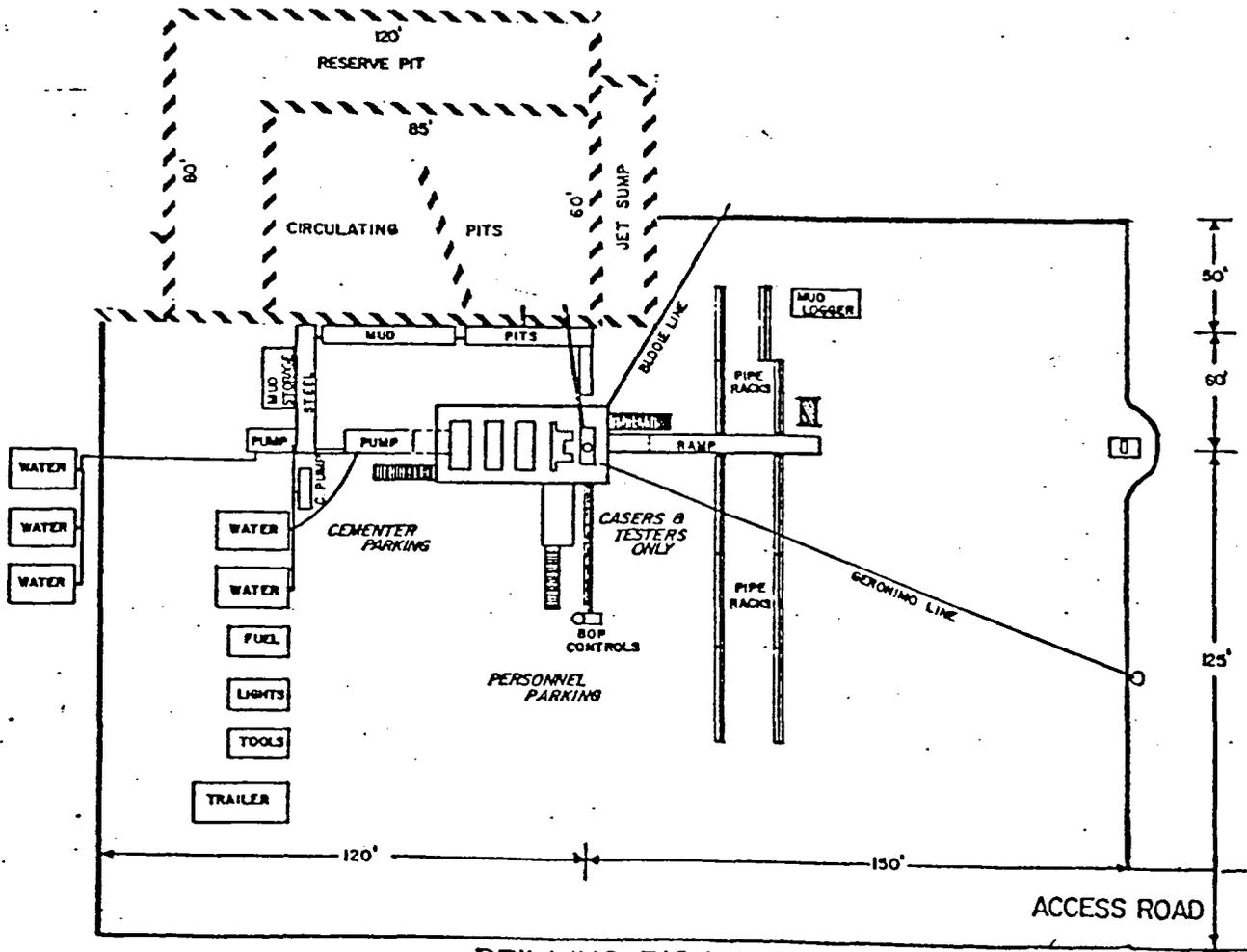


THE FOLLOWING CONSTITUTE MINIMUM BLOWOUT PREVENTER REQUIREMENTS

1. All preventers to be hydraulically operated with secondary manual installed prior to drilling out from under casing.
2. Choke outlet to be a minimum of 3" diameter.
3. Kill line to be of all steel construction of 2" minimum diameter.
4. All connections from operating manifolds to preventers to be all hole or tube a minimum of one inch in diameter.
5. The available closing pressure shall be at least 15% in excess of required with sufficient volume to operate the B.O.P.'s.
6. All connections to and from preventer to have a pressure rating e to that of the B.O.P.'s.
7. Inside blowout preventer to be available on rig floor.
8. Operating controls located a safe distance from the rig floor.
9. Hole must be kept filled on trips below intermediate casing.

