	DEPARTME	ITED STATES INT OF THE INTERIOR OF LAND MANAGEMENT			
	Sundry Not	ices and Reports on W	ells	10V 3C	PM 12 47
				5./	Lease Number
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Name of Operato				7.	Unit Agreement
Address & Phone PO Box 4289, Location of We 1555' FNL, 1845' CHECK APPROPRITUPE of Submission	e No. of Opera Farmington, NM 11, Footage, S 'FEL, Sec.27,	DICATE NATURE OF NOTI	CE, REPORT,	OTHER	Otero Chacra/ Blanco Mesavero Basin Dakota County and Stat San Juan Co, NA DATA
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DISTRICT ! 1625 N. French Dr., Hobbs, N.M. 88240

State of New Mexico Energy, Minerals & Natural Resources Department

Form C-102 Revised August 15, 2000

DISTRICT II 811 South First, Artesia, N.M. 88210

DISTRICT III 1000 Rio Brazos Rd., Azlec, N.M. 87410

OIL CONSERVATION DIVISION 2040 South Pacheco Santa Fe, NM 87505

Submit to Appropriate District Office State Lease — 4 Copies Fee Lease — 3 Copies

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OPERATIONS PLAN

Well Name: Federal A #1M

Surface Location: 1555'FNL, 1845'FEL, Section 27, T-30-N, R-11-W

San Juan County, New Mexico

Latitude 36° 47.2′N, Longitude 107° 58.5′W Otero Chacra/Blanco Mesaverde/Basin Dakota

Elevation: 5961'GR

Formation:

Formation Tops:	Top	Bottom	Contents
Surface	San Jose	1008′	aguifer
Ojo Alamo	1008'	1103'	aquifer
Kirtland	1103'	1787 ′	gas
Fruitland	1787 ′	2344'	gas
Pictured Cliffs	2344'	2490 '	gas
Lewis	2490 ′	3078 ′	gas
Huerfanito Bentonite	3078 ′	3349 ′	gas
Chacra	3349 ′	3930 ′	gas
Massive Cliff House	3930 ′	4055 '	gas
Menefee	4055′	4649 '	gas
Intermediate TD	4205'		
Point Lookout	4649"	5021'	gas
Mancos	5021 ′	5898 ′	gas
Gallup	5898 ′	6637 ′	gas
Greenhorn	6637 ′	6693 '	gas
Graneros	6693 '	6757 '	gas
Dakota	6757 ′	6932 '	gas
Encinal Canyon	6932 ′		
Total Depth	6970 <i>'</i>		

Logging Program:

Cased hole logging - Gamma Ray, Cement bond from surface to TD Open hole logging - none Coring/DST - none

Mud Program:

Interval- MD	Туре	Weight	Vis.	Fluid Loss
0- 230'	Spud	8.4-9.0		no control
230- 4205'	LSND	8.4-9.0	30-60	no control
4205- 6970'	Air/Mist	n/a	n/a	n/a

Pit levels will be visually monitored to detect gain or loss of fluid control.

Casing Program (as listed, the equivalent, or better):

Hole Size	Depth Interval	Csg Size	Weight	Grade
12 1/4"	0' - 230'	9 5/8"	32.3#	H-40
8 3/4"	0' - 4205'	7 ''	20.0/23.0#	J-55
6 1/4"	0' - 6970'	4 1/2"	10.5#	J~55

Tubing Program: 0' - 6970' 2 3/8" 4.7# J-55

BOP Specifications, Wellhead and Tests:

Surface to Intermediate TD -

11" 2000 psi minimum double gate BOP stack (Reference Figure #1). After nipple-up prior to drilling out surface casing, rams and casing will be tested to 600 psi for 30 minutes.

BOP Specifications, Wellhead and Tests (cont'd):

Intermediate TD to Total Depth -

11" 2000 psi minimum double gate BOP stack (Reference Figure #1). After nipple-up prior to drilling out intermediate casing, rams and casing will be tested to 1500 psi for 30 minutes.

Surface to Total Depth -

2" nominal, 2000 psi minimum choke manifold (Reference Figure #3).

Completion Operations -

 $7\ 1/16$ " 2000 psi double gate BOP stack (Reference Figure #2). After nipple-up prior to completion, pipe rams, casing and liner top will be tested to 2000 psi for 15 minutes.

