

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED
BLM

FORM APPROVED
OMB No. 1004-0135
EXPIRES: July 31, 1998

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to deepen or re-enter an
abandoned well. Use form 3160-3 (APD) for such proposals.
SUBMIT IN TRIPLICATE - Other instruction on reverse side.

5. Lease Serial No.
NM83503

6. If Indian, Alottee or Tribe Name

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

8. Well Name and No.
GRASSY CANYON #4 (CNG #3955)

9. API Well No.
30-045-28480

10. Field and Pool, or Exploratory Area
BASIN FRUITLAND COAL

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 checked="" type="checkbox"/> Other CAVITATION WORK AND WORKOVER
	<input type="checkbox"/> Change Plans <input type="checkbox"/> Plug and Abandonment <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 Operations (Clearly state all pertinent details, including estimated starting date of any proposed work and approximate dura thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent 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 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 sha once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation have been completed, and the has determined that the site is ready for final inspection.)

CNG Producing Company request permission to perform cavitation work on the Grassy Canyon #4 well located Sec. 31-T32N-R7W, San Juan County, New Mexico per the attached workover procedure.

The surface location from the original well is shared with the Grassy Canyon #3 well. The number #4 well was drilled directionally due to the terrain. The original well pad is still there along with the flowlines. The reserve pit, however, has been filled in and reseeded as required by BLM. To reenter the Grassy Canyon #4 well would require minimum additional surface disturbance.

Verbal approval to workover the Grassy Canyon #4 well was given to Sue Sachitana with CNG Producing Company by Wayne Townsend of the BLM on 9/18/98 at 11:30 AM.

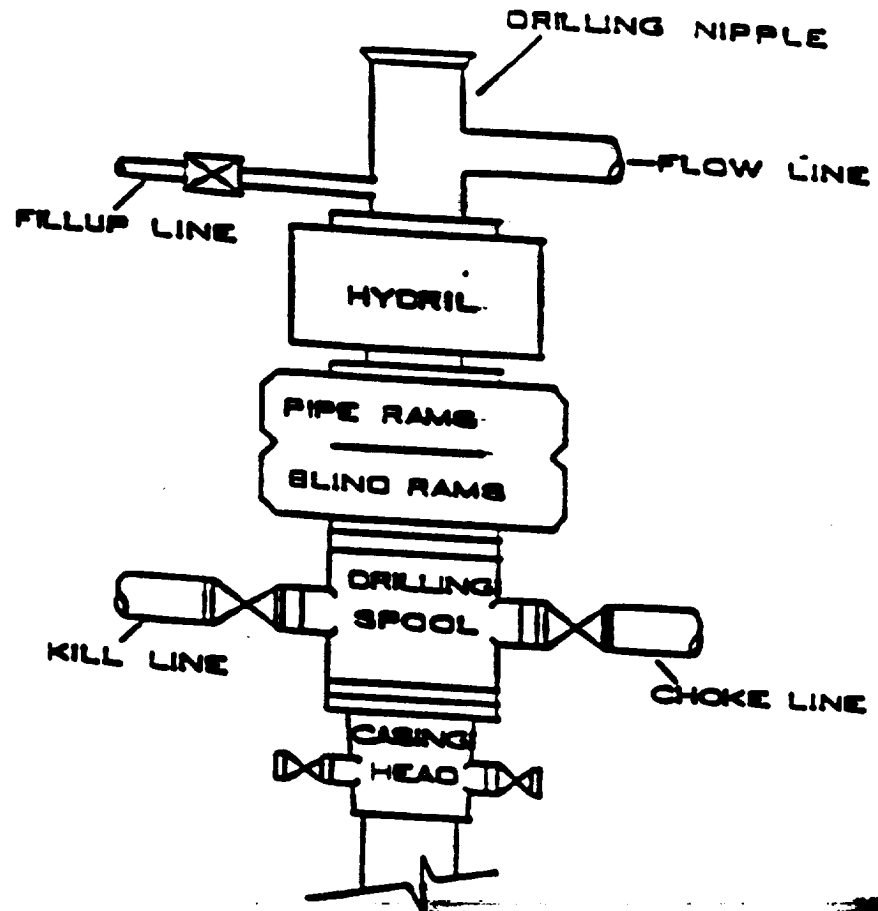
RECEIVED
SEP 25 1998
OIL CON. DIV.
DIST. 3

14. I hereby certify that the forgoing is true and correct Name (Printed/Typed) SUSAN H. SACHITANA		Title REGULATORY REPORTS ADMINISTRATOR
Signature <i>Susan H. Sachitana</i>		Date 980918
THIS SPACE FOR FEDERAL OR STATE OFFICE USE		
Approved by <i>/s/ Duane W. Spencer</i>		Title Date SEP 23 1998
Conditions of approval, if any, are attached. Approval of this notice does not warrant 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
Title 18 U.S.C. Section 1001, makes 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.		

