

Permian Drilling Corporation

P. O. Box 726

(505)397-3798

Fax (505)393-2448

Hobbs, New Mexico 88241

INCLINATION REPORT

API # 30-015-366606

DATE: 11/11/2008

WELL NAME AND NUMBER: MAGELLAN FED UT.3

LOCATION: Eddy Co., NM

OPERATOR: YATES PETROLEUM CORP

DRILLING CONTRACTOR: PERMIAN DRILLING CORPORATION

The undersigned hereby certifies that he is an authorized representative of the drilling contractor who drilled the above described well and that he has conducted deviation tests and obtained the following results:

DEGREE	DEPTH	DEGREE	DEPTH	DEGREE	DEPTH
0.50	212	1.48	1523	1.49	2327
0.25	415	1.32	1616	1.50	2579
1.00	635	1.76	1678	1.00	2829
1.75	860	1.23	1773	1.00	3237
2.00	946	1.58	1837	0.25	3489
1.76	1004	1.85	1932	0.25	3749
1.76	1082	1.76	2024	0.75	3992
1.58	1145	1.67	2056	0.50	4242
1.85	1208	1.85	2088	0.50	4492
2.11	1272	1.44	2149	0.75	4743
1.41	1367	1.32	2212	0.75	4992
1.85	1428	1.49	2307	0.50	5276

Drilling Contractor:
Permian Drilling Corporation

By: Sherry Coskrey
Sherry Coskrey
Regulatory Clerk

Subscribed and sworn to before me on this 11th day of November, 2008.

My Commission Expires:

June 12, 2010

Angela Black

DIRECTIONAL SURVEY REPORT

YATES PETROLEUM
MAGELLAN FEDERAL #3
EDDY, NEW MEXICO

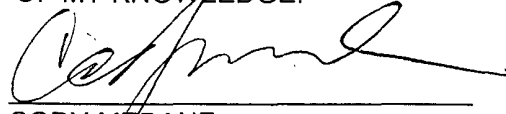
PREPARED BY: CODY MEBANE

DIRECTIONAL SURVEY COMPANY REPORT:

1. NAME OF SURVEYING COMPANY: PATHFINDER ENERGY SERVICES
2. NAME OF PERSON(S) PERFORMING SURVEY:
A) J. BURLESON
3. POSITION OF SAID PERSON(S): (A-F) SURVEYORS (FIELD ENGINEERS)
4. DATE(S) ON WHICH SURVEY WAS PERFORMED: 9/20/08 TO 9/22/08
5. STATE IN WHICH SURVEY WAS PERFORMED: NEW MEXICO
6. LOCATION OF WELL: EDDY COUNTY, NM
7. TYPE OF SURVEY(S) PERFORMED: MWD
8. COMPLETE IDENTIFICATION OF WELL:

YATES PETROLEUM
MAGELLAN FEDERAL #3
EDDY COUNTY, NM
RIG: PERMIAN 3
9. SURVEY CERTIFIED FROM: 1004 TO 2327 FEET MEASURED DEPTH.

THIS IS TO VERIFY THAT ATTACHED DOCUMENTS SHOWING THE WELL TO BE DISPLACED AT 33.10 FEET ON A BEARING OF 154.94 DEGREES FROM THE CENTER OF THE ROTARY TABLE AT A PROJECTED BIT DEPTH OF 2375 FEET, ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.



CODY MEANE
M/LWD SERVICE COORDINATOR

PathFinder Energy Services, Inc.

BHL Report

Page 01/01
Tie-in Date: 09/18/2008
Date Completed: 09/22/2008

YATES PETROLEUM
MAGELLAN FED #3
EDDY COUNTY, NM
Rig:PERMIAN 3
PathFinder Office Supervisor: CODY MEBANE
PathFinder Field Engineers:JAMES BURLESON

Survey Horiz. Reference:WELLHEAD
Ref Coordinates: LAT:32.9.24.6869 N LON:104.11.55.1599 W
GRID Reference:NAD83 new mexico east Transverse Mercator
Ref GRID Coord: X: 583014.8000 Y: 420826.0440
North Aligned To:GRID NORTH
Total Magnetic Correction: 8.11° EAST TO GRID
Vertical Section Plane: 0.00
Survey Vert. Reference: 15.00' Kelly Bushing To Ground
Altitude:3313.00' Ground To MSL

Measured Depth	2375.00	(feet)
Inclination	1.49	(deg)
Azimuth	132.14	(deg)
True Vertical Depth	2374.44	(feet)
Vertical Section	-29.99	(feet)
Survey X cord	583028.82	(feet)
Survey Y cord	420796.06	(feet)
Survey Lat	32.15677498 N	(deg)
Survey Lon	104.19861035 W	(deg)
Rectangular Corr. N/S	29.99 S	(feet)
Rectangular Corr. E/W	14.02 E	(feet)
Closure Distance	33.10	(feet)
Direction of Closure	154.94	(deg)
Dogleg Severity	0.00	(deg/100ft)

PathFinder Energy Services, Inc.

