APPLICATION FOR DRILL, YATES FEDERAL COM #1-> Page 2

4. Prod: 9800' of 4½" 10.5 & 11.6# K-55 & N-80 to total depth. Casing will be cemented with 600 sacks or sufficient volume to cover all pay intervals.

Choke, kill, and fill lines are indicated on Exhibit VI. BOP's will be tested with rig pumps prior to drilling below top of Wolfcamp.

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- 5. Circulating Medium and Control equipment.
 - 0-300' Drill 17½" hole with fresh water spud mud, while circulating through a small portion of the lines reserve pit. Mud weight 8.6-9.2 PPG with 45-85 viscosity.
 - 300-1700' Drill 11" hole with saturated brine water and periodically "sweep" hole with flosal pills. Saturated brine is necessary to prevent leaching salt sections and encouraging hole enlargement. Circulate through a controlled portion of lined reserve pit. Mud weight 10.0-10.3 PPG with 28-32 viscosity.
 - 1700-6000' Drill 7-7/8" hole with fresh water while circulating through reserve pit. At 6,000', will return to steel pits and utilize pit volume totalizer and flowline sensor, to monitor drilling conditions. Mud weight 8.5-9.2 PPG with 28-34 viscosity.
 - 6000-9800' Start adding brine water, while circulating through steel pits. Will continue to utilize pit level and flowline sensors to monitor drilling operations. Will add drilling choke and mud-gas separator to assist in controlling drilling conditions. Mud weight 9-10 PPG as required with 32-36 viscosity.

A full opening safety valve, to fit the drill string in use, will be kept on the rig floor at all times. Kelly cock, safety valve, choke and kill lines will be tested at same time that BOP tests are run. A float will be run in the drill string just above the bit to further aid in safety.

6. There is no coring program planned for this well. It is probable that a drillstem test will be run in the Yeso (2850'-3100') and Atoka (8700'-9000') and Morrow (9000'-9250'). The logging program will consist of a gamma ray log from total depth to surface. Neutron-density-caliper logs will be run from 1700' total depth.