

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

1201 W. Grand Avenue

Albuquerque, NM 88210

FORM APPROVED
OMB No. 1004-0137
Expires: March 31, 2007

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1. Type of Well
☐ Oil Well ☒ Gas Well ☐ Other

RECEIVED

2. Name of Operator Yates Energy Corporation

MAR 15 2006

3a. Address
P. O. Box 2323, Roswell, New Mexico 882023b. Phone No. (in New Mexico)
505-623-4935

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

1550' FSL & 860' FEL of Sec. 23, T-23S., R-23E

5. Lease Serial No.

NM 111398

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

North Hess Federal "23" #1

9. API Well No.

30-015-34509

10. Field and Pool, or Exploratory Area

Hess Morrow East

11. County or Parish, State

Eddy, New Mexico

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
☐ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☒ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☒ Other weekly drilling
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	DST No. 3
	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Week of January 29, 2006 - February 4, 2006.

Drilled from 7210' to 8771'.

Formation Shale and Lime, @8771' 30% sand, 20% siltstone, 20% lime, 30% shale.

Deviation surveys @@ 7402' 1/4 degree; @7650' 2 degree; @8087' 2 1/4 degree, @8524' 2 1/4 degree

DST No. 3 7143' to 7210' (Wolfcamp) (see attached copy of test) Gas to surface in 1 hour and 45 minutes with 1' - 2' flare, estimated rate 4.6 MCF/day. DP recovered 40' of oil cut drilling fluid (40% oil), sample chamber recovered 400 cc oil, 800 cc drilling fluid, 0.532 cu.ft./gas.

Circulate samples at 7928'; @89348'; drilling break 8621' to 8629'; drilling break 8620' to 8638'.

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Sheryl L. Jonas

Title Agent for Yates Energy Corporation

Signature

Date

03/07/2006

ACCEPTED FOR FEDERAL OR STATE OFFICE USE

Approved by DAVID R. GLASS

Title

Date

Conditions of approval if any are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001 and 1122, and Title 18 U.S.C. Section 212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)



COMPANY : YATES ENERGY CORP.
LEASE : N. HESS FEDERAL "23"
WELL NO. : # 1
FIELD : S. MORROW EAST
COUNTY/STATE : EDDY / NEW MEXICO

TEST DATE : 01/28/06
D.S.T. NO. : 3
TEST TKT. NO. : 23451
INVOICE NO. : 21577
ORDER NO. :

FORMATION : WOLFCAMP
INTERVAL (ft) : 7143 TO 7210
TOTAL DEPTH (ft) : 7210
ELEVATION (ft) : 4117
HOLE SIZE (in) : 7.875
DRILL PIPE ID (in) : 3.82
DRILL COLLAR ID(in) : 2.25
DRILL COLLAR feet : 777
ANCHOR LENGTH (ft) : 67
TOOL LENGTH (ft) : 76
TOOL O.D. (in) : 5
PACKER SIZE (in) : 7.00

RECORDER DATA
AK-1KUSTER / ZIPROBE

TOP RECORDER: IN
RECORDER NO. : 9634
CAPACITY (psi): 10000
DEPTH (ft) : 7157
CLOCK NO. : 9634
DURATION (hrs): 99

BOTTOM RECORDER: OUT
RECORDER NO. : 13709
CAPACITY (psi): 7850
DEPTH (ft) : 7210
CLOCK NO. : 19463
DURATION (hrs): 24

MUD PROPERTIES

MUD TYPE : CUT BRINE WATER
MUD WT. (#/gal) : 8.95

WATER LOSS (cc) : 32
FILTER CAKE (in) : FILM
VISCOSITY (sec) : 31

CHLORIDE PPM : 55000
RESISTIVITY(ohm-m): .070

EQUIPMENT DATA

CONVENTIONAL : YES
STRADDLE : NO
SELECTIVE ZONE : NO
SAMPLE CHAMBER : YES
GAS ANALYSIS : NO

ROTARY JARS : YES
NO. OF PACKERS : 2
SAFETY JOINT : YES
CIRCULATING SUB : YES
REVERSED OUT : NO

MULTIFLOW : YES
MILEAGE : NO
OPERATOR TIME : YES
OTHER : YES
ZI ELECTRONICS (2)

SUCCESSFUL : YES

PACKER FAILURE : NO

TOOL PLUG : NO

DECIDED NOT TO TEST : NO

FAIL TO REACH BOTTOM : NO

TIME INTERVAL DATA (min)

TOOL OPENED : 11:05 PM

TOTAL TEST TIME: 838

INITIAL FLOW : 15
SECOND FLOW : 120
THIRD FLOW :

INITIAL SHUT-IN: 104
SECOND SHUT-IN : 599
THIRD SHUT IN :

TEST TOOL OPERATOR: DON TERHUNE



YATES ENERGY CORP.

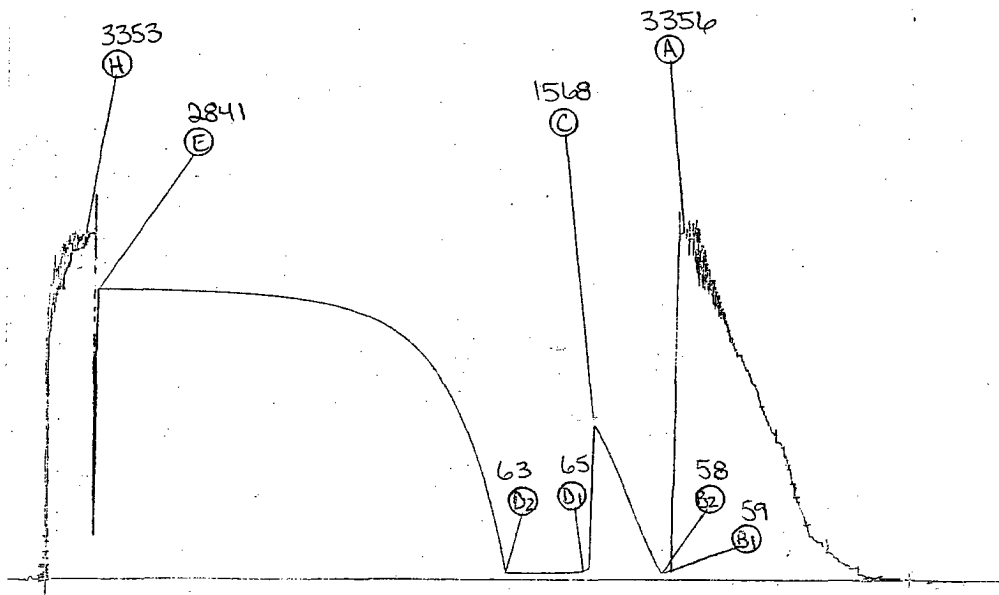
N. HESS FEDERAL "23" # 1
D.S.T. NO. :3

	CORRECTED READING	FIELD READING
A INITIAL HYDROSTATIC:	3337 PSI	3337 PSI
B-1 INITIAL FIRST FLOW :	38 PSI	38 PSI
B-2 FINAL FIRST FLOW :	42 PSI	42 PSI
C FIRST SHUT-IN :	1546 PSI	1546 PSI
D-1 INITIAL SECOND FLOW:	44 PSI	44 PSI
D-2 FINAL SECOND FLOW :	54 PSI	54 PSI
E SECOND SHUT-IN :	2819 PSI	2819 PSI
H FINAL HYDROSTATIC :	3334 PSI	3338 PSI