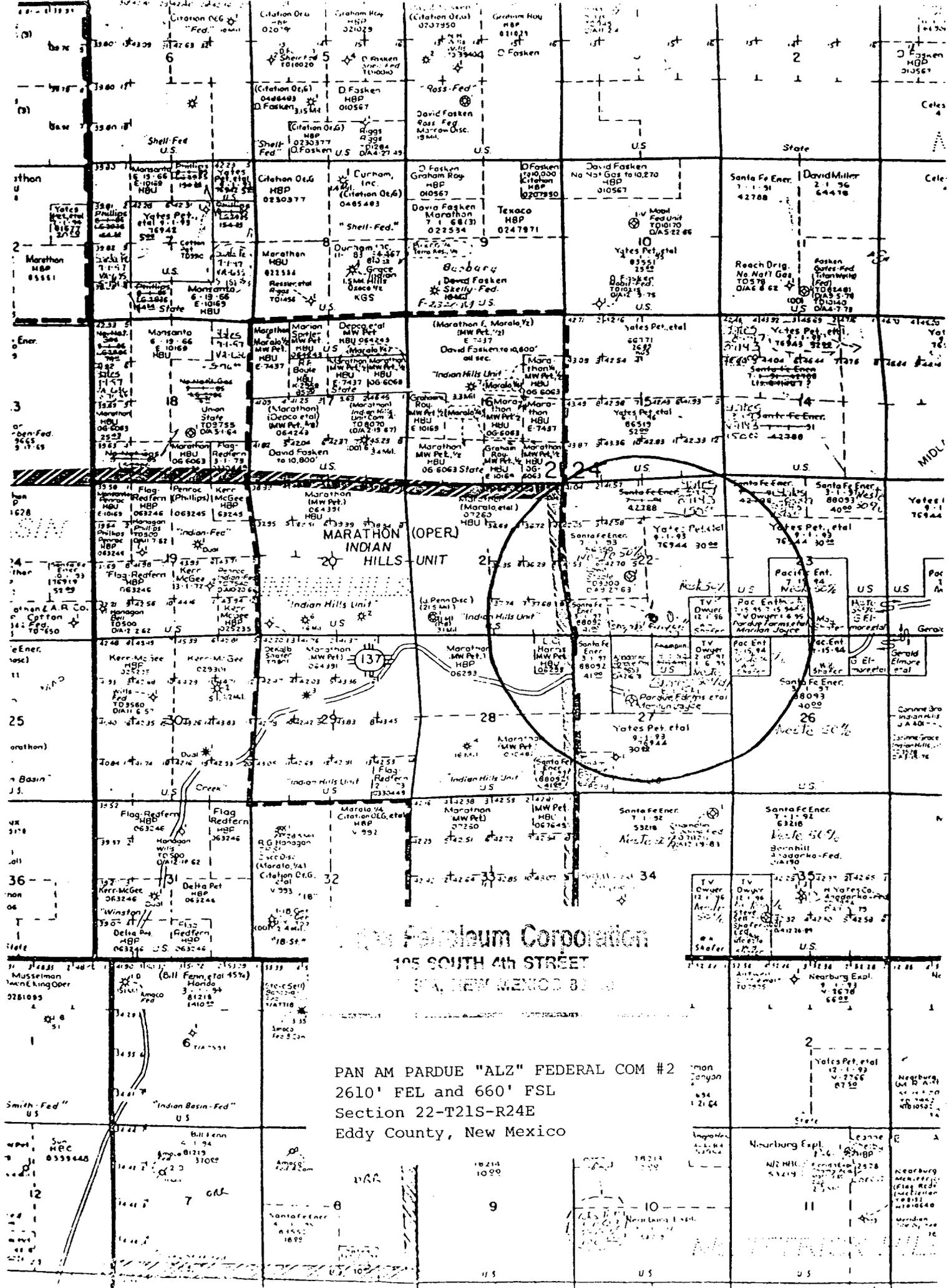
EXHIBIT
B

YATES PETROLEUM CORPORATION



DRILLING RIG LAYOUT
Scale: Inch = 50 feet

V-DOOR Nor SW



Pan American Petroleum Corporation
 105 SOUTH 4th STREET
 DALLAS, NEW MEXICO 81100

PAN AM PARDUE "ALZ" FEDERAL COM #2
 2610' FEL and 660' FSL
 Section 22-T21S-R24E
 Eddy County, New Mexico