Wellhead -

9 5/8" x 7" x 4 1/2" x 2 3/8" x 2000 psi tree assembly.

General -

- Pipe rams will be actuated once each day and blind rams will be actuated once each trip to test proper functioning.
- An upper kelly cock valve with handle available and drill string valves to fit each drill string will be available on the rig floors at all times.
- BOP pit level drill will be conducted weekly for each drill crew.
- All BOP tests & drills will be recorded in daily drilling reports.
- · Blind and pipe rams will be equipped with extension hand wheels.

Cementing:

9-5/8" surface casing - Well already pre-set.

Saw tooth guide shoe on bottom. Bowspring centralizers will be run in accordance with Onshore Order #2.

7" intermediate casing -

Lead w/381 sx Premium Lite with 3% calcium chloride, 0.25 pps celloflake, 5 pps LCM-1, 0.4% fluid loss, 0.4% sodium metasilicate. Tail with 90 sx Type III cmt w/1% calcium chloride, 0.25 pps celloflake, 0.2% fluid loss (936 cu.ft. of slurry, 50% excess to circulate to surface). WOC minimum of 8 hours before drilling out intermediate casing. If cement does not circulate to surface, a CBL or temp survey will be run to determine TOC. Test casing to 1500 psi for 30 minutes.

7" intermediate casing alternative two stage:
Stage collar set 300' above the top of the Fruitland. First stage:
Lead with 229 sacks Premium Lite cmt w/3% calcium chloride, 0.25
pps Celloflake, 0.4% fluid loss, 5 pps LCM-1, 0.4% sodium
metasilicate. Tail with 90 sacks with Type III cement with 1%
calcium chloride, 0.25 pps Celloflake, 0.2% fluid loss. Second
stage: cement with 152 sacks with Premium Lite cement with 3%
calcium chloride, 0.25 pps Celloflake, 5 pps LCM-1, 0.4% fluid
loss, 0.4% sodium metasilicate (936 cu. ft.-50% excess to
circulate to surface).

Cement nose guide shoe on bottom with float collar spaced on top of shoe joint. Bowspring centralizers spaced every fourth joint off bottom, to the base of the Ojo Alamo at 1103'. Two turbolating centralizers at the base of the Ojo Alamo at 1103'. Bowspring centralizers spaced every fourth joint from the base of the Ojo Alamo to the base of the surface casing.

4 1/2" Production Casing - Pump 253 sxs Premium Lite HS FM w/0.25 pps celloflake, 0.3% CD-32, 6.25 pps LCM-1, 1% fluid loss, 6% gel, 7 pps CSE (500 cu.ft., 30% excess to cement 4 1/2" x 7" overlap). WOC a minimum of 18 hrs prior to completing.

Note: If open hole logs are run, cement volumes will be based on 25% excess over caliper volumes.

Cement nose guide shoe on bottom with float collar spaced on top of shoe joint. The liner hanger will have a rubber packoff.

• If hole conditions permit, an adequate water spacer will be pumped ahead of each cement job to prevent cement/ mud contamination or cement hydration.

Special Drilling Operations (Air/Mist Drilling):

The following equipment will be operational while gas/mist drilling:

- An anchored blooie line will be utilized to discharge all cuttings and circulating medium to the blow pit a minimum of 100' from the wellhead.
- The blooie line will be equipped with an automatic igniter or pilot light.
- Compressors will be located a minimum of 100' from the wellhead in the opposite direction from the blooie line.
- Engines will have spark arresters or water cooled exhaust.
- The rotating head will be properly lubricated and maintained.
- A float valve will be utilized above the bit.
- Mud circulating equipment, water, and mud materials will be sufficient to maintain control of the well.

Additional Information:

- The Chacra, Mesa Verde, and Dakota formations will be completed and commingled.
- No abnormal temperatures or hazards are anticipated.
- Anticipated pore pressures are as follows:

Fruitland Coal 150 psi Pictured Cliffs 260 psi Mesa Verde 375 psi Dakota 1000 psi

- Sufficient LCM will be added to the mud system to maintain well control, if lost circulation is encountered below the top of the Pictured Cliffs.
- The northeast quarter of Section 27 is dedicated to the Chacra and the north half of Section 27 is dedicated to the Mesaverde and Dakota in this well.
- This gas is dedicated.

Slan lorrigan

Drilling Engigeer

Slovenber 29, 2004

Date