

C W TRAINER

P. O. Box 754 - Midland, Texas 79702
Ph: 432\687-2505 - Fax: 432\687-2625

August 31, 2006

Daniel Sanchez - Enforcement and Compliance Manager
New Mexico Energy Minerals & Natural Resources Dept.
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: OCD Notice of Violation # 0-06-02

In response to your August 25, 2006 and July 18, 2006 letters, please find the following documents showing our attempts and/or actions in bringing the 5 wells back into OCD compliance:

- 1) Current progress report dated August 31, 2006.
- 2) A copy of the letter written to Donna Mull with State of New Mexico Oil Conservation Division/Hobbs, New Mexico concerning our August 3rd visit concerning the wells out of compliance dated August 4, 2006.
- 3) A copy of letter written to J S Ward and Son Insurance - giving progress update report dated August 23, 2006.
- 4) A copy of C-103 and cover letter dated August 8, 2006 for Amerada State to Donna Mull with State of New Mexico Oil Conservation Division/Hobbs.

If you need further information, please let us know.

Sincerely,



C W Trainer

xc: Donna Mull w/State of New Mexico Oil Conservation Division
U. S. Specialty Ins. Co.
J S Ward and Son Insurance
Gail MacQuesten - OCD Attorney/OCD - Santa Fe, NM
Chris Williams - OCD Dist I - Hobbs, NM
Buckeye Energy, Inc.
Sheryl Jonason w/O'Briant & Associates



C W Trainer
August 31, 2006
Progress Report on OCD Violation # 0-06-02

Amerada #1

8-31-06 – Plugging of the well complete. Remediation work in progress. When finished will notify OCD to schedule for physical inspection and approval.

Gulf State #1

Once rig is moved to location and receive OCD approval of C103 of work proposed to set CIBP and do a pressure test with a OCD witness. Regulatory papers will be filed with OCD.

Lea DS #1

Plugging report filed with OCD. When we received OCD approval of C103, remediation work will need to be begin.

Morse #1

Need to notify New Operator. The well(s) were put up for auction at State Sale and purchased by new operator. New Operator needs to either PA or put back on production.

GA #1

New Operator notified, they will handle filing the Regulatory papers and putting back on production.

CW TRAINER

P. O. Box 754 - Midland, Texas 79702
Ph: 432\687-2505 - Fax: 432\687-2625

August 4, 2006

Donna Mull
State of New Mexico Oil Conservation Division
1625 N. French Drive
Hobbs, NM 88240

Re: 5 Inactive Wells & Visit of August 3rd

It was nice meeting you, and I appreciate the assistance you gave to me and my secretary Doris Van Cleave.

I want to recap what was discussed and the action needed to bring these 5 wells back into compliance with the State.

Well Name	Situation	Action
Amereda # 1	I stated that the well had been P&A within the last week. We are to submit the plugging reports.	File C-103 w/Donna Mull with OCD
Gulf State # 1	I stated that the well has a leak that needs to be fixed before we put back on production or TA. That it has been hard to get a pulling unit since they are in heavy demand. Black Warrior is scheduled to be there next week to do the work. When we can get a pulling unit - we are to fix the leak and put a packer in and run a MIT pressure test and run the chart 500# 's for 30 minutes and either it will be put back on production or TA.	File C-103 w/Donna Mull with OCD

COPY

Well Name	Situation	Action
Lea DS # 1	I advised that the state pulled lease from me for no production for 2 years and it was sold at auction. The rods were parted and because the lease was being held by production by 2 other operated by others, I was in no hurry to fix. I have my lawyer working on filing suit against the State.	Discuss problem w/ OCD Lawyer - Gayle Masquesten to see what needs to be done.
Morse # 1	Trainer surrendered lease. State sold lease to guy from Houston. When Trainer went out there to P&A there was a wireline hooked up to it. Need to find out who new operator is and they file paper work.	New operator needs to file change and work performed.
GB # 1	State cancelled for non production and Trainer had it nominated for sale. The people that purchased it (Name?) need to put back on production or TA.	New Operator send C-103 to Donna Mull with OCD.

If the above statements are not correct, please let me know as soon as possible. Otherwise, actions will be taken to bring the wells in compliance.

Sincerely,



C W Trainer

xc: J S Ward and Son Insurance
Buckeye Energy, Inc.

COPY

C W TRAINER

P. O. Box 754 - Midland, Texas 79702
Ph: 432\687-2505 - Fax: 432\687-2625

Fax # 505\746-4244

August 23, 2006

Anna Sims Byers
J S Ward and Son, Inc.
101 South Fourth Street
Artesia, NM 88210-2195

Re: Follow up on 5 Inactive Wells

Here is a follow up letter concerning the 5 Inactive Wells with State of New Mexico OCD that are covered under the bond carried for C W Trainer.

