

Submit 3 Copies To Appropriate District
Office
District I
1625 N French Dr , Hobbs, NM 88240
District II
1301 W Grand Ave , Artesia, NM 88210
District III
1000 Rio Brazos Rd , Aztec, NM 87410
District IV
1220 S St Francis Dr , Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO.
30-045-26077

5. Indicate Type of Lease
STATE ☐ FEE ☒

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name
Monte Carlo

8. Well Number **2**

9. OGRID Number

10. Pool name or Wildcat
Wildcat Gallup

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH
PROPOSALS)

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

2. Name of Operator
Dugan Production Corp. c/o BHP Billiton San Juan Coal

3. Address of Operator
PO Box 561, Waterflow, NM 87421 (505) 598-2000

4. Well Location
Unit Letter **M** : **800** feet from the **South** line and **910** feet from the **West** line
Section **24** Township **30N** Range **15W** NMPM **San Juan** County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
5365 ' GL ' KB

Pit or Below-grade Tank Application ☐ or Closure ☐

Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____

Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☒
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Dugan Production as the operator, desires BHP Billiton San Juan Coal to plug and abandon this well per the attached procedure.

RCVD JAN 25 '12
OIL CONS. DIV.
DIST. 3

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Derek Rawson TITLE Superintendent Business Analysis DATE 1/24/2012

Derek Rawson

Type or print name E-mail address: Derek.rdj.rawson@bhbilliton.com Telephone No. 505-598-3265

For State Use Only

APPROVED BY: Bob Dahl TITLE Deputy Oil & Gas Inspector, District #3 DATE 1-27-12

Conditions of Approval (if any):

A

PLUG AND ABANDONMENT PROCURE

January 24, 2012

Monte Carlo #2

Page 1 of 3

Basin Dakota / Wildcat Gallup
800' FSL and 910' FWL, Section 24, T30N, R15W
San Juan County, New Mexico / API 30-045-26077

Note: All cement volumes use 100% excess outside pipe and 50' excess inside. The stabilizing wellbore fluid will be water or drilling mud with sufficient weight to balance all exposed formation pressures. Cement is Class B mixed at 15.6 ppg with 1.18 cf/sxs yield or Class B with 18% salt by weight of water (for expansion, MSHA requirement through the Fruitland Coal zone).

MILLING OUT CASING AND PLUGGING PROCEDURE:

1. This project requires a NMOCD C-144 CLEZ Closed-Loop System Permit for the use of an A-Plus steel tank to handle waste fluids circulated from the well and cement wash up.
2. Comply with all applicable MSHA, NMOCD, BLM and BHP Billiton safety regulations. Conduct safety meeting for all personnel on location. MOL and RU daylight pulling unit. Lay relief line to the waste pit and blow well down, kill well with water as necessary. ND wellhead and NU BOP. Test BOP. Pull rod and tubing from well if present.
3. Rods: Yes ☐ , No ☐ , Unknown ☐
Tubing: Yes ☒ , No ☐ , Unknown ☐ , Size 2-3/8" , Length 4989'
Packer: Yes ☐ , No ☒ , Unknown ☐ , Type
If this well has rods, a packer or tubing anchor, then modify the work sequence in step #2 appropriate.
4. Round trip 4.5" gauge ring to 5380'. Pump 100 bbls of water and attempt to circulate the well clean.
5. **Plug #1 (Dakota perforations and top, 5376' – 5276')**: RIH and set 4.5" CR at 5376'. Pressure test the tubing to 1000 PSI. Pump 100 bbls of water down the tubing, attempt to circulate the well. Mix 20 sxs Class B cement and spot a balanced plug inside the casing to cover the Dakota top. PUH and WOC. Tag cement. TOH with tubing.
6. **Plug #2 (Gallup perforations and top, 4473' – 4373')**: RIH and set 4.5" CR or wireline CIBP at 4473'. Load the casing with water and circulate the well clean. Pressure test casing to 1000 PSI. *If the casing does not test then spot or tag plugs as appropriate.* Rig up wireline truck and **run a CBL log** to determine the TOC for each stage. Modify the following plugs as appropriate. Mix 20 sxs Class B cement and spot a balanced plug to isolate the Gallup interval. PUH to 3650'.
7. **Plug #3 (Mancos, 3550' – 3650')**: With workstring at 3650'. Mix 12 Class B sxs cement and spot a balance plug to cover the Mancos top PUH to 2336'.