TKT-23451 REC-13709 WT-7850

AK-1 ROSTER 24 HR. CLOCK

BOTTOM RECORDER : OUTSIDE



PIPE RECOVERY

GAS TO SURFACE 105 MIN. INTO FINAL FLOW PERIOD
40 FT. OF OIL CUT DRLG. FLUID (40% OIL)
55,000 MG/L CHLORIDES- .070 OHMS @ 85 DEGREES

RECOVERY DATA

B.H. TEMP. (deg F) : 134

SAMPLE CHAMBER

330 LBS. OF PRESSURE
.532 CU. FT. OF GAS
400 CC'S OF FREE OIL
43 GRAVITY @ 60 DEGREES
800 CC'S OF DRLG. FLUID
55,000 MG/L CHLORIDES
.070 OHMS @ 85 DEGREES

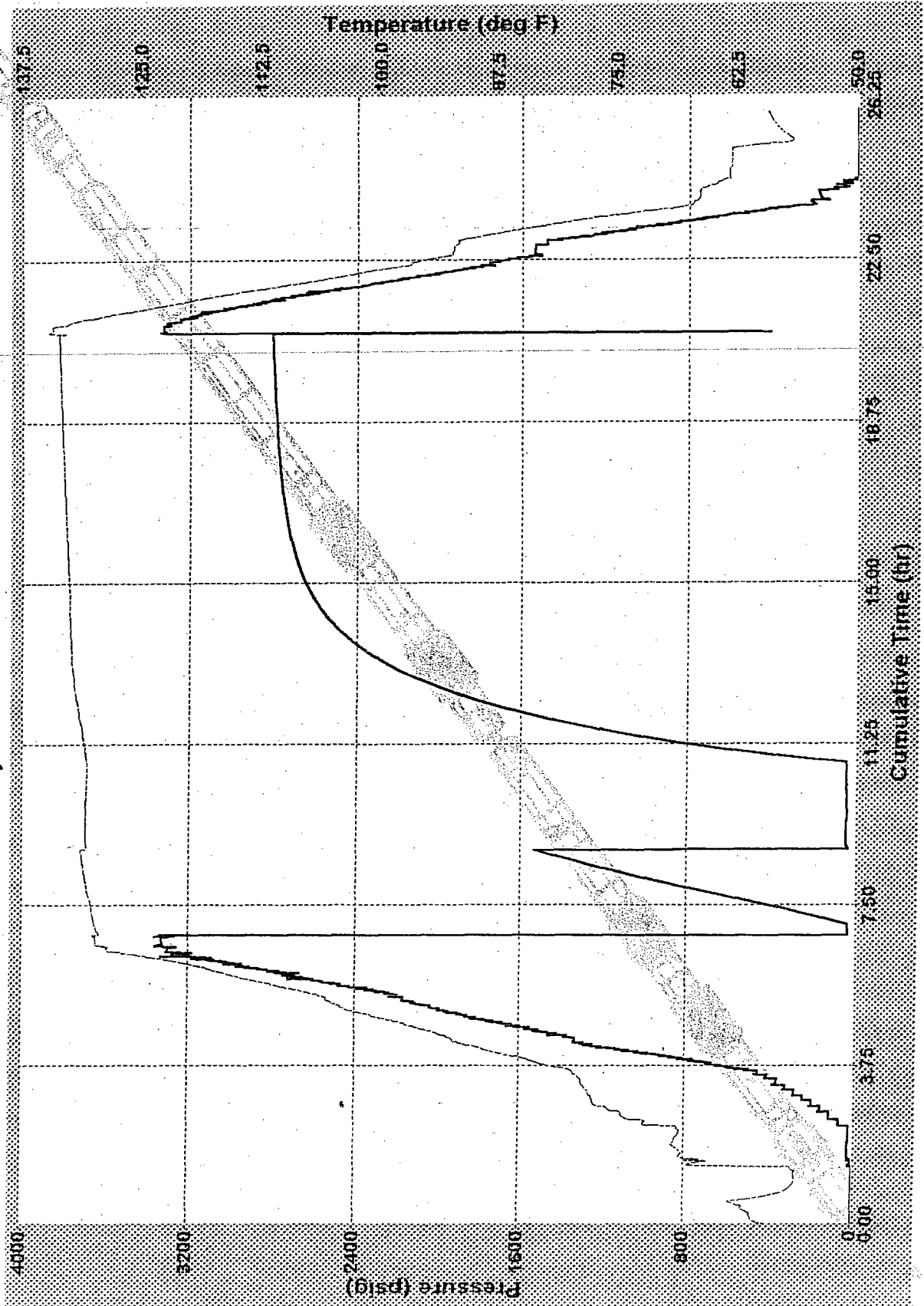
TEST REMARKS

TOOL OPENED WITH FAIR BLOW ON 1/8" CHOKE, 10 OZS. IN 2 MIN., 12.5 OZS. IN 5 MIN., 14 OZS. IN 10 MIN. & 14.5 OZS. AT END OF 15 MIN. FIRST FLOW. RE-OPENED TOOL WITH GOOD BLOW ON 1/8" WITH 3 LBS. IN 1 MIN., 3.4 LBS. IN 5 MIN., 3.4 LBS. IN 10 MIN., 3.4 LBS. IN 20 MIN., 3.6 LBS. IN 30 MIN., CHANGED CHOKE TO 1/4" IN 35 MIN. WITH 2.8 LBS., 8 OZS. IN 40 MIN., (1/4" IN WATER) IN 45 MIN., GAS TO SURFACE IN 105 MIN. WITH 0 LBS. (T.S.T.M.) ON 1/4" AND REMAINED THROUGHOUT THE 120 MIN. FINAL FLOW PERIOD.



Company Name YATES ENERGY CORP.
Well Name N. HESS FEDERAL "23" #1
Type of Test DST #3 (7143-7210 FT.; WOLFCAMP)
Date(s) of Test 1-28-06

