YATES PETROLEUM CORPORATION
Cerros AQF Fed. #1
1650' FSL and 990' FEL
Sec. 15-T18S-R29E
Eddy County, State New Mexico

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

Yates	1045'	Wolfcamp	8806'
Seven Rivers	1445'	Upper Penn Line	9661'
Queen	2053'	Strawn	10187'
Grayburg	2422'	Atoka	10441'
San Andres	2892'	Morrow Clastics	10991'
Bone Spring Lime	3737'	Lower Morrow Clastics	11156'
1st Bone Spring Sand	6706'	Austin Cycle	11301'
2nd Bone Spring Sand	7629	Chester Lime	11496'
3rd. Bone Spring Sand	8349'	TD	11600'
Basal BS C03	8668		

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

Water: 200' - 300'
Oil or Gas: All potential zones

3. Pressure Control Equipment: BOPE will be installed on the ~~9 5/8"~~ 13 3/8" 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)

Hole Size	Casing Size	Wt./Ft	Grade	Thread	Coupling	Interval	Length
17 1/2"	13 3/8"	54.5	J-55	ST&C		0-450	450
12 1/4"	9 5/8"	36	J-55	ST&C		0-3200	3200
12 1/4"	9 5/8"	36	S-80	ST&C		3200-4000	800
7 7/8"	5 1/2"	17	N-80	Butt		0-400	400
7 7/8"	5 1/2"	17	N-80	LT&C		400-1100	10600

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

B. **CEMENTING PROGRAM:**
Surface casing: 200 sacks "H", 12% Thixsad, 10# Gilsonite, 1/2# Celloseal & 300 sacks light, 1/4# Celloseal tailed with 200 sack c

Intermediate Casing: 1500 sx light, 10# Salt, 1/4# Celloseal tailed with 200 sx c

Production Casing: 575 sx supper c, (11CSE, 9 Hyseal 1/4 Celloseal) #/SX, 5% Salt, 0.4% CR-2, .05% CF-4

2nd Stage: 650 sx PCL, (5 Gilsonite, 1/4 Celloseal) x/sx. Tailed with 100 sx H neat.

5. Mud Program and Auxiliary Equipment:

Interval	Type	Weight	Viscosity	Fluid Loss
Spud to 450'	FW Gel, Paper	8.6 - 9.8	32 - 40	N/C
450'-3500'	Brine	10.0-10.3	28	N/C
3500'-10200'	Cut Brine	8.8 - 9.1	28	N/C
10200'-TD	Drispac, XCD polymer	9.4-9.8	32 - 40	10cc

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.
Logging: Run 1: GR-Sonic from inter. Casing point (approx. 3200') to surface casing. Run 2: CNL/LDT, TD to casing with GR/CNL on up to surface: DLL w/RXO TD to CSG.
Coring: None anticipated.
DST's: As warranted.

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

From: 0	TO: 450'	Anticipated Max. BHP:	200	PSI
From: 450'	TO: 4000'	Anticipated Max. BHP:	2300	PSI
From: 4000'	TO: 11600'	Anticipated Max. BHP:	5000	PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None

H2S Zones Anticipated: None

Maximum Bottom Hole Temperature: 170° F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 20 days to drill the well with completion taking another 7-10 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Yates Petroleum Corporation
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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 7 miles Southwest of Loco Hills, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

From Loco Hills, go south on Hagerman cut off Road (217) for approximately 6.3 miles. Turn south on Old Loco Road (210) for approximately 1.2 miles.

2. PLANNED ACCESS ROAD:
   A. The proposed new access will be approximately 1500' in length from the point of origin to the Southwest of drilling pad. The road will lie in a(n) west 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 traffice turnouts will be build.
   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:

The dirt contractor will acquire any materials from the closest sourve at the time he needs it for the construction of the well pad.

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 within 90 days after abandonment.