Amerada #1

Plugging has been completed. Remediation work needs to be done to location. Upon completing the "check off" form, it will be furnished to OCD for them to schedule for physical inspection and approval.

Gulf State #1

Need to set CIBP and do a pressure test with a OCD witness. Then file regulatory papers with OCD. This will be done as soon a rig is moved to location and we receive approval of C103 for the work to done from OCD.

Lea DS #1

Plugging daily report attached. Regulatory papers will be filed with OCD.

Morse #1

New Operator needs to be notified to either PA or put back on production.

GB #1

We contacted new operator and sent copy of notice to them. Per New Operator, they will perform work necessary and file the necessary regulatory papers with OCD. Jeff Bates, consultant has already spoken with OCD.

As the work proceeds, updated information will be furnished to you. If you have any questions, please contact me at 432/687-2505.

Sincerely,

Doris Van Cleave
Secretary for C W Trainer

COPY

xc: Buckeye Energy, Inc.
Sheryl Jonas w/O'Briant & Associates, Inc.
Devin Garner w/ Garners Well Service, LLC

C.W. Trainer
Lea "DS" Daily Plugging Report

8-8-06

Arrive on location and needed matting board to RUPU. SD.

8-9-06

Arrive on location with the matting board and set board. RUPU and unseat pump and COH with rods and pump. Laid down rods on trailer and take to Garners Yard. Unflanged tubing and made sure that the tubing was free and SD.

8-10-06

Arrive on location and POH with tubing and SD. Go get Garners cementing equipment.

8-11-06

Move plugging equipment to location and SD.

8-14-06

Arrive on location and wait on the CIBP. Packer man showed up and RIH with CIBP and set @ 5975'. POH to 3000' and circulate fresh water. Well had some oil on top and had to circulate water for welder to weld 5 1/2" stub on to casing. Circulated 120 bbls of fresh water and SD.

8-15-06

Arrive on location and well still had some skim oil on top so decided to GIH with the tubing to 1500' and circulate some more fresh water. Circulated clean and COH with the tubing. Dig out around wellhead and exposed the 5 1/2 casing stub. Prepped a 15' piece of casing to be welded on to the casing in the well. Welder welded on stub to casing and put on the casing jacks and set the slips. Pulled 200,000# with the jacks and got the slips out. Stacked out the casing and hook on to casing with the pulling unit and picked up to 90,000# and stacked out to find an estimated free point. Estimated the free point @ 3700'. SD.

8-16-06

Arrive on location and RIH with rotary wire line and free point the casing. Found casing to be free @ 3160'. Called Buddy Hill and he informed me that we had set the CIBP in the wrong place and needed to put some cement on top of the other CIBP. Got another CIBP and started in the hole with it and Buddy Hill arrive on location and informed us that he did not see any mud or cement on location and he wanted the hole circulated with mud and cement on top of the first CIBP. So COH with the CIBP and GIH open ended and set tubing @ 5940' and got ready to pump mud. SD.

COPY

8-17-06

Arrive on location with fresh water gel and cement. Go get load of fresh water. Called Buddy Hill and ask him which he wanted to pump first mud or cement. He said mud first. So mix up 75 sxs of fresh water gel and circulated hole. Then talk to Buddy Hill and asked to spot cement from 5900 – 5575'. He gave approval and we would have to tag. Go mix up 75 sxs of cement and pump in the hole and flush cement to put on spot and pulled 50 stands and SD.

8-18-06

Arrive on location and GIH with tubing and tag cement @ 5375'. Called E.L. Gonzales and told him were we tagged and he gave our approval. COH and laid down tubing on trailer and stand back 4100'. Got stub welded on casing and jacks and slips set and wait on wire line until morning. SD.

8-19-06

Arrive on location and wait on wire line and run in the hole with the wire line and shoot casing @ 4170' as per state in order to squeeze cement @ 8 5/8 casing shoe. Tried to pull casing with jacks after shooting the casing @ 4170' but the casing did not come free. So go back and shot casing again @ 3160' and casing came free. RD wire line and take jacks off and RU the casing pulling equipment. COH with 30 joints and SD.

8-21-06

Arrive on location and started out with the casing. RD casing equipment and get ready to run tubing in the hole. RIH to 3220' and got ready to pump cement.