TV Owner 12-1-96 50%	TV Owner 12-1-96 50%	TV Owner 12-1-96 50%
TV Owner 12-1-96 50%	TV Owner 12-1-96 50%	TV Owner 12-1-96 50%
TV Owner 12-1-96 50%	TV Owner 12-1-96 50%	TV Owner 12-1-96 50%

Yates Pet. et al 12-1-96 4750 6750	Nearburg Expl. 12-1-96 4750 6600	Nearburg Expl. 12-1-96 4750 6600
Yates Pet. et al 12-1-96 4750 6750	Nearburg Expl. 12-1-96 4750 6600	Nearburg Expl. 12-1-96 4750 6600
Yates Pet. et al 12-1-96 4750 6750	Nearburg Expl. 12-1-96 4750 6600	Nearburg Expl. 12-1-96 4750 6600

RECEIVED

YATES PETROLEUM CORPORATION

Pan Am Pardue "ALZ" Federal Com #24 1 41 PM '93
660' FSL and 2610' FEL
Section 22-T21S-R24E
Eddy County, New Mexico

CARD NO. DE
AREA NO. CAS

H2S Drilling Operations Plan

Personnel employed at the rig site shall receive training in H2S detection, safe drilling procedures and contingency plans. H2S safety equipment shall be installed and functional 3 days or 500 feet prior to encountering known or probable H2S zone at 7500' feet.

Submitted with the APD is a well site diagram showing:

- 1) Drilling rig orientation, location of flare pit.
- 2) Prevailing wind direction.
- 3) Location of access road.

Primary briefing area will be established 150' from wellbore and up wind of prevailing wind direction. Secondary briefing area will be established 180 degrees from primary briefing area.

A H2S warning sign will be posted at the entrance of the location. Depending on conditions, a green, yellow, or red flag will be displayed.

Green - Normal conditions

Yellow - Potential danger

Red - Danger H2S present

Wind indicators will be placed on location at strategic, highly visible areas. H2S monitors (a minimum of three) will be positioned on location for best coverage and response. H2S concentrations of 10 ppm will trigger a flashing light and 20 ppm will trigger an audible siren.

H2S breathing equipment will consist of:

- 1) 30 minute "pressure demand" type working unit for each member of rig crew on location.
- 2) 5 minute escape packs for each crew member.
- 3) Trailer with a "cascade air system: to facilitate working in a H2S environment for time period greater than 30 minutes.

Pan Am Pardue "ALZ" Federal Com #2

Page 2

Breathing equipment will be stored in weather proof cases or facilities. They will be inspected and maintained weekly.

The mud system will be designed to minimize or eliminate the escape of H₂S at the rig floor. This will be accomplished through the use of proper mud weight, proper pH control of the drilling fluid and the use of H₂S scavengers in the drilling fluid. A mud gas separator will be utilized when H₂S is present in the mud.

Drilling experience has shown that wells in developmental areas, (i.e. Dagger Draw, Livingston Ridge Delaware, and Lusk Delaware) are normally pressured and don't experience either H₂S kicks or loss of returns. Due to these circumstances, we request exceptions to the rule requiring flare line with remote lighter and choke manifold with minimum of one remote choke. This equipment would be provided on exploratory wells or wells with the known potential for H₂S kicks. Additionally, a SO₂ monitor would be positioned near the flare line, and a rotating head utilized.

The drill string, casing, tubing, wellhead, blowout preventers and associated lines and valves will be suitable for anticipated H₂S encounters.

Radio and or mobile telephone communication will be available on site. Mobile telephone communication will be available in company vehicles.

Drill stem testing to be performed with a minimum number of essential people on location. They will be those necessary to safely conduct the test. If H₂S is encountered during a drill stem test, essential personnel will mask up and determine H₂S concentration. The recovery will then be reversed to flare pit. Pulling of test tools will be conducted in a safe manner.