11. SURFACE OWNERSHIP: Bureau of Land Management

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:

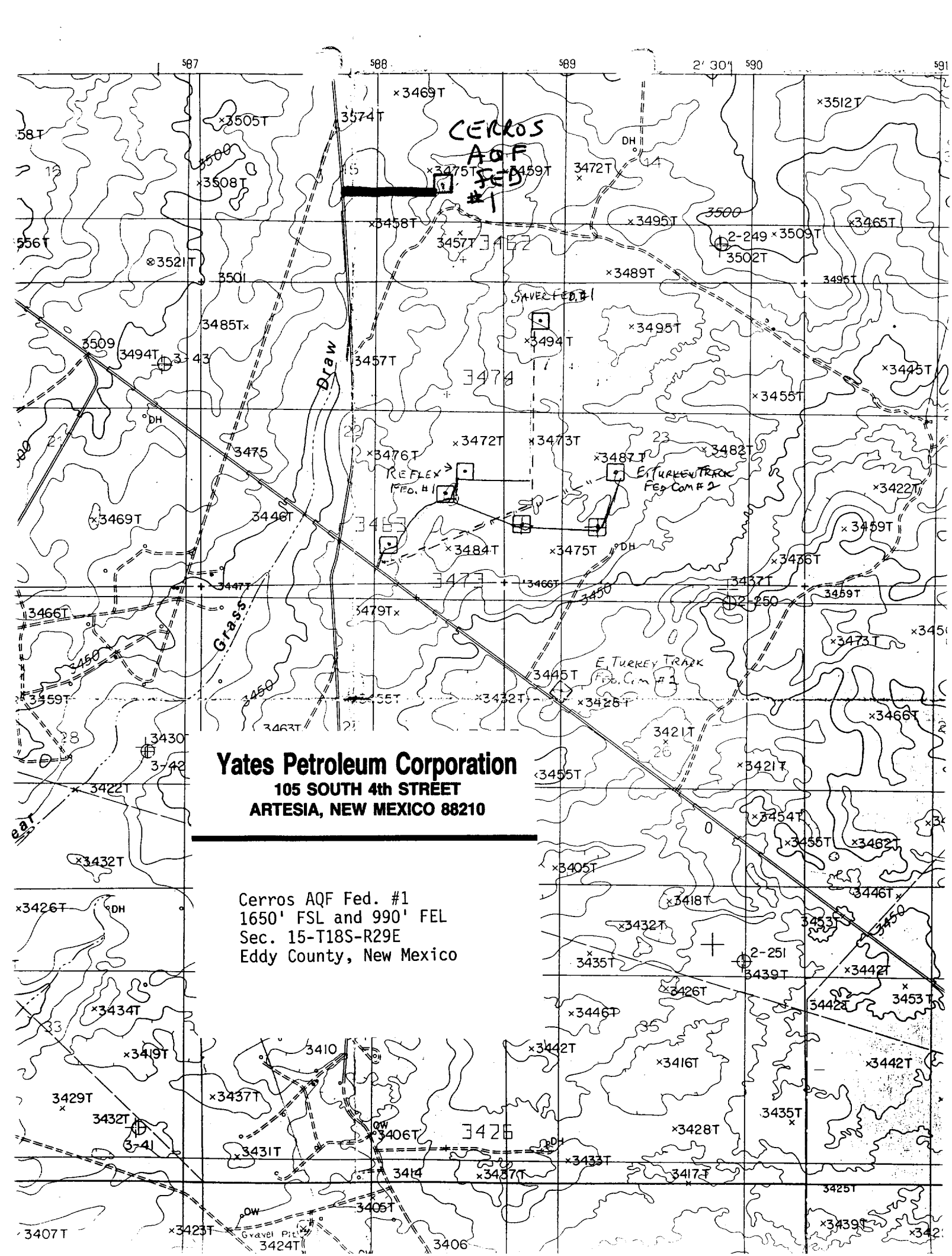
Brian Collins, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

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.