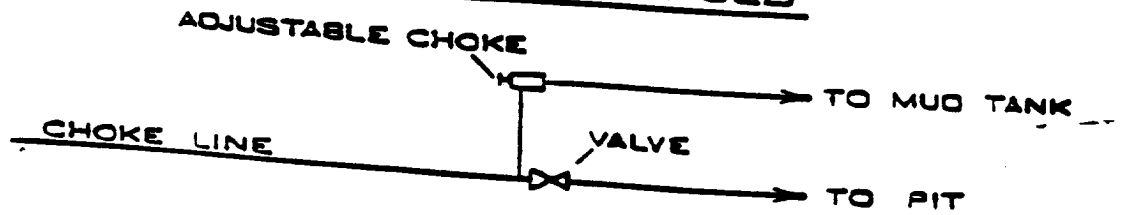
(Signature)

44000

BOP STACK



CHOKE MANIFOLD



DATE September 1998

PRESENT

The Grassy Canyon Number 4 well was temporary plugged & abandoned in November, 1991.

OBJECTIVE & RECOMMENDATION:

Perform a workover to drill out T&A cement plugs, pull 5-1/2" liner and perform a recavitation stimulation on the productive Fruitland coal seams. Rerun the 5-1/2" liner to TD @ 3925'. Restore the well to commercial production.

WELL HISTORY:

CNG PRODUCING COMPANY owns 100% WI in the Grassy Canyon field and produces three wells from the Fruitland coal formation between 3,400' - 3,900'. The Number 4 well was spudded on 12/17/90. The well was drilled to 3,600' and 7" casing was set on 1/03/91. Operations were suspended until 6/5/91. A completion rig was rigged up, and drilled 6-1/4" hole through the Fruitland coal to TD of 3926'. The Fruitland coal interval 3,597' - 3,700' was drilled with water and caused damage to the formation. The well was killed with water and logged to 3,850' and the open hole coal interval was cavitated. A 5-1/2" liner was run to 3,925'. On 6/24/91 the well tested at AOF of 434 MCFD. Attempts were made to produce the well for 6 months with low gas rates and high water rates. The well would load-up. In November, 1991, a coil tubing unit was mobilized and an attempt was made to deepen the well unsuccessfully. The well was temporary plugged & abandoned on 11/21/91, 5 cement plugs were set as follows:

Cement Plug # 1	Surface to 80'	(14 sks)
Cement Plug # 2	201' to 357'	(28 sks)
Cement Plug # 3	994' to 1,150'	(28 sks)
Cement Plug # 4	2,578' to 3,128'	(97 sks)
Cement Plug # 5	3,324' to 3,400'	(14 sks)

After review of geologic details, the well has been drilled deep enough and has penetrated through the Fruitland coal intervals and does not need to be deepened. Careful study of the original completion reports yields the fact that the Fruitland coal interval, 3,597' - 3,700', was drilled with water and damaged the formation. The cavitation employed at the time was inadequate to remove the damage.

WELLBORE CONFIGURATION:

Location SECTION 31, TOWNSHIP 32N, RANGE 7W
SAN JUAN COUNTY, NEW MEXICO

API Number 30-045-28480

Casing: 9-5/8" 36# K-55 STC @ 307'

7" 23# K-55 LTC @ 3,358'

Internal Id. 6.366 Drift Diameter 6.241

5-1/2" 23# P-110 LTC 3,492"-3,925 Liner
Internal Drift Diameter 3.833"

Coal Intervals

3733-3744', 3770-3771', 3780'-3783', 3823-3824', 3833-3834',
3838'-3849', 3850-3854', 3857'-3859', 3917'-3919', 3921-3923',

Perforations:

2 SPF 3563'-3576' 3825-3827' 3831-3853' 3910-3916' MD

Hole Angle
Directional

Tubing Head
11" X 10M

Tree
2-½ X 5M

PROCEDURE

1. Dig reserve pit 20' X 30' X 7' for cavitation blow down.
2. Move in and rig up Big "A" Cavitation rig # 19 with high pressure air package 2, 000 PSI. 3000 cfm air compressors. Nipple up BOP's
Double ram 7-1/16 X 5M 7-1/16 X 5M preventor with 2-7/8 pipe & blind rams
Annular preventor 7-1/16 X 5M
Choke manifold dual 2" X 2" 5M
Dual 7" blow down Blooie lines connected to casing with dual 4-1/16 5M HCR valves.
3. Test BOP' to 250 & 3500 PSI. *Ensure casing valve is open during testing.* 3-1/2 drill pipe 2-7/8 and tubing safety valves and choke manifold.
4. Pick up 6-1/4 bit and casing scrapper with 4-3/4" drill collar and 3-1/2" 13.30 Grade E Drill Pipe. Go in hole and drill out cement plugs in 7" casing. Displace mud in 7" casing with Fruit land Coal produced lease salt water.

Cement Plug # 1
Surface to 80'
(14 sks Class B 15.6 ppg)

Cement Plug # 2
201' to 357'
(28 sks Class B 15.6 ppg)

Cement Plug # 3
994' to 1,150'
(28 sks Class B 15.6 ppg)

Cement Plug # 4
2,578' to 3,128'
(97 sks Class B 15.6 ppg)

Cement Plug # 5
3,324' to 3,400'
(14 sks Class B 15.6 ppg)

Cement Retainer
3,450'

5. Circulate wellbore clean of cement at top of retainer at 3,450'.
6. Displace fluid in wellbore with air before drilling retainer. Clean out to top of 5-1/2 Liner at 3,492'. Pull out of hole with 6-1/4 bit.
7. Pick up 4 1/2 bit and 475' of 2-7/8" tubing xo to 3-1/2" drill pipe.
8. Go in hole with 4 1/2" bit. Clean out inside of 5-1/2" liner to ±3,925' circulating with air.
9. Test well.
10. Pick up Metal Muncher mill. Go in hole to the top of 5-1/2 liner at 3,492'.

11. Mill up T.I.W. liner hanger assembly estimated 5' and 1' \pm of 5-1/2" liner. Pull out of hole.
12. Pick up overshot and jars and latch onto 5-1/2" liner top.
13. Attempt to work jar liner free. If unable to jar free.
14. Rig up E-line Go in hole with free point. Determine free point and cut 5 1/2" in mid joint above stuck point.
15. Continue jarring pulling 5-1/2" liner out of hole until liner has been pulled from wellbore.

NOTE: A contingency is prepared to sidetrack in the event 5-1/2" liner can not be pulled.

16. Pick up 6-1/4" bit. Trip in hole. Clean out coal and shale fill to 3,770'.
17. Pick up 9-1/2" Baker underreamer. Underream open hole interval to 3,925'.
18. Circulate until wellbore is clean.
19. Pull out of hole with underreamer.
20. Go in hole with 6-1/4" bit and 4-3/4" drill collar assembly.
21. Pick up bit inside 7" casing at 3,598' MD.

Perform Cavitation Stimulation Procedure

22. Pressure up on formation with high pressure air and 10-50 bbls Fruitland Coal produced formation water not to exceed equivalent of BHP estimated at 1,510 PSI.
23. Measure time and volume of air on each Cavitation cycle and gas flow after blow down and volume of coal cleaned out.
24. Blow down through dual 7" blooie lines to reserve pit.
25. Repeat Cavitation cycle 20 - 30 times until little or no coal fill is found on subsequent clean out trips and gas rates do not increase.
26. Before attempting to run liner, ensure wellbore is stable and no fill is encountered.
27. Pick up Baker liner hanger and run 5-1/2" liner, setting 433' from 3,492' to 3,925'.
28. Perforate 5-1/2" liner with 4 SPF at each coal interval to be determined later.
29. Run 2-7/8" 6.5 # J-55 tubing from surface to 3,900'.
30. Swab back and unload well. Flow back on choke to atmosphere until well has cleaned up.
31. Run BHP Gauge after well has cleaned up before placing well on production.
32. Place well on production.

