

YATES PETROLEUM CORPORATION

Hewitt "IM" Federal #3
1980' FSL & 660' FWL
Sec. 21-T6S-R25E
Chaves County, New Mexico

In conjunction with Form 3160-3, Application for Permit to Drill subject well, Yates Petroleum Corporation submits the following ten items of pertinent information in accordance with USGS requirements.

1. The geological surface formation is Sandy Alluvium.
2. The estimated tops of geologic markers are as follows:

San Andres	256'
Glorietta	1336'
Veso	1388'
Abo	3482'
TD	4100'
3. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Water: Approximately 250' - 350'

Oil or Gas: Abo - 3482'
4. Proposed Casing Program: See Form 3160-3.
5. Pressure Control Equipment: See Form 3160-3, Exhibit B, and Exhibit F.
6. Mud Program: See Form 3160-3.
7. Auxiliary Equipment: Kelly Cock; pit level indicators and flow sensor equipment; sub with full-opening valve on floor, drill pipe connection.
8. Testing, Logging and Coring Program:

Samples: Surface casing to TD.

EST's: As warranted

Coring: None anticipated

Logging: CNL-LDT from TD to casing with GR-CNL up to surface; DLL to casing with min. RXO.
9. No abnormal pressures or temperatures are anticipated.
10. Anticipated starting date: As soon as possible after approval.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Yates Petroleum Corporation

Hewitt "IN" Federal #3

1980' FSL & 660' FWL

Section 21-T6S-R25E

Chaves 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 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 BLM map showing the well and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 33 miles northeast of Roswell, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go north of Roswell on 285 for approximately 23.5 miles to Cottonwood Ranch Road (NM 136). Turn right (east) and go approximately 6.5 miles. Turn left approximately .5 of a mile then right for approximately 2.2 miles. New access road will start here and go northeasterly to the southwest corner of pad. The 1st 1900' will be on fee surface with approximately 600' being on lease on Federal surface.

2. PLANNED ACCESS ROAD

- A. The proposed new access will be approximately 2500' in length from point of origin to the southwest edge of the drilling pad. The road will lie in a northeasterly 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 both sides. One traffic turnout will be built.
- D. The route of the road is visible.

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.
- C. If commercial, a natural gas pipeline will be ran along the north side of road on lease. The meter house will be located on fee land.

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:

- A. None available.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. The reserve pit shall be excavated five (5) feet below ground level and plastic lined.
- C. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- D. The slugs will be pushed in over the dried material burying below ground level.
- E. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- F. Oil produced during operations will be stored in tanks until sold.
- G. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- H. Trash, waste paper, garbage and junk will be buried in a separate trash pit and covered with a minimum of 24 inches of dirt. All waste material will be contained to prevent scattering by the wind.
- I. All trash and debris will be buried or removed from the wellsite within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES:

- A. None required.

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. A cross section of drill pad with approximate cuts, fills and pad orientation is shown on Exhibit E.
- B. The reserve pits will be plastic lined.
- C. A 400' X 400' area has been staked and flagged.
- D. The top 4" of topsoil will be stockpiled on the NE side by the pits.

10. PLANS FOR RESTORATION OF THE SURFACE:

- 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 levelled.

9. 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.

11. SURFACE OWNERSHIP: Bureau of Land Management

12. OWNER INFORMATION:

- A. Topography: Refer to the archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, historical and cultural sites.
1. The primary surface use is for grazing

13. OPERATOR'S REPRESENTATIVE:

A. Through B.L.M. Approval:

Clifton R. May, Permit Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505)-748-1471