9/13/96

Ken Beardemphl
Landman



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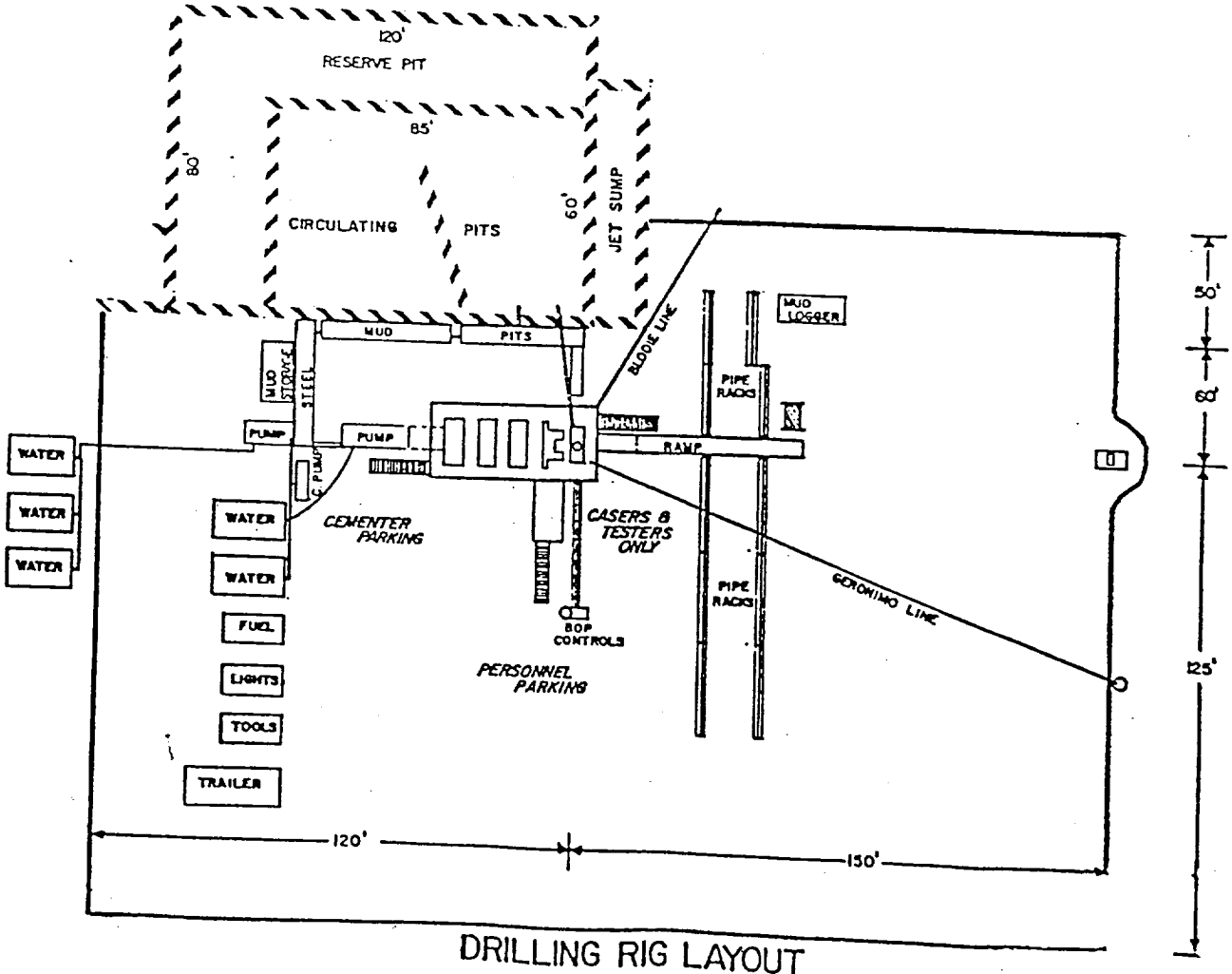
