

YATES PETROLEUM CORPORATION

Sundry Notice: Preston Federal #25

Sec. 34 T20.5S-R23E, 660' S & 2,310' W

Reasons for Plugging Back and Directional Drilling

Yates Petroleum Corporation respectfully requests permission to plug back and sidetrack the Preston Federal #25, a well recently drilled that is currently producing out of the Morrow Formation through casing which is tied on to part of the drillstring/bottom hole assembly which remains in the wellbore. The original well was spud on June 6th, 1998. While drilling the well a kick was taken in the Morrow Formation from 9,136'-9,140'. Several attempts were made to regain control of the well. During these attempts various tools became stuck in the hole.

Below is a list of what is currently in the wellbore. (Top to bottom)

4 1/2" 11.60# J-55 casing from 0'-6,841' (No cement is on the outside of the casing.)

One casing x drillpipe crossover is on bottom of the casing to tie into the drillpipe.

4 1/2" 16.60# drillpipe from 6,841'-8,239'.

RT tool (stabilizer) on top of the drill collars 8,239'-8,241'

Drill collars from 8,241'-9,136'.

Bit sub/bit from 9,136'-9,140'

Listed below are the tools that are inside the casing/drillpipe/drill collars (bottom to top)

2 1/8" strip guns @ 9,110'

2 1/4" bit, 1.68" motor, and a few feet of 1 1/4" coiled tubing on top of motor @ 8,195'.

Some fill (shale chunks, etc.) is probably also in the pipe with the coiled tubing, bit, and motor at 8,195'.

Other characteristics/problems with the original wellbore are listed below.

Bridge in the drillpipe x wellbore annulus from 7,125'-7,500'.

Partial bridge @ 7,940'.

Perforations from 8,128'-8,138', and 8,158'-8,178'.

Yates Petroleum wishes to back off the casing at 6,841' and pull it out of the hole. We then plan to set a 400' (6,400'-6,800') whipstock plug to sidetrack off of. We feel that it would be more economical to plug back and sidetrack rather than trying to fish out the drillstring/bottom hole assembly and run casing with little chance of success. Attached is a wellbore schematic outlining the current conditions of the wellbore, a drilling prognosis outlining our revised casing and cement design, geological tops, mud program, BOPE, etc. for the sidetracked wellbore, and a directional drilling plan outlining our plans for the plugging back and sidetracking of this wellbore.