B. Through Wellbore Operations,
Completion and Production:

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

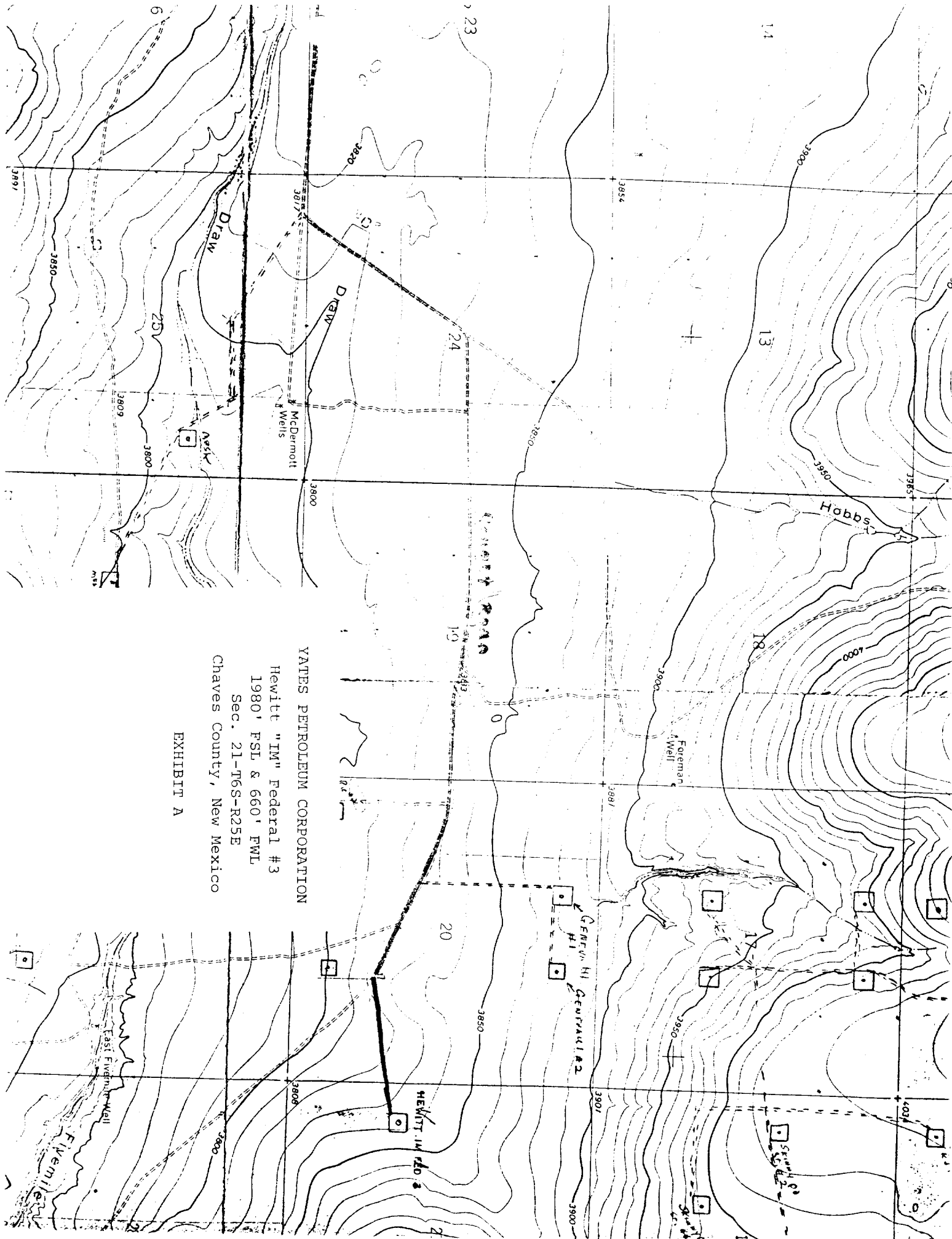
14. CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite 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.

