

**YATES PETROLEUM CORPORATION**

**Lily "ALY" Federal #1  
660' FNL and 660' FEL  
Section 3-T24S-R31E  
Eddy County, New Mexico**

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

Rustler	558'
Top of Salt	891'
Bottom of Salt	4,110'
Bell Canyon	4,335'
Cherry Canyon	5,321'
Brushy Canyon	7,030'
Bone Spring	8,192'
TD	8,300'

2. ESTIMATED DEPTHS OF ANTICIPATED WATER, OIL, GAS, OR MINERAL FORMATIONS:

Water: 150'  
Oil or Gas: Cherry Canyon 5,321' and Bone Springs 8,129'

3. Pressure Control Equipment: BOPE will be installed on the 13 3/8" casing and rated for 3000#. 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.

4. Auxiliary Equipment and Proposed Casing Program:

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.

B. Casing and Cementing Program:

Hole Size: <u>17 1/2"</u>	Total Depth: <u>500'</u>	Casing Size: <u>13 3/8"</u>
Setting Depth: <u>500'</u>	Mud Weight: <u>8.8</u> ppg	

Casing Design:

<u>O.D.</u>	<u>Weight</u>	<u>Grade</u>	<u>Thread</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
13 3/8	54.50#	J-55	8R	ST & C	0 - 500'	500'

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

Cement Program: Slurry 500 sacks "Class C" with 2% CaCl<sub>2</sub>

Expected Linear Fill: Circulate to surface.

Slurry Properties: Weight: 14.8 ppg Yield 1.32 cu.ft/sack