

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

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.*

5. Lease Serial No.
SF-077710
6. If Indian, Allottee or Tribe Name
7. If Unit or CA/Agreement, Name and/or No.

SUBMIT IN TRIPPLICATE - 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. HARDIE #62 |
| 2. Name of Operator M&G Drilling Company, Inc. C/O KM Production Company | | 9. API Well No. 30-045-22311 |
| 3a. Address PO Box 2406, Farmington, NM 87499 | 3b. Phone No. (include area code) (505) 326-2659 | 10. Field and Pool, or Exploratory Area BASIN FRUITLAND COAL |
| 1. Location of Well (Footage, Sec., T., R., M., or Survey Description) 935' FSL & 1010' FEL, Sec. 14, T29N, R12W | | 11. County or Parish, State San Juan, New Mexico |

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

3. 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.)

In response to your letter dated March 20, 2001 concerning this well, and as an update to the response sent by Sundry Notice dated 6/7/01:

M&G Drilling Company now plans to plug back this well and recompleate in the Fruitland Coal formation. The procedure for this work is attached for your information and approval. Also provided is a Well Location and Acreage Dedication plat for the Fruitland Coal formation for this well. A request for Unorthodox Location approval has been sent to the NMOCD.

| | |
|-------------------------------------------------------------|----------------|
| 14. I hereby certify that the foregoing is true and correct | |
| Name (Printed/Typed) Kevin McCord | Title Agent |
| Signature <i>Kevin H. McCord</i> | Date 6/13/2001 |

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

| | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------------|
| Approved by | Title | Date 6/15/01 |
| 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.S.C. 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

**M&G DRILLING COMPANY
HARDIE #62
935 FSL & 1010 FEL (SESE)
SECTION 14, T29N, R12W
SAN JUAN COUNTY, NEW MEXICO**

FRUITLAND COAL RECOMPLETION PROCEDURE

FORMATION TOPS:

| | |
|-----------------|---------|
| Ojo Alamo | 440 ft |
| Kirtland | 1010 ft |
| Fruitland | 1180 ft |
| Pictured Cliffs | 1768 ft |

CURRENT STATUS:

CASING:

| | |
|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| SURFACE - | 8 5/8" 24 #/ft K55 casing @ 140 ft, circulated to surface |
| LONGSTRING - | 4 1/2" 10.5 #/ft K55 casing @ 1931 ft, cemented with 150 sx Haliburton "Light" cement with 12% gel, tailed by 125 sx 50/50 pozmix cement with 6 1/4 #/sx gilsonite and 6 #/sx salt, circulated to surface |

TUBING: 1 1/4" 2.4 #/ft J55 10RD EUE tubing @ 1791 ft (56 jts)

| | | |
|-------------------------------|-----------|-----------------|
| EXISTING PERFORATIONS: | 1773-1786 | |
| | 1790-1794 | Pictured Cliffs |
| | 1842-1851 | |

PBTD: 1885 ft

1. Set anchors if necessary. Dig and fence reserve pit. Install 2" blow down lines.
2. Move in and rig up completion unit. Blow down well. Nipple down wellhead and nipple up BOP. Check and replace wellhead valves if necessary.
3. Pick up 3 joints of 1 1/4" tubing and tag fill. Trip 1 1/4" tubing out of hole and lay down on float. Talley tubing.
4. Rig up wireline company. Run GR-CLL from PBTD to 1100 ft for correlation. Set CIBP at 1772 ft, just above top Pictured Cliffs perforation.
5. Rig up pump truck. Pressure test casing and CIBP to 2500 psi.

6. Perforate the Fruitland Coal interval with 3 1/8" casing gun as follows:

| | | | |
|-----------------------|-------------|-----------------|------------------------|
| 1520 - 1525 ft | 5 ft | 11 holes | |
| 1616 - 1623 ft | 7 ft | 15 holes | |
| 1704 - 1710 ft | 6 ft | 13 holes | |
| 1722 - 1726 ft | 4 ft | 9 holes | |
| <u>1757 - 1762 ft</u> | <u>5 ft</u> | <u>11 holes</u> | |
| Total | 27 ft | 59 holes | .40" diameter - 2 JSPF |

7. Pick up bridge plug and packer combination and 2 3/8" 4.7#/ft J55 EUE tubing. Set tubing at bottom perforation and spot 500 gallons of 7 1/2% DI HCl acid across perforation interval.
8. Move bridge plug and packer combination up hole and selectively break down each set of Fruitland Coal perforations. Record injection rate and pressure and shut down pressures for each zone. Trip tubing, packer, and bridge plug out of hole.
9. Fracture stimulate the Fruitland Coal formation with 52,500 gallons of 70 quality foam using 20# linear gelled fluid containing 100,000 lbs of 20-40 mesh Arizona sand as follows:

10,000 gals of 70 qual foam pad
10,000 gals of 70 qual foam with 1 ppg 20-40 sand
15,000 gals of 70 qual foam with 2 ppg 20-40 sand
10,000 gals of 70 qual foam with 3 ppg 20-40 sand
7,500 gals of 70 qual foam with 4 ppg 20-40 sand
1,000 gals of 70 qual foam flush

Desired rate: 30 BPM

Expected treating pressure: 2100 psi

ALL WATER TO CONTAIN 2% KCL, 1/2 GAL/1000 CLAY STABILIZATION AGENT, AND BACTERIACIDE

SAND TO CONTAIN RADIOACTIVE TRACER MATERIAL

10. Shut well in for 3 hours. Blow well back to a pit through a 1/4" choke nipple. Flow well until it dies.
11. Trip in hole with a notched collar on 2 3/8" tubing and tag sand fill. Circulate sand from well. Use sand pump if circulation is lost.
12. Land tubing at approximately 1760 ft in lowest Fruitland Coal perforations.
13. Nipple down BOP. Nipple up wellhead. Swab well in as necessary.
14. Run log to locate tracer material as well dictates.