3-21-90

Date

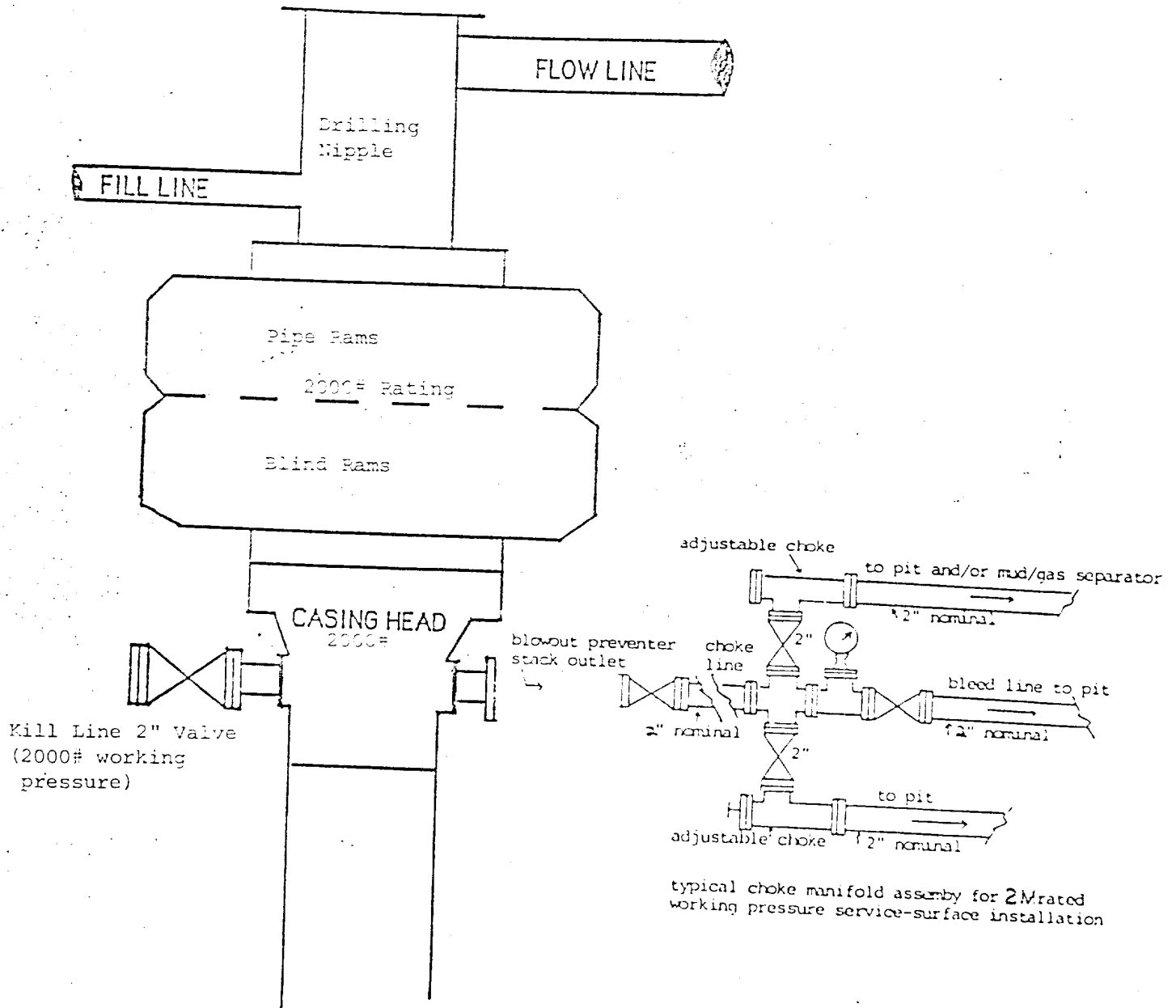
Clifton R. May
Clifton R. May
Permit Agent



YATES PETROLEUM CORPORATION
Hewitt "IM" Federal #3
1980' FSL & 660' FWL
Sec. 21-T6S-R25E
Chaves County, New Mexico
EXHIBIT A