8-22-06

Arrive on location and mix up 75 sxs cement and pump in the hole flushed with 15 bbls of water and COH with tubing. Wait 3 hours and GIH and tag cement @ 3050'. COH and laid down tubing. Left 2000' in the derrick and dug out cellar and got ready to pull 8 5/8 and got a call from C.W. to hold up until morning.

8-23-06

Arrive on location and welder cut off wellhead bolts. Use a 10' piece of 9 5/8" and slips it over 8 5/8" casing. Welded stub on to casing and set the casing jacks over well. Pick up casing and got the slips out of the flange and stacked out the casing. Left jacks on the well and SD.

8-24-06

Arrive on location and wait on wire line. Wire line showed up and GIH w/ free point tool and tag something @ 1500'. Did a free point w/ casing jacks @ 1500' and pipe was stuck. Find free point with jacks @ 925' and COH w/ wireline and put on slit shot and GIH and cut casing @ 896'. RD wire line and take casing jacks off and RU casing equipment and POH w/ 8 joints and got dark SD.

COPY

8-25-06

Arrive on location and begin to lay down casing. Laid down all of casing and GIH with tubing and laid down 35 joints and RIH with the tubing to 950' and SD.

8-28-06

Arrive on location and mix up 60 sxs of cement and pump in the hole and flush with freshe water. COH and wait for 1 hr and GIH and Tag @ 826'. COH and laid down 17 joints of tubing and set tubing @ 422'. Mix up 90 sxs of cement and pump in the hole. Flush with fresh water and COH. Wait 1 ½ hrs and GIH and tag @ 317'. Laid down tubing and leave 60' of tubing in the hole and mix up 90 sxs nd pump in the hole nd pull tubing out and liad it down. Get welder to cut off wellhead and set dryhole marker. RDPU and SD.

COPY

C W TRAINER

P. O. Box 754 - Midland, Texas 79702
Ph: 432\687-2505 - Fax: 432\687-2625

August 8, 2006

Donna Mull
State of New Mexico Oil Conservation Division
1626 N. French Dr.
Hobbs, NM 88240

Re: C-103 Amerada State # 1 - SWD

Enclosed is 6 sets of the C-103 for the Amerada State # 1 - SWD plugging reports.

Once the C-103 form is approved by OCD, this should satisfy the non -
compliance for the Amerada State.

If you have any comments, please contact me at 432/687-2505.

Sincerely,



Doris Van Cleave
Secretary for C W Trainer

xc: J S Ward & Son Insurance/Hobbs
Daniel Sanchez w/OCD - Santa Fe, NM

COPY

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. 30-025-23676
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. K-1193
7. Lease Name or Unit Agreement Name Amerada State
8. Well Number 1 - SWD
9. OGRID Number 003474
10. Pool name or Wildcat E. Morton Glorieta

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 - SWD

2. Name of Operator
C W Trainer

3. Address of Operator
P. O. Box 754 - Midland, TX 79702

4. Well Location
G Unit Letter 1980 feet from the North line and 1980 feet from the East line
 Section 4 Township 15 S Range 35 E NMPM Lea County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)

Pit or Below-grade Tank Application or Closure

Pit type Steel Depth to Groundwater 4134 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 <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPL <input type="checkbox"/>		SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> P AND A <input checked="" type="checkbox"/> CASING/CEMENT JOB <input type="checkbox"/>	
OTHER: <input type="checkbox"/>		OTHER: <input type="checkbox"/>	

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.

Attached Garner Well Service Reports from 7/14/06 - 7/28/06 to plug well.

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 Doris Van Cleave TITLE Secretary for Operator DATE 8/7/06

Type or print name Doris Van Cleave E-mail address: trainer@t3wireless.com Telephone No. 432/687-2505
For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any):