RIG TESTERS, INC. RECORDER# 9634

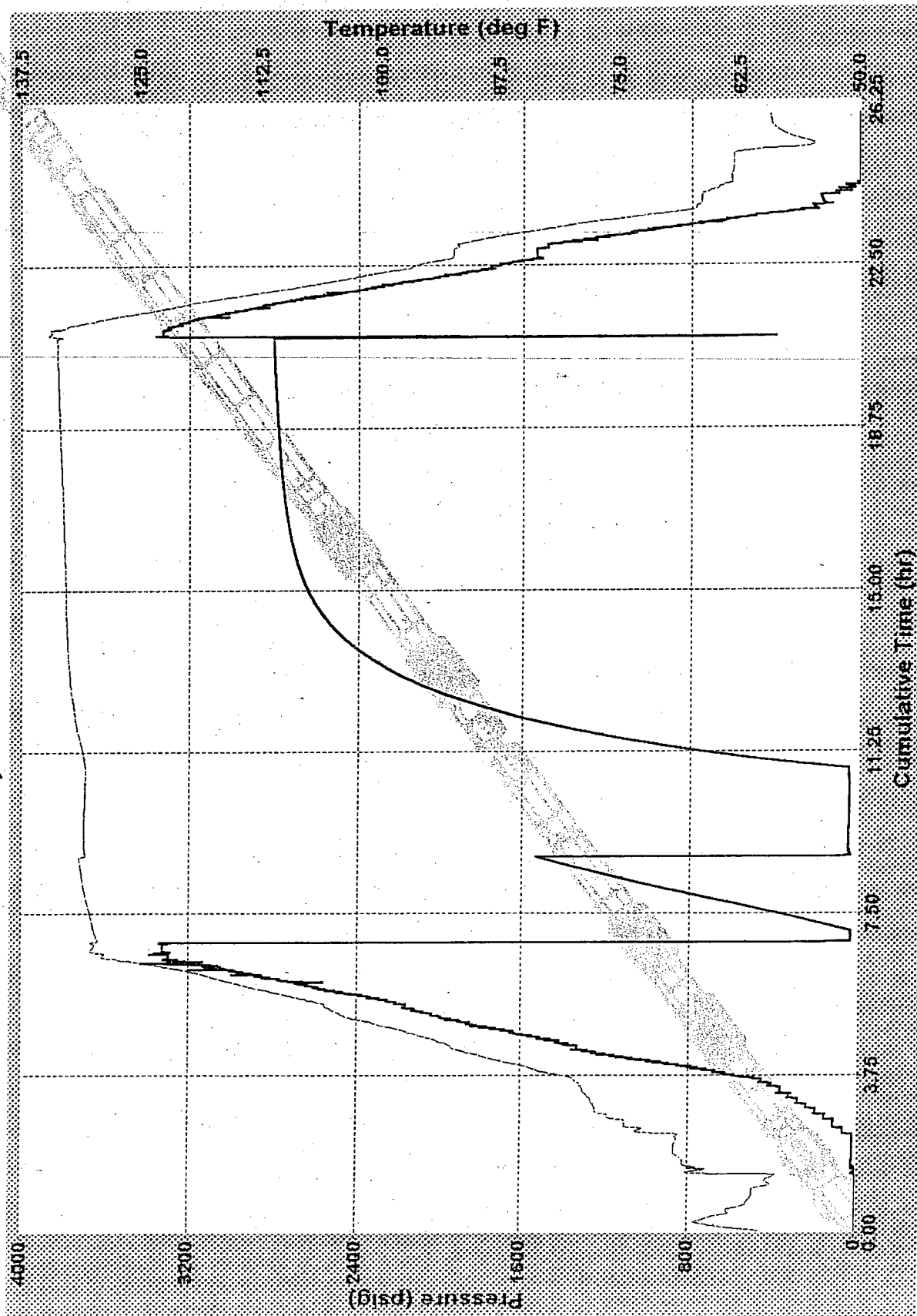


Company Name
Well Name
Type of Test
Date(s) of Test

YATES ENERGY CORP.
N. HESS FEDERAL "23" #1
DST #3 (7143-7210 FT.; WOLFCAMP)
1-28-06



RIG TESTERS, INC. RECORDER# 9635



YATES ENERGY CORP.


 N. HESS FEDERAL "23" # 1
 D.S.T. NO. : 3

INCREMENTAL PRESSURE DATA

RECORDER NO : 9634

RECORDER CAPACITY : 10000 psi

RECORDER DEPTH : 7157 ft

ELAPSED TIME ---MIN---	TOTAL FLOW TIME, T ---MIN---	INCREMENTAL SHUT-IN TIME, DT ---MIN---	(T+DT)/DT (HORNER) -----	PRESSURE ---PSIG---	DELTA P ---PSIG---
FIRST FLOW					
.0	.0			38.80	.00
2.0	2.0			41.00	2.20
4.0	4.0			41.69	2.89
6.0	6.0			41.40	2.60
8.0	8.0			43.23	4.43
10.0	10.0			42.20	3.40
12.0	12.0			42.40	3.60
14.0	14.0			42.61	3.81
14.8	14.8			42.80	4.00
FIRST SHUT-IN					
14.8	14.8	.00	.000	42.80	.00
15.8	14.8	1.00	15.760	57.41	14.61
16.8	14.8	2.00	8.380	72.00	29.20
17.8	14.8	3.00	5.920	85.90	43.10
18.8	14.8	4.00	4.690	100.17	57.37
19.8	14.8	5.00	3.952	113.68	70.88
20.8	14.8	6.00	3.460	126.90	84.10
21.8	14.8	7.00	3.109	140.75	97.95
22.8	14.8	8.00	2.845	153.88	111.08
23.8	14.8	9.00	2.640	167.20	124.40
24.8	14.8	10.00	2.476	181.17	138.37
26.8	14.8	12.00	2.230	208.10	165.30
28.8	14.8	14.00	2.054	236.30	193.50
30.8	14.8	16.00	1.923	264.68	221.88
32.8	14.8	18.00	1.820	292.90	250.10
34.8	14.8	20.00	1.738	322.42	279.62
37.8	14.8	23.00	1.642	367.12	324.32
40.8	14.8	26.00	1.568	412.42	369.62
43.8	14.8	29.00	1.509	458.33	415.53
46.8	14.8	32.00	1.461	505.02	462.22
49.8	14.8	35.00	1.422	551.73	508.93
52.8	14.8	38.00	1.388	598.42	555.62
59.8	14.8	45.00	1.328	708.20	665.40
64.8	14.8	50.00	1.295	787.03	744.23
69.8	14.8	55.00	1.268	865.22	822.42
74.8	14.8	60.00	1.246	941.50	898.70
79.8	14.8	65.00	1.227	1017.41	974.61
84.8	14.8	70.00	1.211	1091.78	1048.98
89.8	14.8	75.00	1.197	1163.90	1121.10
94.8	14.8	80.00	1.185	1235.09	1192.29
99.8	14.8	85.00	1.174	1304.25	1261.45
104.8	14.8	90.00	1.164	1371.20	1328.40
109.8	14.8	95.00	1.155	1436.88	1394.08
114.8	14.8	100.00	1.148	1500.50	1457.70

YATES ENERGY CORP.


 N. HESS FEDERAL "23" # 1
 D.S.T. NO. : 3

INCREMENTAL PRESSURE DATA

RECORDER NO : 9634

RECORDER CAPACITY : 10000 psi

RECORDER DEPTH : 7157 ft

ELAPSED TIME ---MIN---	TOTAL FLOW TIME, T ---MIN---	INCREMENTAL SHUT-IN TIME, DT ---MIN---	(T+DT)/DT (HORNER) -----	PRESSURE ---PSIG---	DELTA P ---PSIG---
FIRST SHUT-IN					
118.7	14.8	103.98	1.142	1546.80	1504.00
SECOND FLOW					
119.8	15.8			44.80	.00
129.8	25.8			53.60	8.80
139.8	35.8			54.50	9.70
149.8	45.8			55.10	10.30
159.8	55.8			51.80	7.00
169.8	65.8			51.21	6.41
179.8	75.8			51.30	6.50
189.8	85.8			51.40	6.60
199.8	95.8			51.79	6.99
209.8	105.8			52.50	7.70
219.8	115.8			53.11	8.31
229.8	125.8			53.60	8.80
239.8	135.8			54.10	9.30
240.2	136.3			54.20	9.40
SECOND SHUT-IN					
240.2	136.3	.00	.000	54.20	.00
242.2	136.3	2.00	69.130	123.51	69.31
244.2	136.3	4.00	35.065	193.89	139.69
246.2	136.3	6.00	23.710	261.80	207.60
248.2	136.3	8.00	18.033	325.23	271.03
250.2	136.3	10.00	14.626	387.58	333.38
252.2	136.3	12.00	12.355	448.00	393.80
254.2	136.3	14.00	10.733	504.57	450.37
256.2	136.3	16.00	9.516	559.85	505.65
258.2	136.3	18.00	8.570	612.60	558.40
260.2	136.3	20.00	7.813	662.37	608.17
263.2	136.3	23.00	6.924	735.61	681.41
266.2	136.3	26.00	6.241	806.14	751.94
269.2	136.3	29.00	5.699	874.05	819.85
272.2	136.3	32.00	5.258	939.48	885.28
275.2	136.3	35.00	4.893	1002.49	948.29
278.2	136.3	38.00	4.586	1063.33	1009.13
285.2	136.3	45.00	4.028	1198.00	1143.80
290.2	136.3	50.00	3.725	1287.03	1232.83
295.2	136.3	55.00	3.477	1371.95	1317.75
300.2	136.3	60.00	3.271	1452.20	1398.00

YATES ENERGY CORP.


 N. HESS FEDERAL "23" # 1
 D.S.T. NO. : 3

INCREMENTAL PRESSURE DATA

RECORDER NO : 9634

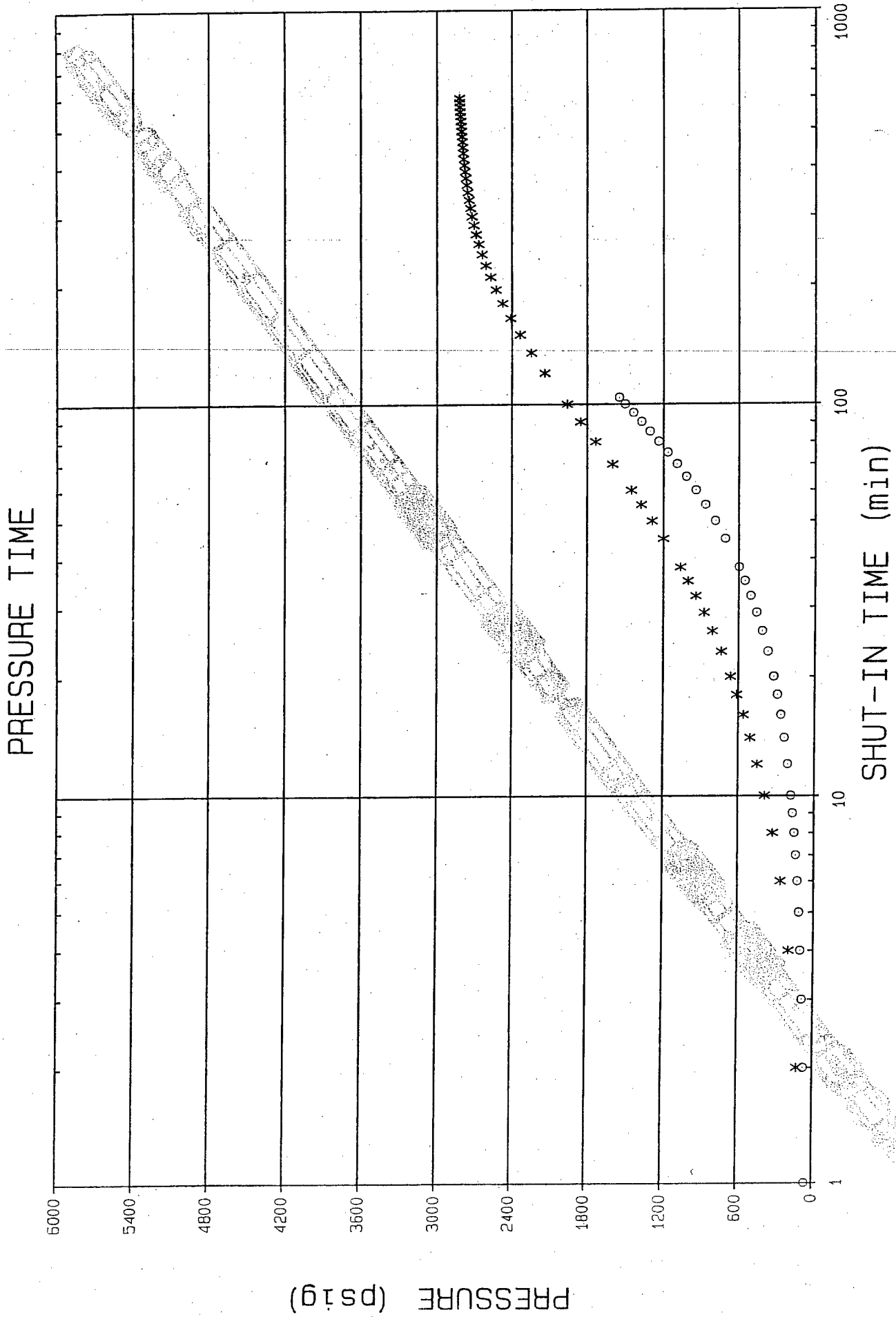
RECORDER CAPACITY : 10000 psi

RECORDER DEPTH : 7157 ft

ELAPSED TIME ---MIN---	TOTAL FLOW TIME, T ---MIN---	INCREMENTAL SHUT-IN TIME, DT ---MIN---	(T+DT)/DT (HORNER) -----	PRESSURE ---PSIG---	DELTA P ---PSIG---
SECOND SHUT-IN					
310.2	136.3	70.00	2.947	1599.52	1545.32
320.2	136.3	80.00	2.703	1732.40	1678.20
330.2	136.3	90.00	2.514	1852.30	1798.10
340.2	136.3	100.00	2.363	1957.39	1903.19
360.2	136.3	120.00	2.136	2135.50	2081.30
375.2	136.3	135.00	2.009	2244.10	2189.90
390.2	136.3	150.00	1.908	2334.80	2280.60
405.2	136.3	165.00	1.826	2410.90	2356.70
420.2	136.3	180.00	1.757	2474.40	2420.20
435.2	136.3	195.00	1.699	2527.00	2472.80
450.2	136.3	210.00	1.649	2570.70	2516.50
465.2	136.3	225.00	1.606	2607.40	2553.20
480.2	136.3	240.00	1.568	2638.10	2583.90
495.2	136.3	255.00	1.534	2663.70	2609.50
510.2	136.3	270.00	1.505	2685.10	2630.90
525.2	136.3	285.00	1.478	2703.10	2648.90
540.2	136.3	300.00	1.454	2718.20	2664.00
555.2	136.3	315.00	1.433	2731.20	2677.00
570.2	136.3	330.00	1.413	2742.20	2688.00
585.2	136.3	345.00	1.395	2751.80	2697.60
600.2	136.3	360.00	1.379	2760.30	2706.10
615.2	136.3	375.00	1.363	2767.40	2713.20
630.2	136.3	390.00	1.349	2773.60	2719.40
645.2	136.3	405.00	1.336	2779.10	2724.90
660.2	136.3	420.00	1.324	2784.40	2730.20
675.2	136.3	435.00	1.313	2788.60	2734.40
690.2	136.3	450.00	1.303	2792.50	2738.30
705.2	136.3	465.00	1.293	2795.80	2741.60
720.2	136.3	480.00	1.284	2799.10	2744.90
735.2	136.3	495.00	1.275	2802.30	2748.10
750.2	136.3	510.00	1.267	2805.50	2751.30
765.2	136.3	525.00	1.260	2808.40	2754.20
780.2	136.3	540.00	1.252	2811.20	2757.00
795.2	136.3	555.00	1.246	2813.80	2759.60
810.2	136.3	570.00	1.239	2816.00	2761.80
825.2	136.3	585.00	1.233	2818.10	2763.90
839.3	136.3	599.04	1.227	2819.90	2765.70

REMARKS

THE INCREMENTAL PRESSURE, PLOTS & ANALYSIS ARE FROM ELECTRONIC RECORDERS
 PLEASE REFER TO DERIVATIVE DIAGNOSTICS ANALYSIS FOR FURTHER INFORMATION
 PRESSURE DATA (ASCII FILE) IS AVAILABLE ON DISKETTE WHEN REQUESTED



YATES ENERGY CORP.

N. HESS FEDERAL "23" # 1



Well Test Report

RigTesters, Inc.
ABILENE - MIDLAND - GRAHAM

YATES ENERGY CORP. N. HESS FEDERAL "23" #1

Well identification

Well ID	N.HESS FED."23"#1	Well location	SW CARLSBAD
County/District	EDDY	State, Country	NEW MEXICO
Company	YATES ENERGY	Division	ROSWELL, NM

Fluid properties

Prod/Inj fluid	OIL	GOR	500:1
Water cut	0%	Condensate yield	UNKNOWN
API gravity	43.0	Gas spec. grav.	0.7
Viscosity	0.70736 cp	Pseudo-critical T	382.97 deg R
Pseudo-critical P	664.37 psia	H2S mole fraction	UNKNOWN
CO2 mole fraction	UNKNOWN	N2 mole fraction	UNKNOWN
Compressibility(t)	15.44 e-6/psi	Formation vol factor	1.2709 RB/STB

Reservoir properties

Porosity	0.12 frac	Formation thickness	16 ft
Wellbore radius	0.32813 ft	Prod-observer distance	N/A
Water-Oil Contact	UNKNOWN	Gas-Oil Contact	N/A
Gas-Water Contact	N/A	Rock compressibility	
Reservoir temperature	134 deg F	Pressure for properties	2878 psia