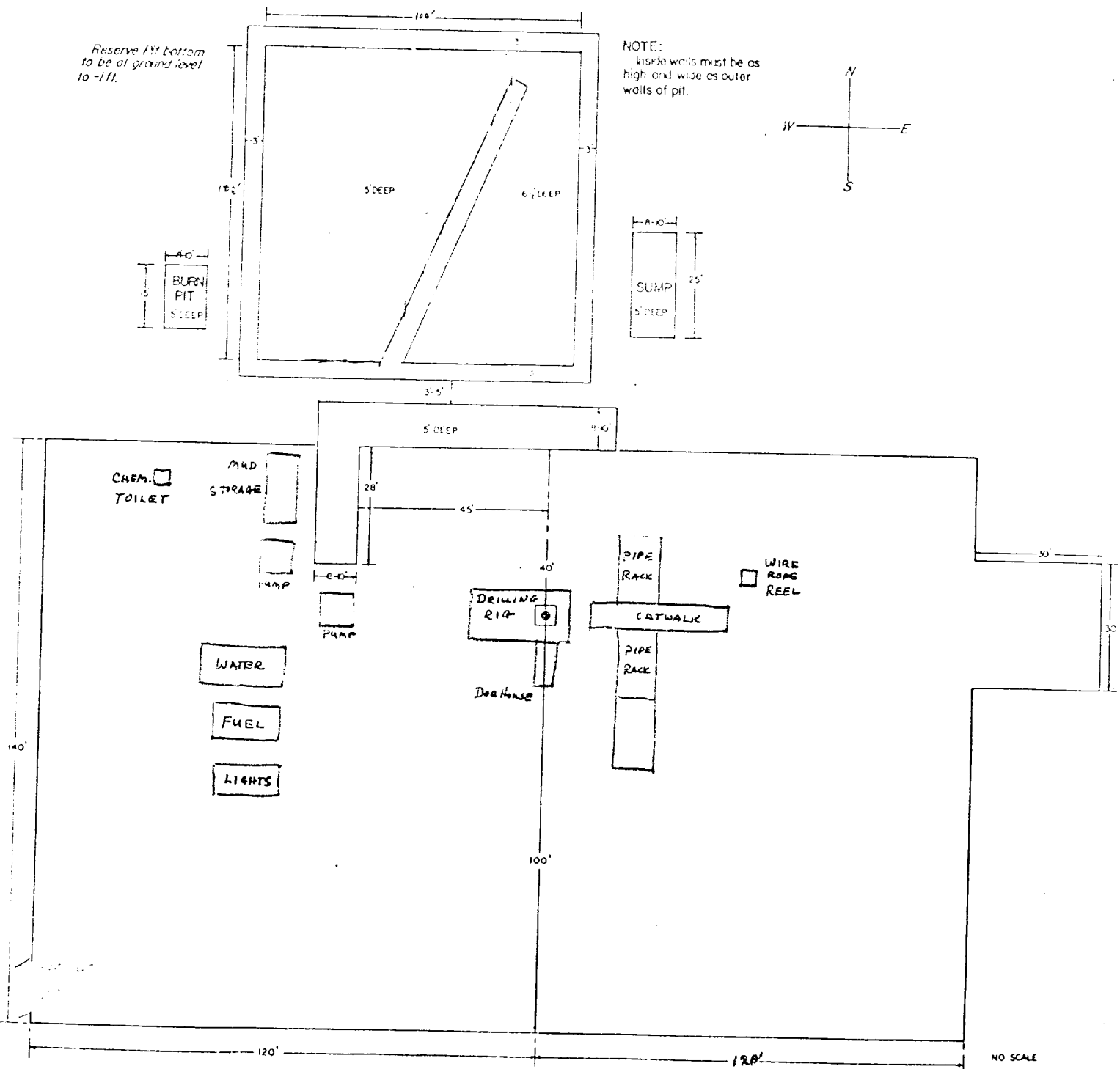
YATES PETROLEUM CORPORATION

EXHIBIT B



**BLOWOUT PREVENTER
2M SYSTEM**

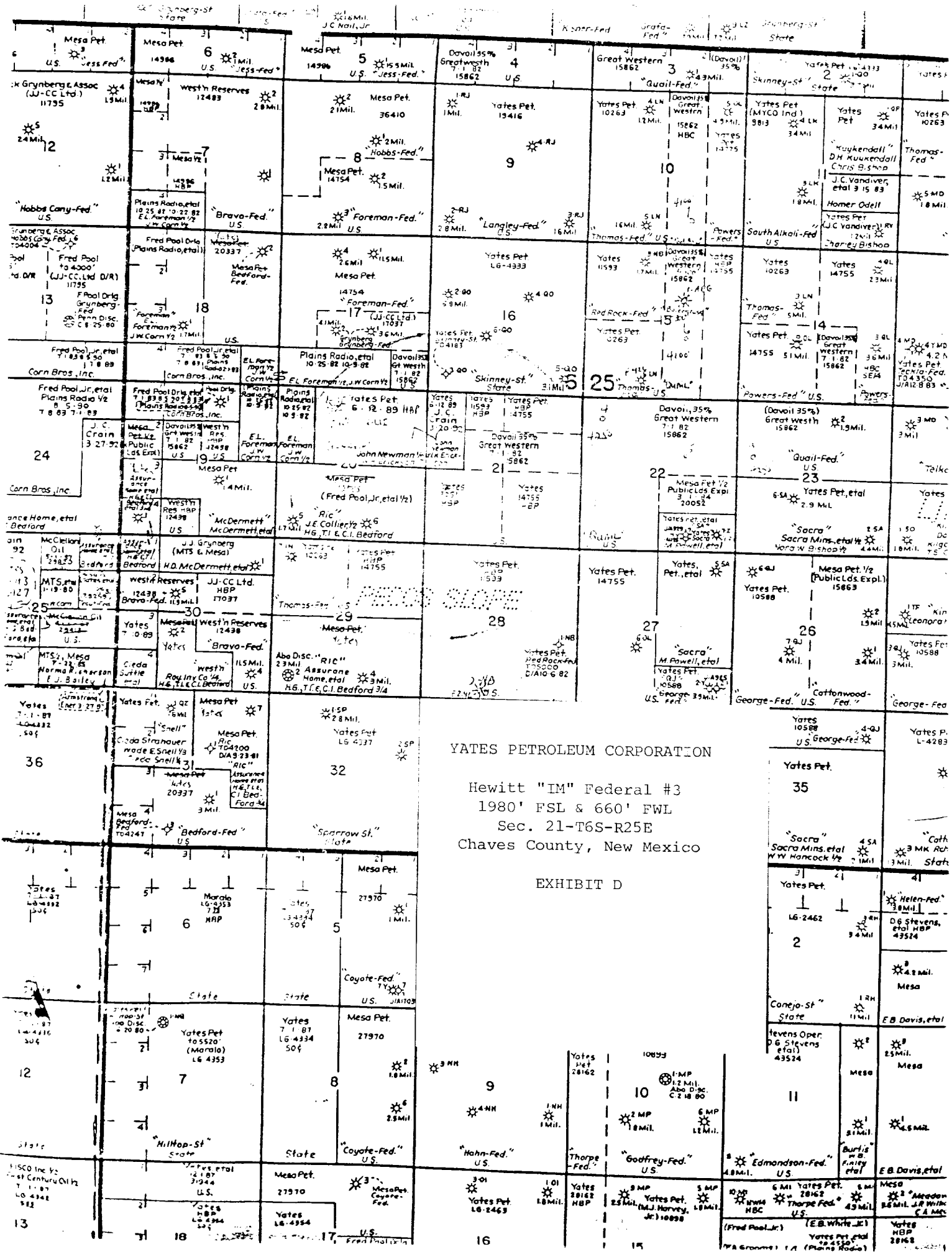
EXHIBIT C



YATES PETROLEUM CORPORATION

Hewitt "IM" Federal #3
1980' FSL & 660' FWL
Sec. 21-T6S-R25E
Chaves County, New Mexico