PLUG AND ABANDONMENT PROCEDURE

January 24, 2012

Monte Carlo #2

Page 2 of 3

Plugging Procedure Continued:

8. **Plug #4 (Mesaverde top, 2336' – 2236'):** With workstring at 2336'. Mix 12 Class B sxs cement and spot a balanced plug to cover the Mesaverde top. TOH with tubing.
9. **Rig up Jet West wireline and run a Gamma - Neutron log and a directional survey log. Adjust the milling intervals as appropriate from these logs.** All reported depths should be from ground level.
10. **Perforate the 4.5" casing below the Basel Fruitland Coal Seam (#8):** [after making the correcting depth adjustments]: Perforate 6 squeeze holes in a 2 foot interval from 890' to 892'. Attempt to establish a rate into these squeeze holes, up to 1500 PSI. If the CBL log indicates less than adequate cement quality in the 4.5" x 7-7/8" openhole annulus from 890' to 700', then perforate at the appropriate depth(s) from the CBL and attempt to establish an injection rate into the annulus after each set of perforations. (May need to perforate every 50' if necessary at 840', 790' and 740'). Then set a 4.5" wireline cement retainer at the appropriate depth depending on if and at what depth an injection rate was established. If no injection rate(s) were obtained, then set a CR at 860' and pressure up to 2500 PSI. If the CR is set at a different depth, then modify the following plug as appropriate.
11. **Plug #5 (Pictured Cliffs interval, 890' – 700'):** TIH with workstring and sting into CR. Establish rate below the CR and into the squeeze holes. Mix and pump 72 sxs Class B cement with 18% salt (by weight of water), squeeze 49 sxs outside 4.5" casing and leave 23 sxs inside the 4.5" casing. PUH out of the cement and then pressure up on the casing to 1000 PSI. Hesitation squeeze the exposed perforations as appropriate. After WOC for 2 hours, TIH and reverse circulate the casing clean at 680'. TOH with workstring. WOC.
12. After WOC, TIH with bit and drill collars and clean out to 700'. TOH with bit.
13. PU a flat bottom mill, the 3.875" section milling tool and the 6 - 4-1/2" drill collars (this is the under reaming bottom hole assembly, BHA). TIH with BHA and work string to 665'. Rig up drilling equipment and establish circulation with a high viscosity low solids fresh water mud.
14. **Note: The intervals to be milled out below are from ground level - not KB.**
15. **Mill out the 4.5" casing from 675' to 690'.** Start milling out the 4.5" casing from 675' to 690'. Mill per the tool hands instructions for weight on mill, circulation rate and power swivel's RPM. Circulate well clean with mud. TOH with section mill and workstring; stand back the drill collars. TIH with bit and clean out to 655'. Circulate the well clean. TOH with the bit.

PLUG AND ABANDONMENT PROCEDURE

December 28, 2011

Monte Carlo #2

Page 3 of 3

Plugging Procedure Continued:

16. Rig up a wireline truck and run a caliper log through the milled interval to insure all the 4.5" casing from the planned milling depths (675' – 690') has been removed. Re-mill as appropriate. Re-log as necessary.
17. **Perforate the 4.5" casing with 3 SPF at 542' and 538'.** This is the top and bottom of Coal Seam #9 and the depths should be modified as appropriate from the logs run in step #8.
18. **Plug #6 (Pictured Cliffs top and Fruitland Coal interval, 700' – 290'):** TIH with workstring to approximately 700' and circulate the mud from the well. Then pump an additional 5 bbls fresh water spacer ahead of the cement. Mix 52 sxs cement with 18% salt (by weight of water) and spot a balanced plug from 700' up to 290' to fill the milled interval. Displace cement with water. TOH with workstring and shut the casing valve. Then hesitation squeeze the cement down to approximately to 290' inside the 4.5" casing up to 1500 PSI.
19. WOC. Then TIH with tubing and tag cement. Pressure test the 4.5" casing to 800#.
20. **Plug #7 (8.625" Surface casing shoe, 256' to Surface):** Connect the pump line to the bradenhead valve. Pressure test the BH annulus to 300#; note the fluid volume to load. If the BH annulus tests, then mix approximately 20 sxs cement with or without 18% salt cement and spot a balanced plug inside the 4.5" casing from 256' (or TOC) to surface to cover the 8.625" surface casing shoe. TOH and LD the tubing. If the BH annulus does not test, then perforate at the appropriate depth and fill the bradenhead annulus and 4.5" casing with cement to surface. TOH and LD tubing. Shut in well and WOC.
21. ND BOP and cut off wellhead below surface. Install P&A marker with cement to comply with regulations. RD, MOL. Cut off anchors and clean up location.

Monte Carlo #2

Current Well

Basin Dakota / Wildcat Gallup

800' FSL, 910' FWL, Section 24, T-30-N, R-15-W, San Juan County, NM

Lat: _____ N / Long: _____ W API #30-045-26077

Today's Date: 1/24/12

Spud: 11/1/84

DK Completion: 3/11/85

GL Completion: 10/9/90

Elevation 5321' GL

12.25" hole

Fruitland @ 340'

Fruitland Coal Seam #9 538' – 542'

Fruitland Coal Seam #8. 665' – 680'

Pictured Cliffs @ 680'

Mesaverde @ 2286'

Mancos @ 3600

Gallup @ 4515'

Dakota @ 5364'

7 875" Hole

Cement Circulated to surface.
100% excess of open hole volume

8.625", 24#, H-40 Casing set @ 206'
Cement with 159 cf, circulate to surface

2-3/8" tubing at 4989'

DV Tool @ 1077'
3rd Stage Cmt with 538 cf
(Cir ¼ bbls cement to surface)

2nd Stage TOC – Unknown

DV Tool @ 3637'
2nd Stage Cmt with 974 cf

1st Stage TOC – Unknown

Gallup Perforations.
4523' – 4997'

Dakota Perforations:
5426' – 5636'

4.5" 10.5# J-55 casing set @ 5598'
1st Stage Cmt with 461 cf

TD 5600'
PBTD 5545'

Monte Carlo #2 **Proposed Mine P&A**

Basin Dakota / Wildcat Gallup

800' FSL, 910' FWL, Section 24, T-30-N, R-15-W, San Juan County, NM

Lat _____ N / Long: _____ W API #30-045-26077

Today's Date: **1/24/12**

Spud: 11/1/184

DK Completion: 3/11/85

GL Completion: 10/9/90

Elevation: 5321' GL

12 25" hole

Fruitland @ 340'

Note: These coal seam depths are approximate and need to be revised after logging and be reported from ground level.

Fruitland Coal Seam #9: 538' – 542'

Fruitland Coal Seam #8: 665' – 680'

Pictured Cliffs @ 680'

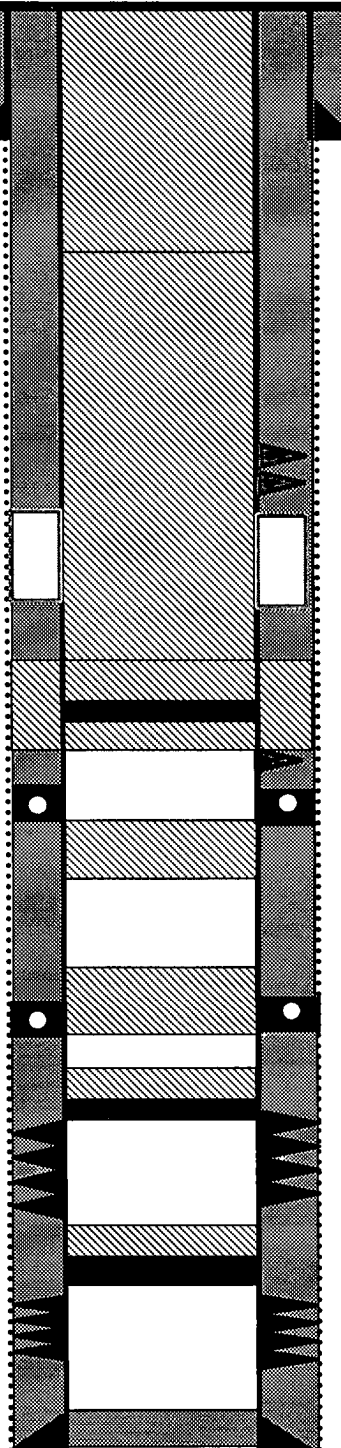
Mesaverde @ 2286'

Mancos @ 3600'

Gallup @ 4515'

Dakota @ 5408'

7 875" Hole



Cement Circulated to surface:
100% excess of open hole volume

8 625", 24#, H-40 Casing set @ 206'
Cement with 159 cf, circulate to surface

Plug #7: 256' - Surface'
Class B cement, 20 sxs

Plug #6: 700' – 290'
Class B cement, 52 sxs

Perforate @ 538'

Perforate @ 542'

**Mill out casing
from 675' to 690'**

Plug #5: 890' - 700'
Class B cement, 72 sxs
23 sxs in and 49 sxs out

Set CR @ 860'

Perforate @ 890'

DV Tool @ 1077'
3rd Stage: Cmt with 538 cf

Plug #4: 2336' – 2236'
Class B cement, 12 sxs

Plug #3: 3650' - 3550'
Class B cement, 12 sxs

DV Tool @ 3637'
2nd Stage: Cmt with 974 cf

Set CIBP @ 4473'

Gallup Perforations:
4523' – 4997'

Plug #2: 4473' - 4373'
Class B cement, 20 sxs

Set CR @ 5376'

Dakota Perforations:
5426' – 5436'

Plug #1: 5376' - 5276'
Class B cement, 20 sxs

4.5" 10.5# J-55 casing set @ 5598'
1st Stage: Cmt with 461 cf

TD 5600'
PBTD 5545'