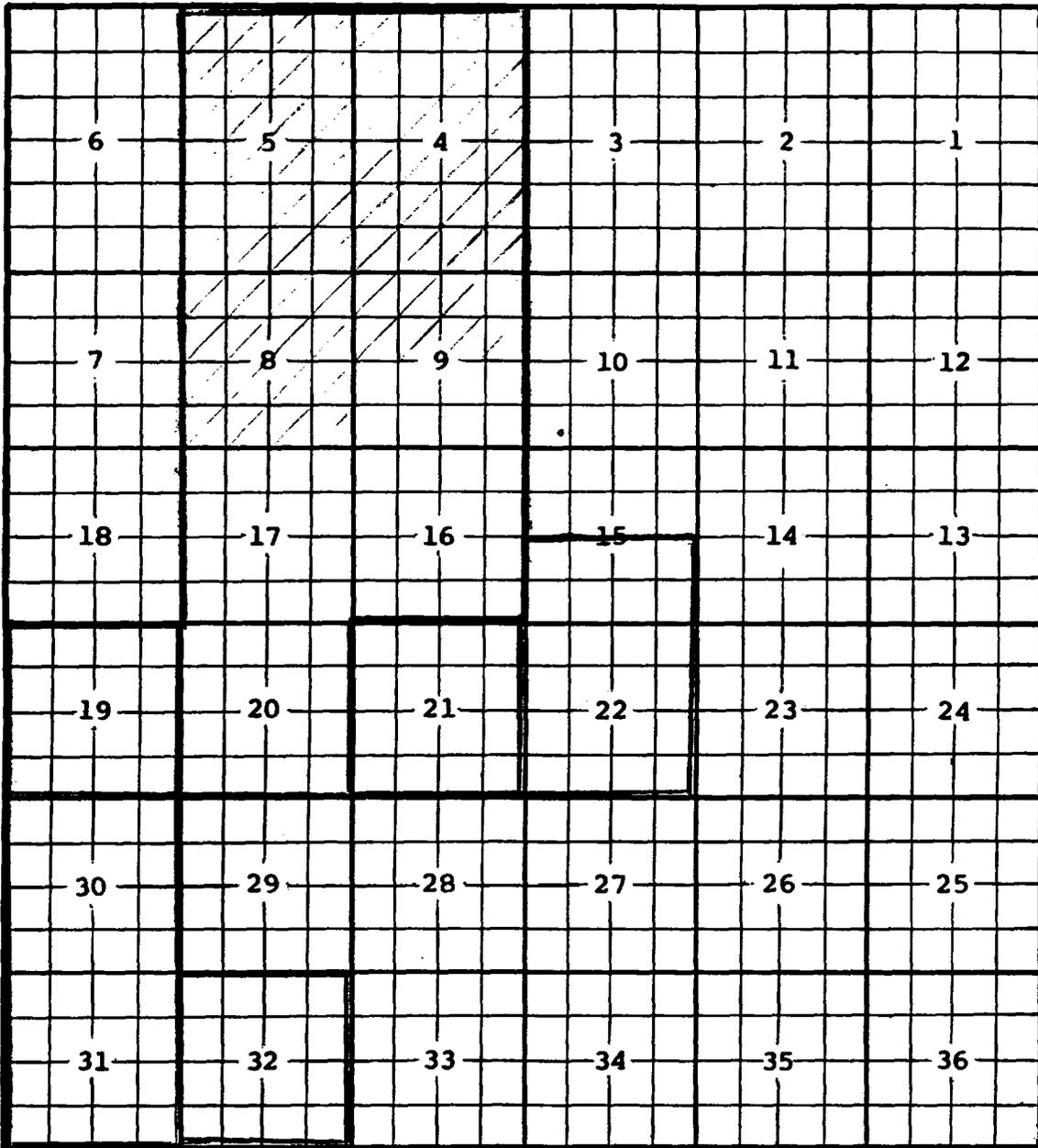
COUNTY *Eddy*

POOL *Indian Basin - Morrow Gas*

TOWNSHIP *21 South*

RANGE *24 East*

NMPM



Ext: All Sec 19 (R-2724, 7-1-64) - All Sec 30 & 31 (R-2911, 6-1-65)

- All Secs 4, 5, 8, 9, 16, 17, & 20 (R-3758, 6-1-69)

Deletion: All Secs 4 & 5 (R-5162, 3-1-76)

Deletion: 1/2 Sec 9 (R-5891, 1-1-79) Deletion: All Sec 8 (R-5885, 12-31-78)

Ext: All Sec. 32 (R-8391, 1-22-87) EXT: All Sec 31 (R-8969, 8-1-89)

Ext: 1/2 Sec. 15, All Sec. 22 (R-9963, 9-20-93)

CMD :
OGSSECT

ONGARD
INQUIRE LAND BY SECTION

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PAGE NO: 2

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M 40.00 Federal owned	N 40.00 Federal owned	O 40.00 Federal owned A	P 40.00 Fee owned

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PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

651.47

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ONGARD
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04/30/01 08:26:53
OGOMES -TQBC
PAGE NO: 1

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3 42.05 Federal owned	4 42.58 Federal owned A	G 40.00 Federal owned	H 40.00 Federal owned

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PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12