

Application  
HARVEY E. YATES COMPANY  
Arco 8 Federal #3  
Sec. 8, T18S, R31E  
Eddy County, New Mexico

In conjunction with Form 3160-3, Application for Permit to Drill the Subject well in Section 8, Township 18 South, Range 31 East, Eddy County, New Mexico, Harvey E. Yates Company submits the following twelve items of pertinent information in accordance with Bureau of Land Management requirements:

1. The geologic surface formation is quaternary alluvium and bolson deposits and other surficial deposits.
2. The estimated tops of geologic markers are as follow:

Rustler	585'	Grayburg	3604'
Yates	1975'	San Andres	4060'
Seven Rivers	2340'	Delaware Sd	4760'
Bowers	2830'	Bone Spring	5250'
Queen	3100'	TD	8700'
Penrose	3320'		
3. We do not anticipate finding water but have listed the formation in which we anticipate finding oil or gas.

Bone Spring, Queen, Loco Hills, Metex, Delaware
4. Proposed casing program: See Form 3160-3. HEYCO will be using some used casing when applicable.
5. Pressure control equipment: See Exhibit C. Although the rig equipment is 3M rated, this well will be a 2M PSI rating.
6. Mud program: See Form 3160-3.
7. Auxiliary equipment: Blowout preventer.
8. Testing, logging and coring programs: No DST or coring is anticipated. The planned logs are are DLL-Micro w/GR & Caliper and CN-Den w/GR & Caliper.
9. No abnormal pressures, temperatures or hydrogen sulfide are anticipated during drilling or production phases of operation.
10. Anticipated bottom hole pressure: Approximately 3200#.
11. Anticipated starting date: As soon as possible.
12. Anticipated duration: Approximately 45 days.