



KEY ENERGY DRILLING, INC.
P.O. Box 1295
Midland, Texas 79702
Phone 915-570-0494
Fax 915-570-0465

To Whom It May Concern:

RE: STATE OF NEW MEXICO
OIL AND GAS DIVISION
INCLINATION REPORT



Lease Name: HORIZON AWH STATE ✓
Well Number: #1
County/State: CHAVES NM
Operator: YATES PETROLEUM CORPORATION
Address: P.O. BOX 840
Address: ARTESIA NM 88210
Location:

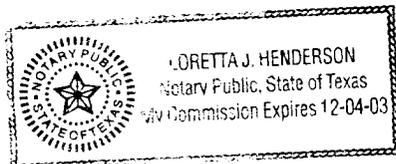
I, **CHOYR GILBERT**, Contract Manager for Key Energy Drilling, Inc., PO Box 1295, Midland, TX 79702, declare that I am authorized to make this certification, that I have personal knowledge of the inclination data and facts placed on this form and that such data and facts are true, correct, and complete to the best of my knowledge.

Sworn to and Subscribed Before Me by the said

CHOYR GILBERT
Contract Manager

This the 25TH day of January, 2001

Signature of Notary Public
In and for the State of Texas



LORETTA J. HENDERSON
Print Name of Notary Public

**STATE OF NEW MEXICO
OIL AND GAS DIVISION**

INCLINATION REPORT

| | | |
|------------|---------------------------------|------------------|
| FIELD NAME | LEASE NAME HORIZON AWH STATE | WELL NUMBER 1 |
|------------|---------------------------------|------------------|

| | |
|---|------------------|
| OPERATOR YATES PETROLEUM CORPORATION | COUNTY CHAVES |
|---|------------------|

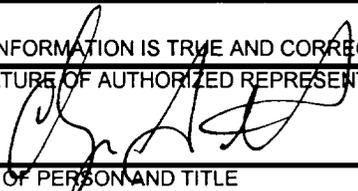
| |
|--|
| ADDRESS 105 SOUTH 4TH STREET, ARTESIA, NM 88210 |
|--|

| |
|----------|
| LOCATION |
|----------|

RECORD OF INCLINATION

| MEASURED DEPTH FEET | COURSE LENGTH HUNDREDS OF FEET | ANGLE OF INCLINATION DEGREE | DISPLACEMENT PER HUNDRED FEET | COURSE DISPLACEMENT FEET | ACCUMULATIVE DISPLACEMENT |
|------------------------|--------------------------------------|--------------------------------|----------------------------------|--------------------------------|------------------------------|
| 432 | 4.32 | 0.75 | 1.31 | 5.65 | 5.65 |
| 753 | 3.21 | 0.00 | 0.00 | 0.00 | 5.65 |
| 1144 | 3.91 | 0.25 | 0.44 | 1.71 | 7.36 |
| 1582 | 4.38 | 0.00 | 0.00 | 0.00 | 7.36 |
| 2020 | 4.38 | 0.25 | 0.44 | 1.91 | 9.27 |
| 2490 | 4.70 | 1.00 | 1.75 | 8.20 | 17.47 |
| 2710 | 2.20 | 0.75 | 1.31 | 2.88 | 20.35 |
| 3027 | 3.17 | 1.00 | 1.75 | 5.53 | 25.89 |
| 3314 | 2.87 | 0.50 | 0.87 | 2.50 | 28.39 |
| 3630 | 3.16 | 0.75 | 1.31 | 4.14 | 32.53 |
| 4011 | 3.81 | 1.00 | 1.75 | 6.65 | 39.18 |
| 4425 | 4.14 | 0.75 | 1.31 | 5.42 | 44.60 |
| 4771 | 3.46 | 2.00 | 3.49 | 12.08 | 56.67 |
| 4866 | 0.95 | 2.00 | 3.49 | 3.32 | 59.99 |
| 4993 | 1.27 | 3.00 | 5.23 | 6.65 | 66.63 |
| 5056 | 0.63 | 3.00 | 5.23 | 3.30 | 69.93 |
| 5117 | 0.61 | 2.25 | 3.93 | 2.39 | 72.33 |
| 5212 | 0.95 | 2.25 | 3.93 | 3.73 | 76.05 |
| 5338 | 1.26 | 2.00 | 3.49 | 4.40 | 80.45 |
| 5370 | 0.32 | 2.00 | 3.49 | 1.12 | 81.57 |
| 5498 | 1.28 | 2.00 | 3.49 | 4.47 | 86.04 |
| 5593 | 0.95 | 1.00 | 1.75 | 1.66 | 87.69 |
| 5750 | 1.57 | 1.00 | 1.75 | 2.74 | 90.43 |
| 5909 | 1.59 | 1.00 | 1.75 | 2.77 | 93.21 |
| 6163 | 2.54 | 1.00 | 1.75 | 4.43 | 97.64 |
| 6380 | 2.17 | 0.75 | 1.31 | 2.84 | 100.48 |
| | -63.80 | | 0.00 | 0.00 | 100.48 |
| | 0.00 | | 0.00 | 0.00 | 100.48 |
| | 0.00 | | 0.00 | 0.00 | 100.48 |
| | 0.00 | | 0.00 | 0.00 | 100.48 |
| | 0.00 | | 0.00 | 0.00 | 100.48 |
| | 0.00 | | 0.00 | 0.00 | 100.48 |
| | 0.00 | | 0.00 | 0.00 | 100.48 |