EXHIBIT D



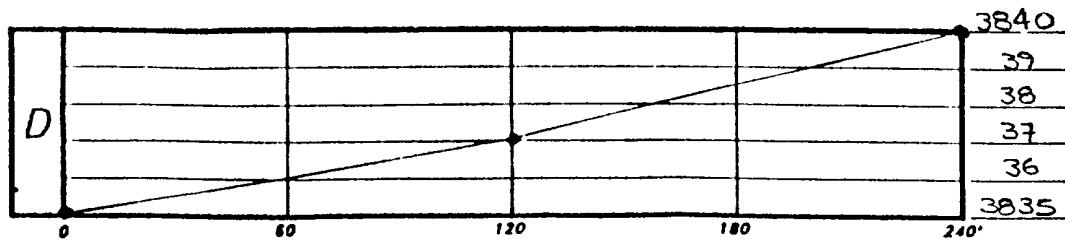
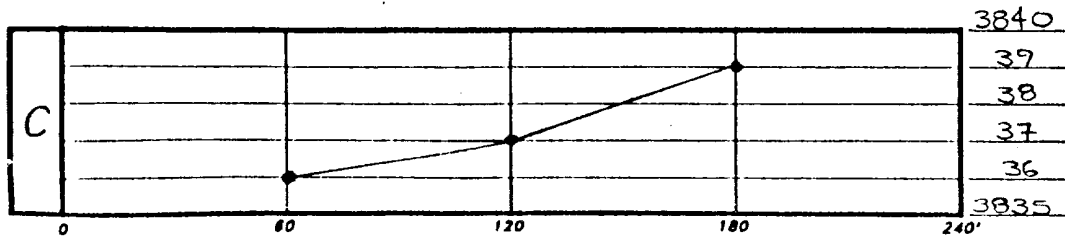
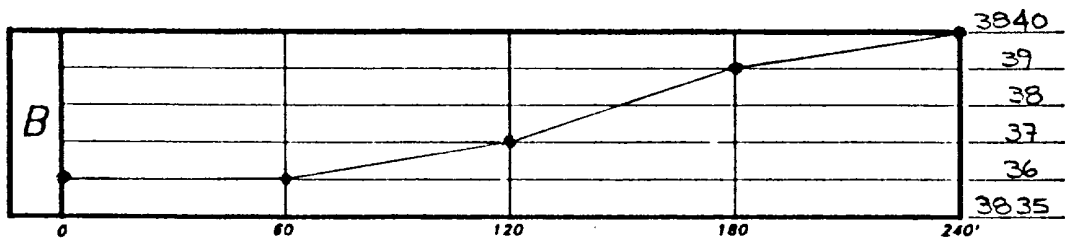
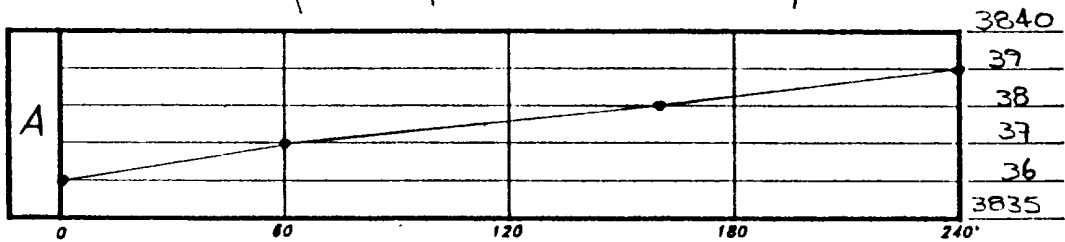
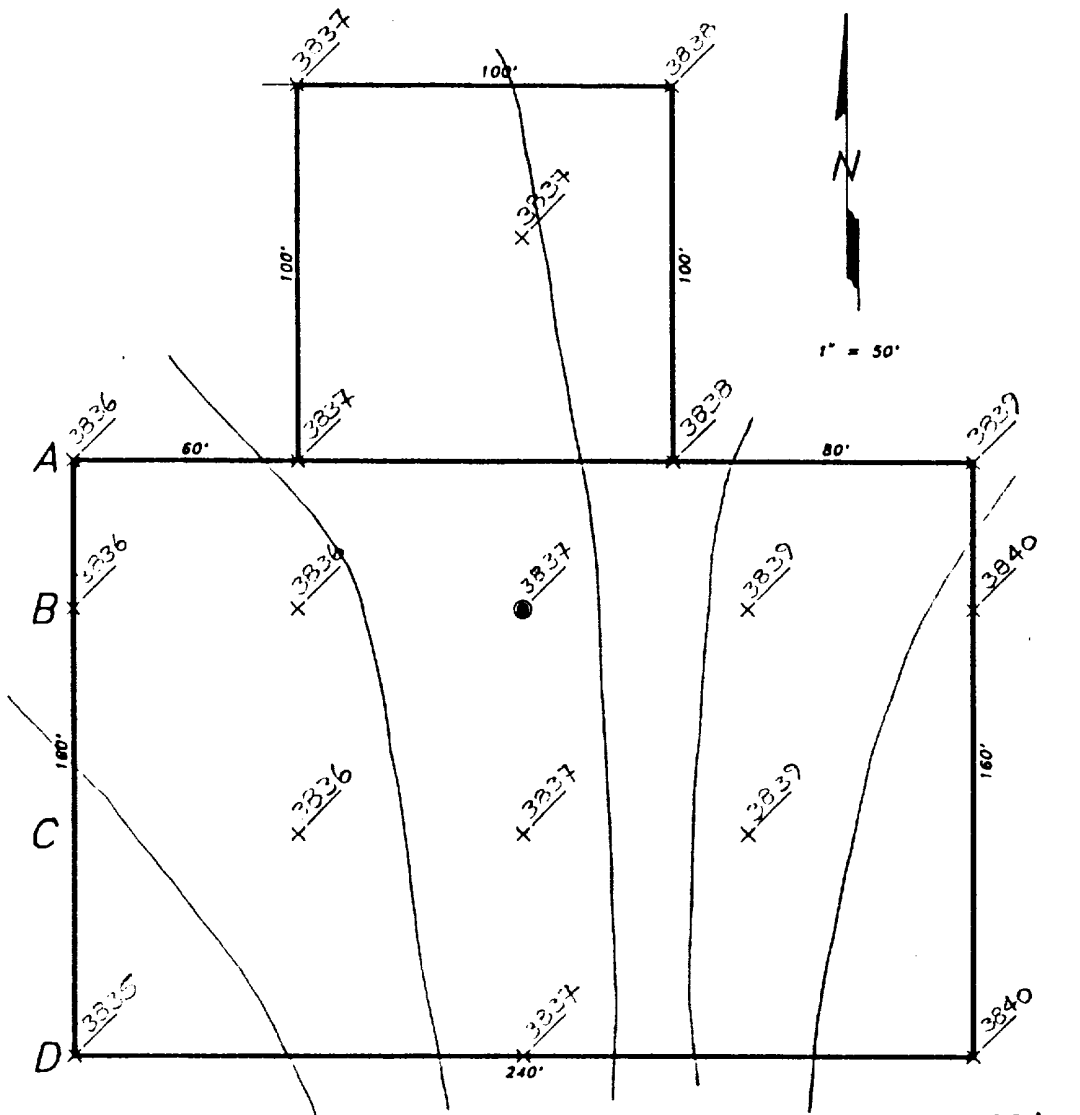
Location

HEWITT I.M. FEDERAL #3
660 FWL & 1980 FSL
SECTION 21-T6S-R25E

Operator

YATES PETROLEUM CORP.

EXHIBIT E



YATES PETROLEUM CORPORATION
Hewitt "IM" Federal #3
Section 21,T6S-R25E
Chaves County, New Mexico

EXHIBIT F

Yates Petroleum Corporation is requesting a variance be granted in requiring the casing to be tested to 1500 psi to testing the casing to 1000 psi. The rig pumps will be used to do the testing.

Yates requests this due to several reasons.

- 1) Maximum shut-in bottom hole pressure is 1100 psi. Pressure at the surface will be less than this.
- 2) Rig pumps used in this area cannot safely test above 1000 psi. In order to test casing to higher pressures, an independent service casing would have to be hired. This would result in greater expense in drilling the well.
- 3) Yates is requesting, in case of well drilled to Pecos Slope Abo, that BOP equipment be tested to a maximum of 1000 psi.