C.W. Trainer
Ameradda St. # 1 SWD
Daily Report

- 7-14-06.1** Drove rig to location and arrive on location at 8:30 P.M. and decided to shut down for the weekend.
- 7-17-06** Arrive on location and rig up pulling unit and set up cement pump and mixing tub. Drove water tanker truck to location to flow well back and see if the pressure would decrease if flowed well back. Well flowed back 240 bbls and took water to our disposal well and came back to location. Pressure on well had decreased from 450 to 250 but was increasing in pressure. Decided to unflange well and come out of the hole with the packer. Had a hard time trying to unset the packer and worked on it for about 45 minutes and finally the packer came loose and we came out of the hole with the packer. Talled the tubing and the packer was set at 4355'. Didn't have enough tubing to tag bottom plug for the state OCD so went to Garners yard and pick up some 2 7/8" tubing and bring to location and go in the hole and tag bottom plug at 6300 +/- . Come out of the hole and lay down Garner tubing on gooseneck and take back to the yard and set end of the tubing in the well at 4500+/- . Shut down.
- 7-18-06** Arrive on location and get transport truck and take another load from yesterday well flow back to Garner disposal. Go to CWS and get load of fresh water to mix cement and take to location. Go to Garner yard and pick up plugging equipment and run to get cement. Arrive on location with plugging equipment and cement and unload at location. Found that cement equipment need to be welded up and started to weld on cement tub and got dark so decided to shut down.
- 7-19-06** Arrive on location and finished welding on cement equipment and go to Garner yard and to pick up steel reverse pit to circulate water back from the well. Get steel pit to location and find the mixing pit needed more attention. Spent rest of day welding and replacing connections on mixing pit. Shut down.
- 7-20-06** Arrive on location and hook up mixing pit and began to mix up mud. State representative arrive and informed us that well needed to be circulated with mud. Started to mix-up mud and got 125 bbls of mud mixed up and ran out of water. Decided to shut in well and go get water. Steel pit got full and had to get 1 load of water and take it to Garner disposal. Get ready to pump the first cement plug in the morning.

7-21-06 Arrive on location with load of fresh water and get ready to mix up first cement plug. Mix up 70 sxs cement plug and pump down the well. Took 100 to 300 psi to pump in the hole. Flushed tubing with 25 bbls of fresh water to spot cement on bottom @ 4700'. Come out of the hole with the tubing and well was still flowing out of the 8 5/8" casing. Flange up the well and shut down over the weekend for cement to set up. Shut down.

7-25-06

Arrive on location with casing jacks and misc casing equip. drove to double r pipe yard and bought a 15ft 9 5/8" stub. Drove back to location and unflange 8 5/8' and welded on 9 5/8 stub onto 8 5/8 and then set up casing jacks and misc casing equip. shut down wait for morning.

7-26-06

Arrive on location. Put more hyd. Fluid in pulling unit for jacks. Welded short chain to the 8 5/8 slips and tacked the slips to the casing. Started to pull 350,000# on casing and the slips and the casing began to move up. Come out slowly and was still pulling 220,000#. When the slips were free took off slips and attempted to let the casing back in the hole but casing would not go down it was stuck. Decided to get the pulling unit and try to pick up the casing. Pulled 110,000# with the rig and did not move the casing. Decided to try to jack the casing out of the hole until it was light enough to use the pulling unit. Casing came out about 4' and was still pulling about 250,000# when we were jacking it out of the hole. Jacked out about 15' and decided to cut off 8 5/8 and keep on jacking casing out of the hole. Casing looked as if it might have lost a little weight when we jacked out about 10' more so we decided to cut off the casing and weld an 8 5/8 collar so we could pull with the rig again. Pulled to 110,000# and the casing started to move a little and we were losing weight drastically. Got out about 10' more and weight went to 0 and found that a pin was looking down and that the casing had popped out of a collar. Decided that the casing had been previously squeezed. Attempted to run the 8 5/8 casing back in the hole but would go in about 4' and stop solid. Called C.W. and asked if he wanted to try to retrieve any of the casing and he said no to proceed with the plugging job. SD.

7-27-06

Arrive on location and GIH w/ tubing. COH with tubing and lay down on the ground. Was informed by E.L. Gonzales to GIH and perf @ 520' and squeeze cement @ the 13 3/8 shoe. GIH with 8 5/8 shot can on wire line and catch a collar @ 492'. Dropped the bar and busted the collar. COH with the wire line and GIH with tubing to 575'. Mix up 75 sxs cement and pumped into the well. Flushed the tubing with 5 bbls of water and pulled the tubing out of the hole. Left 400' of tubing in the derrick and laid down the rest of the tubing. SD.

Amerada Report

7-28-06 Arrive on location and GIH and tag cement @ 330+/- . Called E.L. Gonzales with the OCD and ask for him to witness the tag. E.L. gave his approval and COH with the tubing. Left 120' +/- of tubing in the hole. Mix up 75 sxs of cement and pumped in the hole. Cement circulated to the surface. Pulled the rest of the tubing out and laid it down. Suck out the cellar and took off the 8 5/8 flange. Dig out around the 13 3/8 flange and exposed the 13 3/8 casing. Got the welder to cut off the 13 3/8 flange and build a cap to go over the casing. Welded the cap on the 13 3/8 and set and welded the dry hole marker. RDPU and start moving equipment off of the location. Loaded the pump, pit, casing equipment, matting board, wireline trailer and BOP and take to Garner yard. SD.