

YATES PETROLEUM CORPORATION

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 8305 feet (Top of Canyon).

Submitted with the PAD 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 periods greater than 30 minutes. Trailers will only be used in drill stem testing, completion and production operations.

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 gas is present in the mud.

Hickory ALV Federal #5
1650' FNL & 660' FEL
Section 18-T22S-R24E
Eddy County, New Mexico