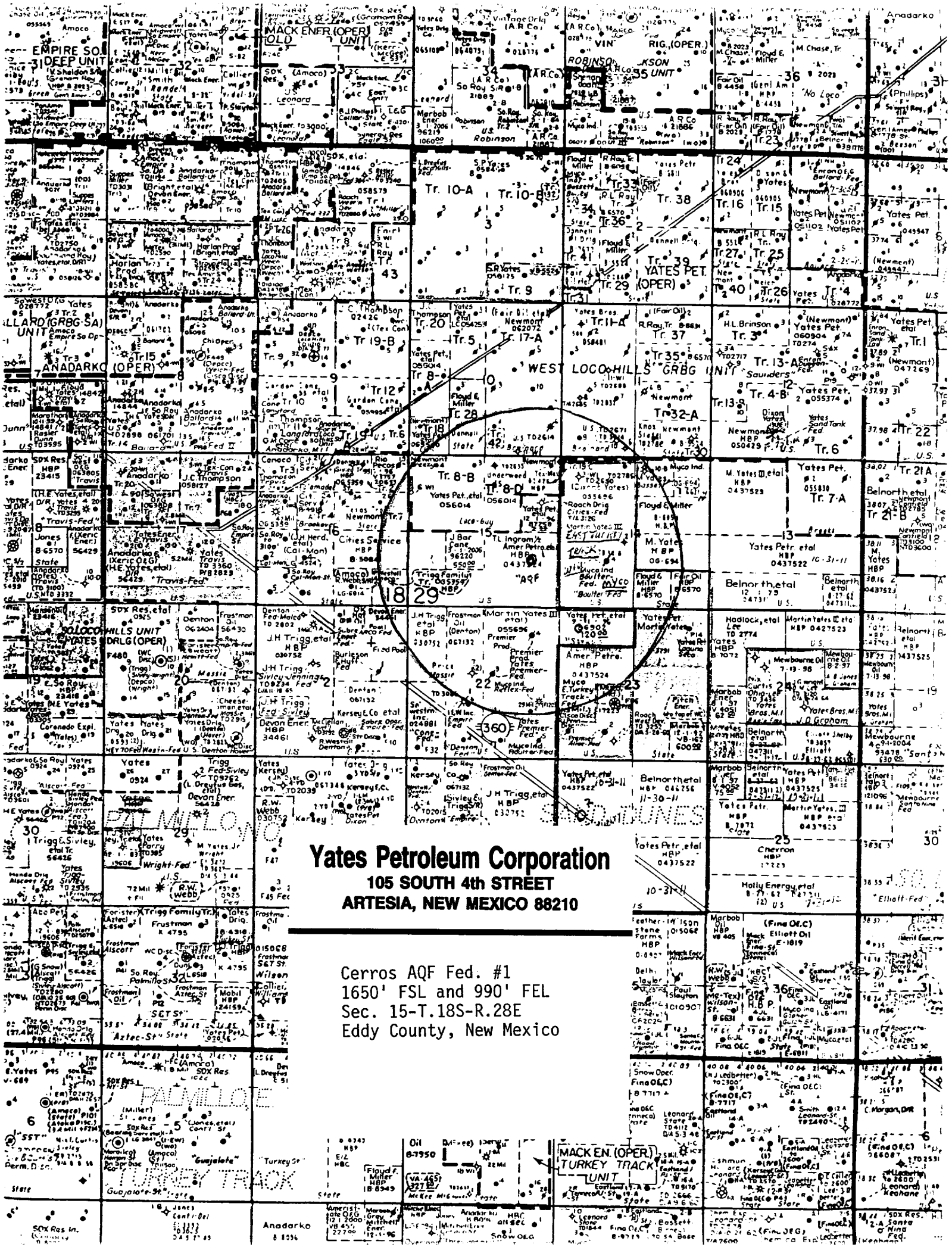


DRILLING RIG LAYOUT
Scale: 1 inch = 50 feet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