

Form 3160-5
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

2006 DEC 11 PM 1:02

FORM APPROVED

Budget Bureau No. 1004-0135
Expires: November 30, 2000

5. Lease Serial No.
NMSF-078863

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

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.

RECEIVED
OTO FARMING

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		8. Well Name and No. Krause #7
2. Name of Operator M&G Drilling Company, Inc. NM OGRID # 141852		9. API Well No. 30-045-06980
3a. Address PO Box 5940, Farmington, NM 87499-5940	3b. Phone No. (include area code) (505) 325-6779	10. Field and Pool, or Exploratory Area Basin Fruitland Coal
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Unit M, 990' FSL, 990' FWL Sec. 33, T28N, R11W		11. County or Parish, State San Juan, 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 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 recompleation 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.)

M&G Drilling Company, Inc plans to plug and abandon this well per the attached procedure.

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

Name (Printed/Typed)

Miranda Wells

Title

Production Assistant

Signature

Miranda Wells

Date

12/07/2006

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Original Signed: Stephen Mason

Title

Date

DEC 12 2006

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 operation thereon.

Office

Title 18 U.C.S. Section 1001 and Title 43 U.S.C. Section 1212, makes it a crime for any person knowingly and willfully to make any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

NMOCD

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PLUG AND ABANDONMENT PROCEDURE

October 24, 2006

Krause #7

Basin Fruitland Coal
990' FSL & 990' FWL, Section 33, T28N, R11W
San Juan County, New Mexico, API #30-045-06980

Note: All cement volumes use 100% excess outside pipe and 50' excess inside pipe. The stabilizing wellbore fluid will be 8.3 ppg, sufficient to balance all exposed formation pressures.
All cement will be ASTM Type III, mixed at 14.8 ppg with a 1.32 cf/sx yield.

1. Install and test location rig anchors. Prepare blow pit. Comply with all NMOCD, BLM, and M&G safety regulations. MOL and RU daylight pulling unit. Conduct safety meeting for all personnel on location. NU relief line and blow down well; kill with water as necessary. ND wellhead and NU BOP. Test BOP.
2. TOH and tally 61 joints 2.375" tubing, total tally, 1895'. Note: SN at 1896' and Mud Anchor at 1909'. If necessary LD tubing and PU workstring. Round trip 5.5" gauge ring or casing scraper to 1820'.
3. **Plug #1 (Pictured Cliffs and Fruitland Coal perforations and top, 1914'– 1540')**: TIH and set CR at 1820'. Pressure test tubing to 1000#. Load casing. Attempt to pressure test casing to 800#. *If casing does not test, then spot or tag subsequent plugs as appropriate.* Mix 55 sxs Type III cement, squeeze 20 sxs below cement retainer to isolate PC interval and fill the Fruitland Coal perforations; leave 35 sxs above CR to cover the Fruitland top. TOH with tubing.
4. **Plug #2 (Kirtland and Ojo Alamo tops, 922' – 740')**: Perforate 3 squeeze holes at 922'. Attempt to establish rate into squeeze holes if the casing pressure tested. Set 5.5" cement retainer at 872'. Establish rate into squeeze holes. Mix and pump 72 sxs cement, squeeze 48 sxs outside the casing and leave 24 sxs inside casing to cover the Kirtland and Ojo Alamo tops. TOH and LD tubing.
5. **Plug #3 (8.625" casing shoe and surface, 149' - Surface)**: Perforate 3 squeeze holes at 149'. Establish circulation out the bradenhead valve with water. Mix and pump approximately 50 sxs cement down the 5.5" casing to circulate good cement out bradenhead valve from 149'. Shut well in and WOC.
6. ND BOP and cut off wellhead below surface casing flange. Install P&A marker with cement to comply with regulations. RD, MOL and cut off anchors. Restore location per BLM stipulations.

Krause #7

Current

Basin Fruitland Coal

990' FSL & 990' FWL, SW, Section 33, T-28-N, R-11-W

San Juan County, NM / API #30-045-06980

Today's Date: 10/24/06

Spud: 8/1/55

PC Completion: 8/15/55

FT Completion: 11/10/92

Elevation: 6109' KB

Ojo Alamo @ 790'

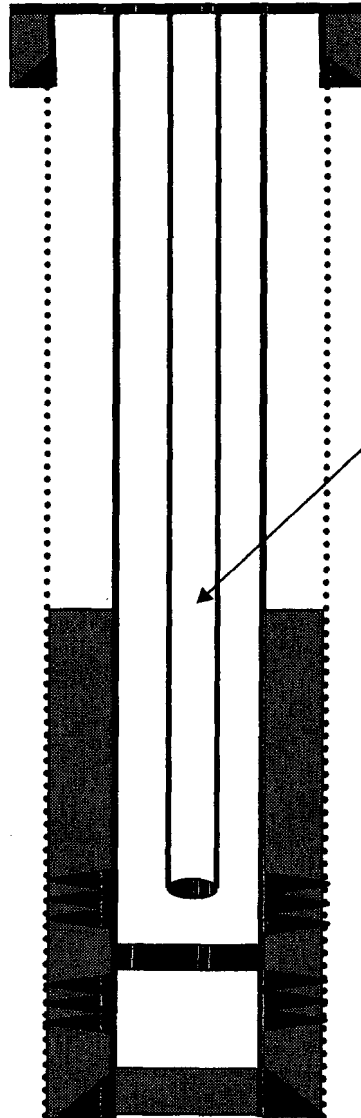
Kirtland @ 872'

Fruitland @ 1590'

Pictured Cliffs @ 1915'

12.25" hole

7.875" hole



8.625" 24# Casing set @ 99'
Cement with 50 sxs (Circulated to Surface)

WELL HISTORY

Nov '92: Set CIBP at 1914' to T&A the PC zone and re-complete well as a Fruitland Coal well.

Feb '97: Change out tubing; land at 1896'.

Feb '01: Change out tubing; land at 1895'.

2.375" tubing at 1895'
(61 joints, 4.7# J-55, SN @ 1896',
Mud Anchor at 1909')

TOC @ 1445' (Calc, 75%)

Fruitland Coal Perforations:
1870' - 1910'

CIBP set at 1914' (1992)

Pictured Cliffs Perforations:
1916' - 1928'

5.5" 14# K-55 Casing set @ 1959'
Cemented with 100 sxs (118 cf)

TD 1966'
PBTD 1914'

Krause #7
Proposed P&A
 Basin Fruitland Coal
 990' FSL & 990' FWL, SW, Section 33, T-28-N, R-11-W
 San Juan County, NM / API #30-045-06980

Today's Date: **10/24/06**
 Spud: 8/1/55
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 Elevation: 6109' KB

Ojo Alamo @ 790'

Kirtland @ 872'

Fruitland @ 1590'

Pictured Cliffs @ 1915'