33. 30-60 days after placing well on regular production make arrangement to run, Gamma Ray Noise, Temp, combo log to determine volume of gas /water being produced from each individual producing zone.

CNG PRODUCING COMPANY

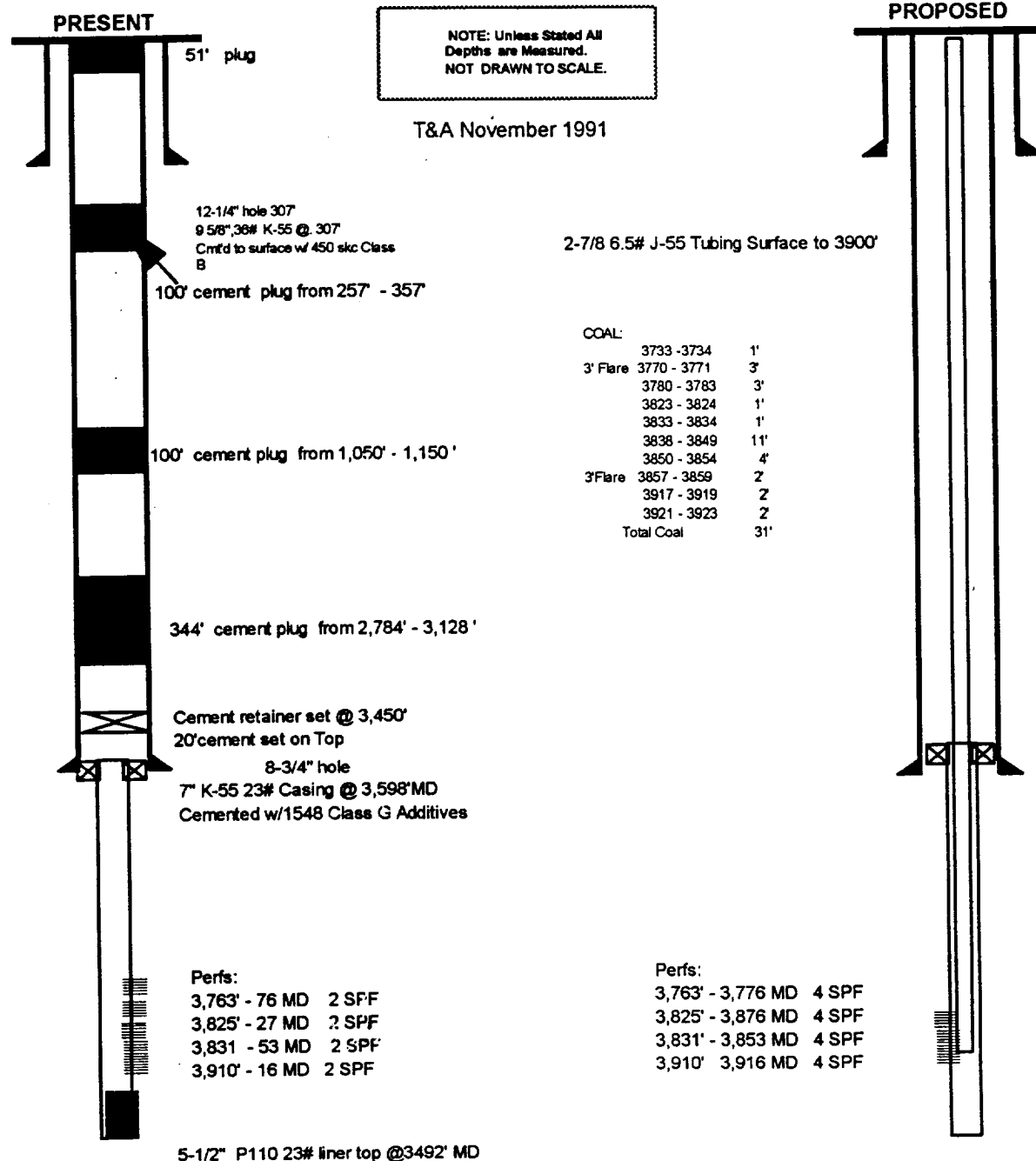
GRASSY CANYON # 04

SEC: 31, T: 32N R: 07W

API: 30-045-28480

COMPLETED:
WORKED OVER:

DATE: September 1998



TOTAL DEPTH: 3925' MD 3,603' TVD

PREPARED BY: Ralph Hamrick
GC904