Survey Report

YATES PETROLEUM
MAGELLAN FED #3
EDDY COUNTY, NM
Rig:PERMIAN 3
PathFinder Office Supervisor: CODY MEBANE
PathFinder Field Engineers: JAMES BURLESON

Survey Horiz. Reference:WELLHEAD
Ref Coordinates: LAT:32.9.24.6869 N LON:104.11.55.1599 W
Reference:NAD83 new mexico east Transverse Mercator
Ref GRID Coord: X: 583014.8000 Y: 420826.0440
North Aligned To:GRID NORTH
Total Magnetic Correction: 8.11° EAST TO GRID
Vertical Section Plane: 0.00
Survey Vert. Reference: 15.00' Kelly Bushing To Ground
Altitude:3313.00' Ground To MSL

Survey Calculations by RX5 V5.11i using Minimum Curvature

Measured Depth (ft)	Incl (deg)	Drift Dir. (deg)	TVD (ft)	Course Length (ft)	Vertical Section (ft)	TOTAL Rectangular Offsets (ft) (ft)		Closure Dist Dir (ft) (deg)	DLS (dg/100ft)	
TIE-IN ASSUMED VERTICAL @ 950' MD										
950.00	0.00	0.00	950.00	0.00	0.00	0.00	0.00	0.00@ 0.00	0.00	
THE FOLLOWING ARE PATHFINDER MWD SURVEYS										
1004.00	1.76	207.40	1003.99	54.00	-0.74	0.74 S	0.38 W	0.83@ 207.40	3.26	
1082.00	1.76	198.33	1081.95	78.00	-2.94	2.94 S	1.31 W	3.22@ 204.03	0.36	
1145.00	1.58	199.02	1144.93	63.00	-4.68	4.68 S	1.90 W	5.05@ 202.08	0.29	
1208.00	1.85	196.66	1207.90	63.00	-6.47	6.47 S	2.47 W	6.93@ 200.90	0.44	
1272.00	2.11	189.16	1271.86	64.00	-8.62	8.62 S	2.96 W	9.12@ 198.91	0.57	
1367.00	1.41	188.60	1366.82	95.00	-11.51	11.51 S	3.41 W	12.00@ 196.50	0.74	
1428.00	1.85	186.90	1427.79	61.00	-13.23	13.23 S	3.64 W	13.72@ 195.38	0.72	
1523.00	1.49	158.39	1522.75	95.00	-15.90	15.90 S	3.37 W	16.25@ 191.96	0.94	
1616.00	1.32	138.51	1615.73	93.00	-17.82	17.82 S	2.21 W	17.96@ 187.08	0.55	
1678.00	1.76	139.88	1677.70	62.00	-19.09	19.09 S	1.13 W	19.12@ 183.38	0.71	
1773.00	1.23	150.30	1772.67	95.00	-21.09	21.09 S	0.32 E	21.09@ 179.13	0.63	
1837.00	1.58	142.04	1836.65	64.00	-22.38	22.38 S	1.20 E	22.41@ 176.93	0.63	
1932.00	1.85	113.84	1931.61	95.00	-24.03	24.03 S	3.41 E	24.27@ 171.92	0.92	
2024.00	1.76	108.08	2023.56	92.00	-25.07	25.07 S	6.11 E	25.81@ 166.30	0.22	
2088.00	1.85	115.26	2087.53	64.00	-25.82	25.82 S	7.98 E	27.02@ 162.82	0.38	
2149.00	1.41	121.96	2148.51	61.00	-26.63	26.63 S	9.51 E	28.28@ 160.36	0.78	
2212.00	1.32	129.56	2211.49	63.00	-27.51	27.51 S	10.72 E	29.52@ 158.70	0.32	
2275.00	1.49	119.02	2274.47	63.00	-28.37	28.37 S	12.00 E	30.80@ 157.07	0.49	
2327.00	1.49	132.14	2326.45	52.00	-29.15	29.15 S	13.09 E	31.95@ 155.81	0.65	
PROJECTION TO BIT @ 2375' MD										
2375.00	1.49	132.14	2374.44	48.00	-29.99	29.99 S	14.02 E	33.10@ 154.94	0.00	