THIS INFORMATION IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.

| | |
|---|---|
| SIGNATURE OF AUTHORIZED REPRESENTATIVE  | NAME OF COMPANY KEY ENERGY DRILLING, INC. |
| NAME OF PERSON AND TITLE CHOYR GILBERT - CONTRACT MANAGER | TELEPHONE NUMBER (915) 570-0494 |

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 811 South First, Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

C/S#

Form C-103
 Revised March 25, 1999

WELL API NO.
30-005-63316

5. Indicate Type of Lease
 STATE FEE

6. State Oil & Gas Lease No.
L-6811

7. Lease Name or Unit Agreement Name:
Horizon "AWH" State

7. Well No.
#1

8. Pool name or Wildcat
Foor Ranch Pre-Permian

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

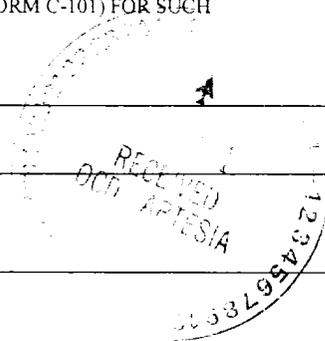
1. Type of Well:
 Oil Well Gas Well Other

2. Name of Operator
Yates Petroleum Corporation

3. Address of Operator
 105 S. 4th Street Artesia, NM 88210

4. Well Location
 Unit Letter **A** : **1200** feet from the **North** line and **660** feet from the **East** line
 Section **16** Township **9S** Range **26E** NMPM **Chaves** County

10. Elevation (Show whether DR, RKB, RT, GR, etc.)
3768' GR



11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

| NOTICE OF INTENTION TO: | | SUBSEQUENT REPORT OF: | |
|--|--|--|---|
| PERFORM REMEDIAL WORK <input type="checkbox"/> | PLUG AND ABANDON <input type="checkbox"/> | REMEDIAL WORK <input type="checkbox"/> | ALTERING CASING <input checked="" type="checkbox"/> |
| TEMPORARILY ABANDON <input type="checkbox"/> | CHANGE PLANS <input type="checkbox"/> | COMMENCE DRILLING OPNS. <input type="checkbox"/> | PLUG AND ABANDONMENT <input type="checkbox"/> |
| PULL OR ALTER CASING <input type="checkbox"/> | MULTIPLE COMPLETION <input type="checkbox"/> | CASING TEST AND CEMENT JOB <input type="checkbox"/> | |
| OTHER: <input type="checkbox"/> | | OTHER: Perf, acidize, fracture <input checked="" type="checkbox"/> | |

Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

- 2/1/01** - RU pulling unit. TIH with bit and scraper. Tag PBTD at 6312'.
- 2/2/01** - TIH with CBL. TOC 3960'
 Perf Ordovician from 6022-6046' and 6052-6070', 168 holes, .42" holes. Acidize Ordovician perms with 2100 gals 20% IC HCL + balls.
- 2/12/01** - Perf Wolfcamp 5372-5386', 30 holes, .42" holes. Spot 1 bbl 15% IC HCL. Acidize Wolfcamp perms with 1400 gals 15% IC HCL + balls.
- 2/14/01** - TIH with 2-7/8" tbg, 40' blast joints, and 2.31" sliding sleeve. Latch on to packer set at 5954'. Ordovician perms flowing up tbg, Wolfcamp perms flowing up casing.
- 2/15/01** - Rig down pulling unit. Turn well over to production.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE [Signature] TITLE **Engineering Technician** DATE **August 27, 2001**

Type or print name **Susan Herpin** Telephone No. **505-748-1471**

APPROVED BY [Signature] ORIGINAL SIGNED BY **TIM W. GUM** DISTRICT II SUPERVISOR TITLE _____ DATE **AUG 29 2001**

Conditions of approval, if any: