

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

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 <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. NM-37843
2. Name of Operator Yates Energy Corporation		6. If Indian, Allottee or Tribe Name
3a. Address P. O. Box 2323, Roswell New Mexico 88202	3b. Phone No. (include area code) 505-623-4935	7. If Unit or CA/Agreement, Name and/or No.
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 1740' FSL & 660' FEL of Sec. 27, T23S, R23E		8. Well Name and No. Desert Rose Federal No. 1
		9. API Well No. 30-015-26167
		10. Field and Pool, or Exploratory Area Hess Morrow, East (Gas) Bandana
		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			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other _____
	<input type="checkbox"/> Change Plans	<input checked="" type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> 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 recomplate 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.)

- 1.) Cement Plug at top of fish up to 7000' (top of Wolfcamp): Tag.
DUE TO THE DOWN HOLE CONDITIONS OF THIS WELL THE PROCEDURE MAY BE OBSOLETE; WILL CALL BLM OFFICE IF PROBLEMS OCCURE.
- 2.) Set approximately 100' cement plug across parted casing at 2990'; TAG.
- 3.) Perforate 4-1/2" casing at 2612' and squeeze, set 100' plug; TAG.
- 4.) Perforate 4-1/2" casing at 400' and squeeze, set 100' plug; TAG.
- 5.) Perforate 4-1/2" casing at 60', setting surface plug across all annuluses.

Alternatively, operator may choose to circulate cement to surface when setting surface shoe plug (400'). Alexis Swoboda wrote up and approved this procedure, 08/29/2006.

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**



14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed) Sheryl L. Jonas	Title Agent for Yates Energy Corporation
Signature <i>Sheryl L. Jonas</i>	Date 10/04/2006

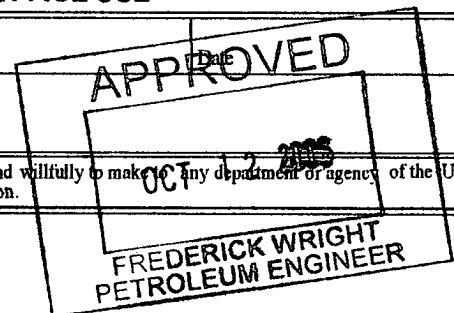
THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by _____	Title _____
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 Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make any statement or representation 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)

Accepted for record
NMOC



To: I&E, CFO - *Darrell*

From: Alexis C. Swoboda, P.E.

Date: August 29, 2006

Re: P&A - Yates Energy
Desert Rose Federal #1
1740' FSL, 660' FEL, Section 27, T. 23 S., R. 23 E.
Eddy County, New Mexico
Lease No. NM-37843
API 30-015-26167

Casing: Surface - 13-3/8" @ 350', cement circulated.
Intermediate - 8-5/8" @ 2562', cement circulated
Production - 4-1/2" @ 10,310', TOC @ 6100'

Current conditions: Perfs - 8872-90', 8808-16'
Top of fish @ approximately 7412'
Casing parted @ approximately 2990'

Recommended plugging procedure:

- 1) Cement plug @ TOF up to 7000' (top of Wolfcamp); TAG.
- 2) Set approximately 100' cement plug across parted casing at 2990'. TAG.
- 3) Perf 4-1/2" casing at 2612' and squeeze, set 100' plug. TAG.
- 4) Perf 4-1/2" casing at 400' and squeeze, set 100' plug. TAG.
- 5) Perf 4-1/2" at 60', setting surface plug across all annuluses.

Alternatively, operator may choose to circulate cement to surface when setting surface shoe plug.

Handwritten notes and signatures:
~~Perf 4-1/2" @ 2612'~~
~~Perf 4-1/2" @ 400'~~
~~Perf 4-1/2" @ 60'~~
 [Signature]

Alexis C. Swoboda

Accepted for record
NMOCD

SUNDRY NOTICE SPECIAL STIPULATIONS

1. The abandonment procedure is modified and approved as follows:
2. With the work string that is already in the well bore, set cement plugs @ 7000', and 4000'. Cut and pull the 4 ½" casing at the 2990' parting. Set a plug 50' below the remaining parted casing. Set plugs @ 2612', 400' and a surface plug. All plugs should be tagged and leave at least 25 sacks of cement inside of the casing. The casing should be perforated for the plug at 4000'.

F Wright 10/12/06

Accepted for record
NMOCD