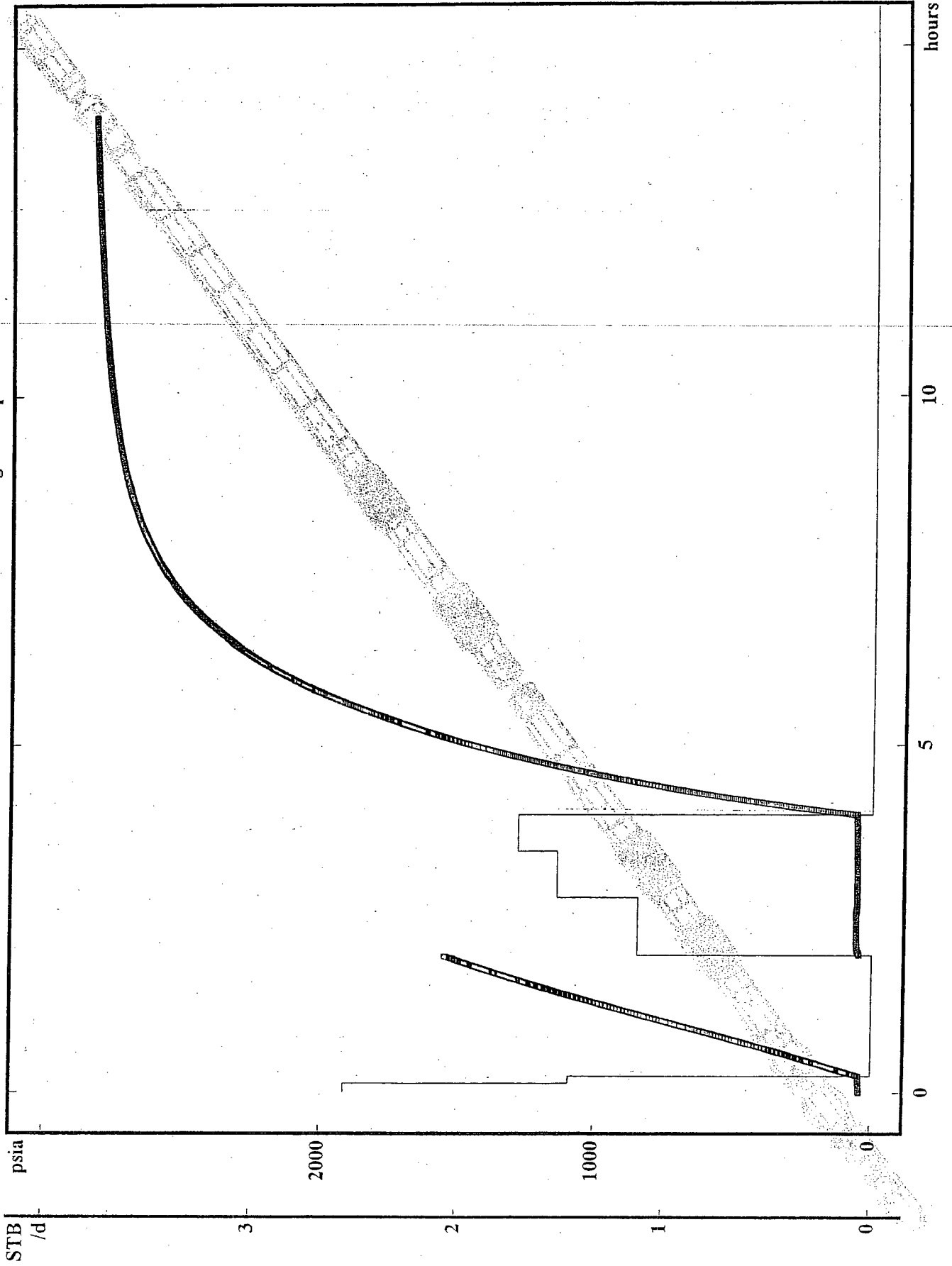
Comments

THE DERIVATIVES INDICATE A RESERVOIR WITH LOW PERMEABILITY AND SLIGHT (POSITIVE) SKIN. THE INITIAL SHUT-IN PERIOD IS DOMINATED BY WELLBORE STORAGE EFFECT WHICH WOULD MAKE ITS CALCULATIONS (EXTRAPOLATION, PERMEABILITY AND SKIN) UNRELIABLE. THE FINAL SHUT-IN PERIOD HAD ACHIEVED RADIAL FLOW AS INDICATED ON DERIVATIVE WITH THE LATE TIME DECREASE BEING INDICATIVE OF SPHERICAL FLOW (PARTIAL PENETRATION) OR POSSIBLY DUE TO VERTICAL FRACTURING. A REGRESSION VERIFIED MODEL ANALYSIS WAS PERFORMED TO BETTER DETERMINE FORMATION PARAMETERS AND IS REPRESENTED BY A SOLID LINE PLOTTED OVER ACTUAL DATA WITH CONFIDENCE INTERVALS (MARGIN OF ERROR) NEXT TO MAJOR PARAMETERS. A PORTION OF THE SKIN FACTOR IS ATTRIBUTABLE TO THE LIMITED FLOW FROM PARTIAL PENETRATION. THE FIXED PARAMETERS USED WERE AN EST. 12% POROSITY, 16 FT. OF NET PAY AND AN AVERAGE (TIME WEIGHTED) PRODUCTION OF 1.44 BBLS. OF OIL FOR THE FINAL FLOW PERIOD. THE RATES WERE BASED ON DENSITY OF FLUID RECOVERED VS. FLOWING PRESSURES. THE TOTAL RADIUS OF INVESTIGATION CALCULATED TO APPROX. 9 FT. FROM WELLBORE.



YATES ENERGY CORP. N. HESS FEDERAL "23" #1

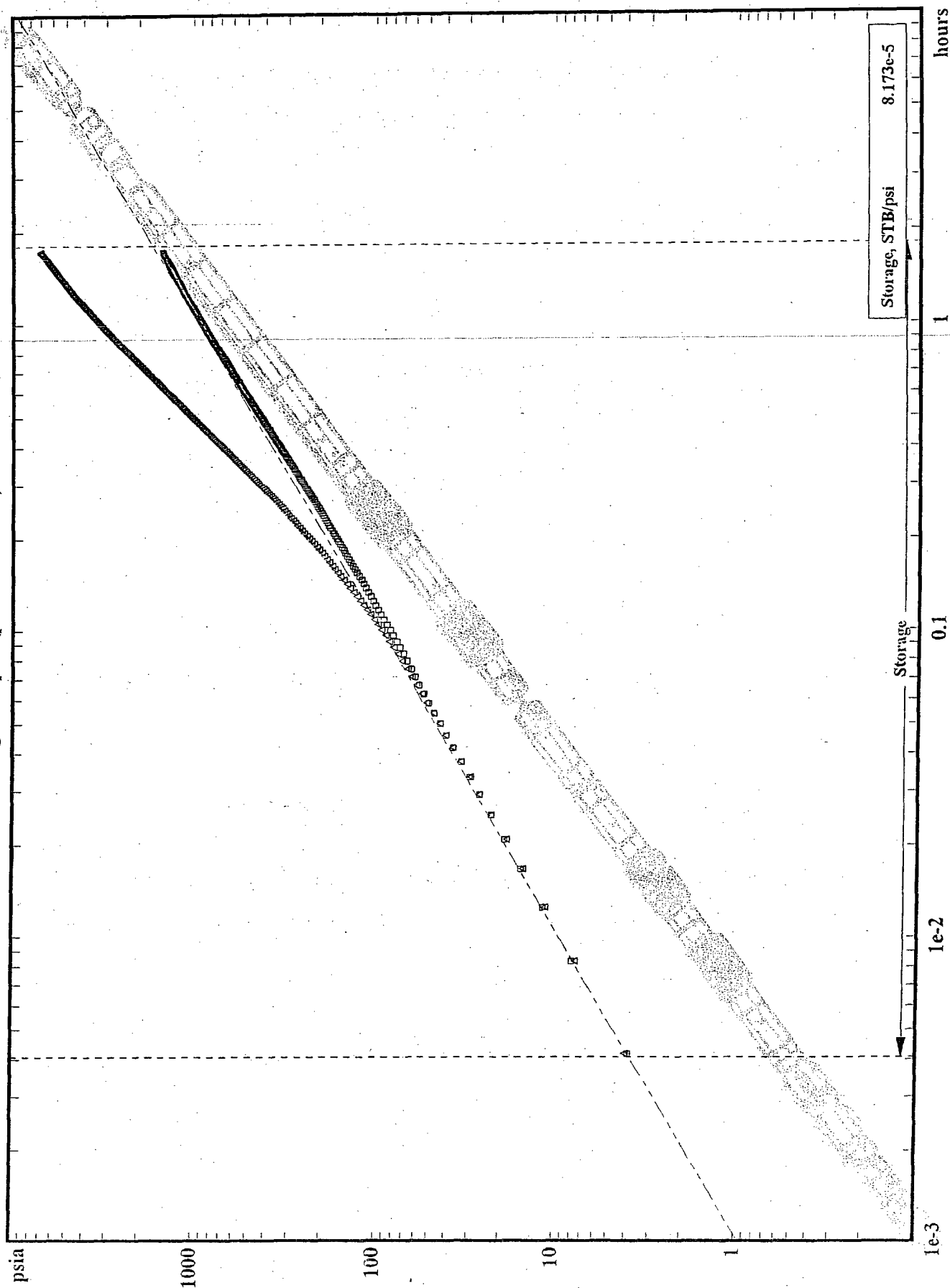
Pressure and flow rate vs time during test sequence



DST #3 7143 - 7210 FT. WOLFCAMP

YATES ENERGY CORP. N. HESS FEDERAL "23" #1

Diagnostic plot (pressure & time)

