

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
OCD-HOBBS

FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or reenter 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-63016
2. Name of Operator Yates Petroleum Corporation		6. If Indian, Allottee or Tribe Name
3a. Address 105 South Fourth Street, Artesia, NM 88210	3b. Phone No. (include area code) (505) 748-1471	7. If Unit or CA/Agreement, Name and/o
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Surface: 330' FSL & 1,000' FWL Section 14, T20S-R32E		8. Well Name and No. Belco AIA Federal #2
		9. API Well No. 30-025-38527
		10. Field and Pool, or Exploratory Area Salt Lake Delaware
		11. County or Parish, State Lea, NM

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 checked="" 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 checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Modify Plans
	<input type="checkbox"/> Convert to Injection	<input checked="" type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operations (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 recompleate 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.)

On Wednesday, 12/27/2006, Al Springer, Drilling Engineering Manager for Yates Petroleum Corporation, received verbal approval from Fred Wright with the BLM-Carlsbad office to perform the following procedures on the Belco AIA Fed #2 well: Plug the pilot hole in the above mentioned well back with a cement plug set from 4,200'-4,900'. The horizontal section of the well will then be "kicked off" of the cement plug at approximately 4,200'. Angle will be built as described in the original horizontal drilling plan submitted to the BLM. At approximately 4,820' MD at an approximate angle of 27-29 degrees, 7" intermediate casing will be sat in the Llarar Limestone. After running the 7" casing directional/horizontal drilling operations will resume out from under the 7" casing with a 6 1/8" hole. The 6 1/8" horizontal section will be drilled as per the horizontal drilling plan submitted to the BLM. Once the lateral is drilled, 4 1/2" production casing will be ran and cemented over the lateral. All weights and grades of casing will remain as previously submitted to the BLM.

Sincerely,

14. I hereby certify that the foregoing is true and correct	
Name (Printed/Typed) Cory Frederick	Title Drilling Engineer
Signature <i>Cory Frederick</i>	Date December 27, 2006
THIS SPACE FOR FEDERAL OR STATE USE	
Approved by <i>Chris Williams</i>	OC DISTRICT SUPERVISOR/GENERAL MANAGER
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 JAN 5 2007
Title 18 U.S.C. Section 1001, 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 reverse)