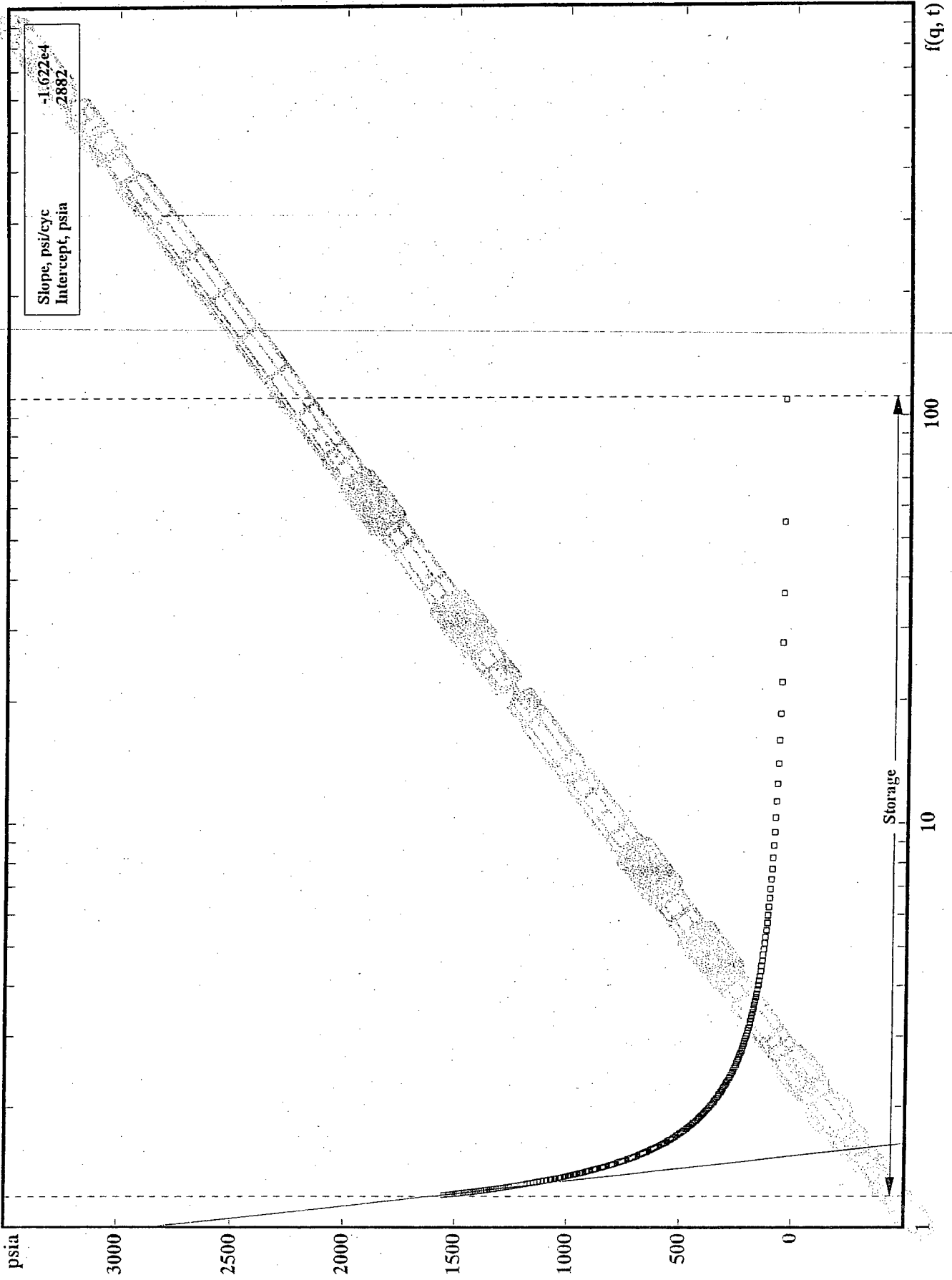


INITIAL SHUT-IN PERIOD DST#3



YATES ENERGY CORP. N. HESS FEDERAL "23" #1

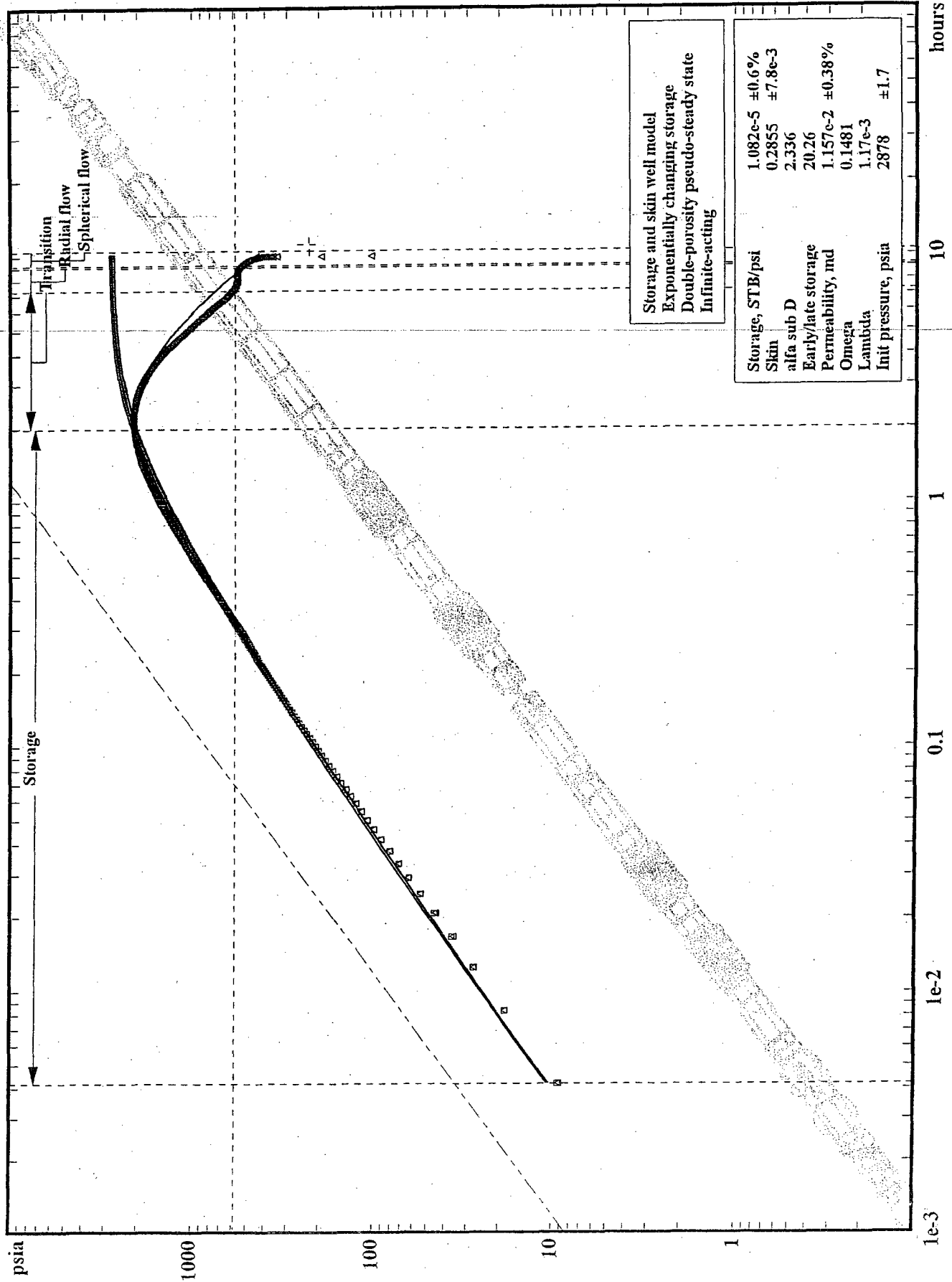
Variable rate Horner plot (pressure & time)



INITIAL SHUT-IN PERIOD DST#3

YATES ENERGY CORP. N. HESS FEDERAL "23" #1

Diagnostic plot (pressure & time)

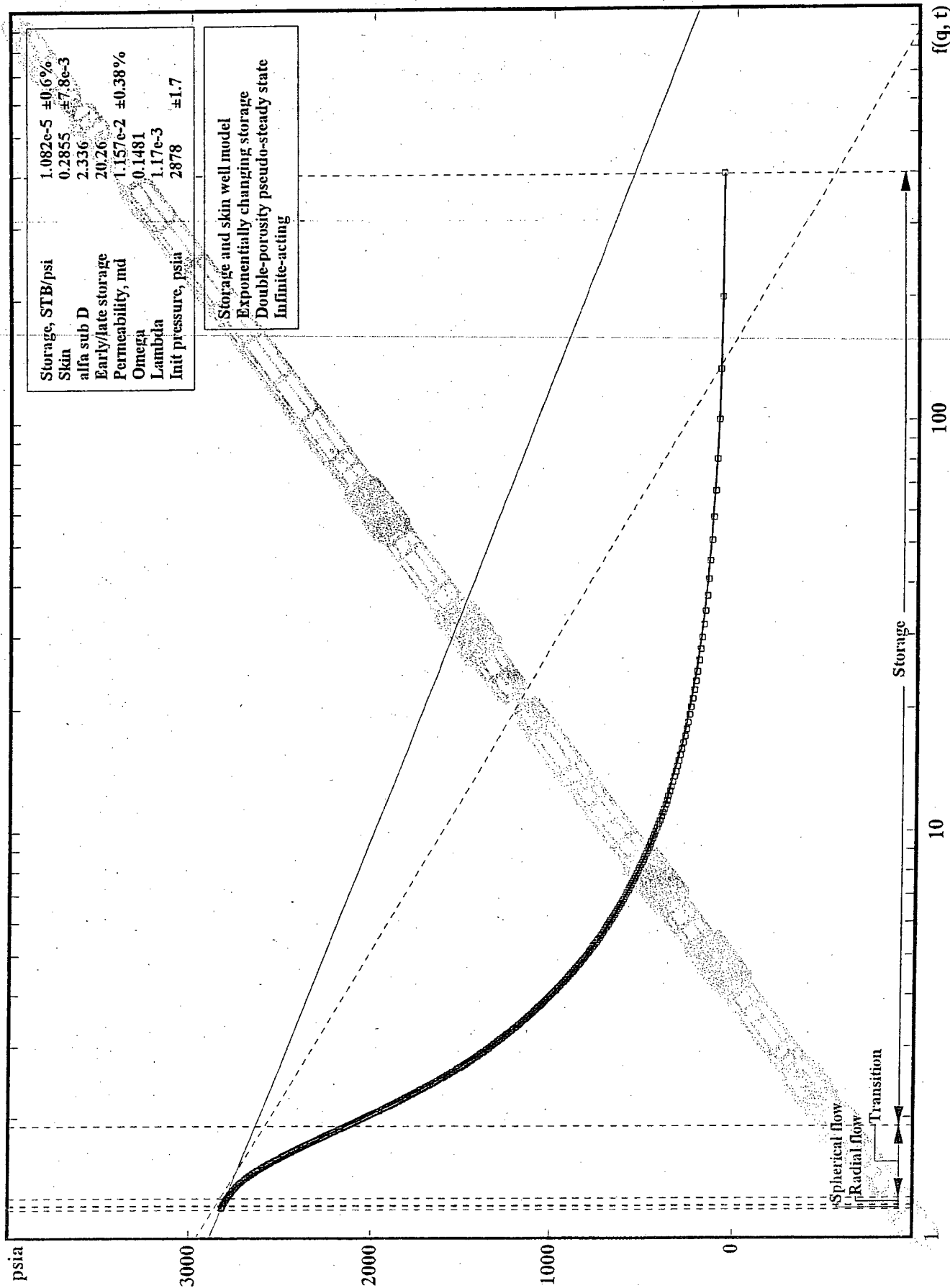


FINAL SHUT-IN PERIOD DST#3 REGRESSION VERIFIED MODEL



YATES ENERGY CORP. N. HESS FEDERAL "23" #1

Variable rate Horner plot (pressure & time)

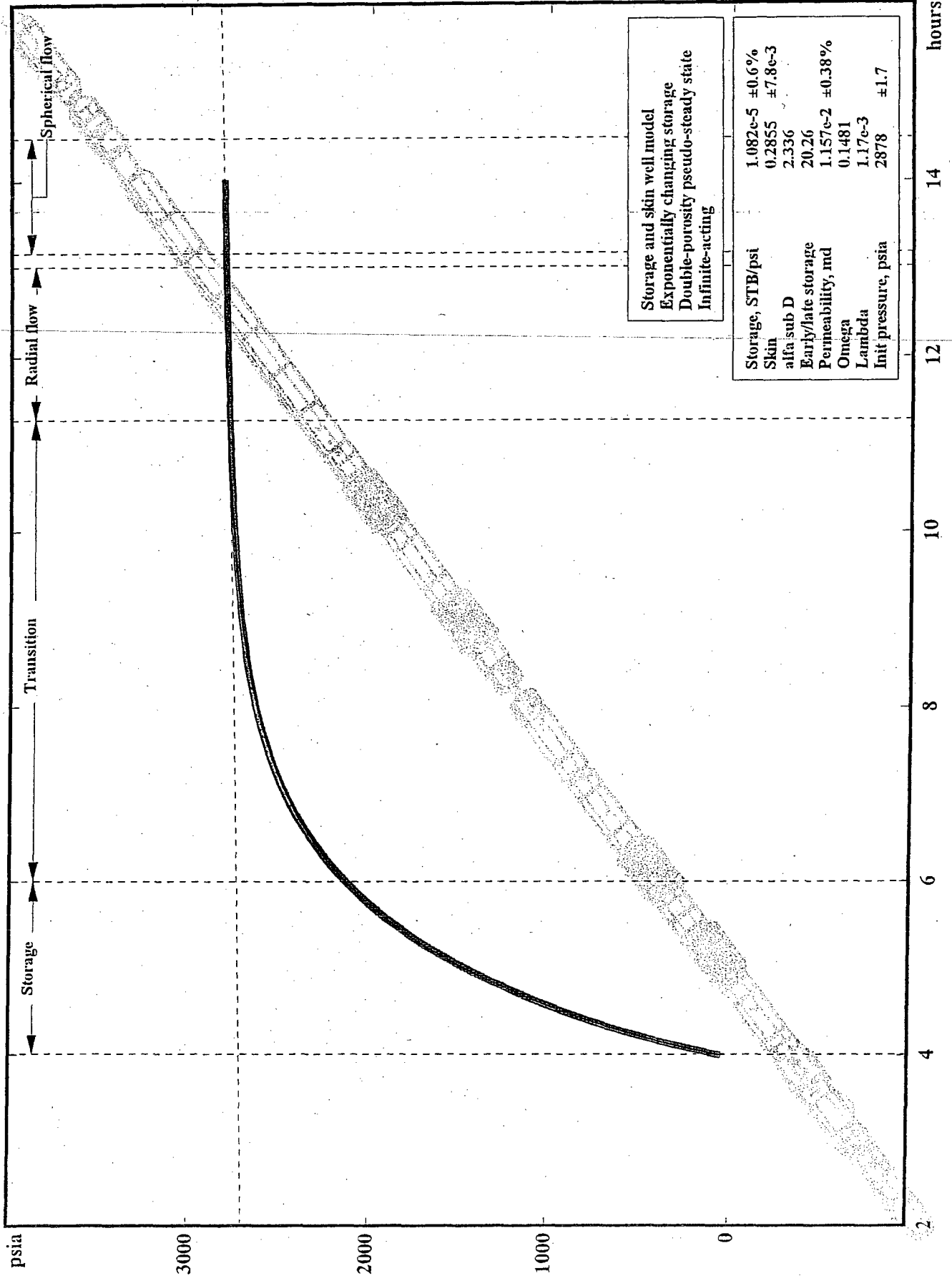


FINAL SHUT-IN PERIOD DST#3 REGRESSION VERIFIED MODEL



YATES ENERGY CORP. N. HESS FEDERAL "23" #1

Cartesian plot (pressure & time)



FINAL SHUT-IN PERIOD DST#3 REGRESSION VERIFIED MODEL