

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires: March 31, 2007

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.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

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

2. Name of Operator **Robert L. Bayless, Producer LLC**

3a. Address
P.O.Box 168 Farmington, NM 87499

3b. Phone No. (include area code)
(505)3262659

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
1335' FNL & 995' FEL, Sec 15, T28 N, R11W, 6th pm

5. Lease Serial No.

NMSF-044535B

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.

Horn Canyon #2

9. API Well No.

30-045-33990

10. Field and Pool, or Exploratory Area

Basin Fruitland Coal

11. County or Parish, State

San Juan, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

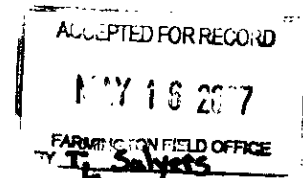
| TYPE OF SUBMISSION | TYPE OF ACTION | | | |
|-------------------------------------------------------|-----------------------------------------------|-------------------------------------------|----------------------------------------------------|------------------------------------------------------------------------|
| <input 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 checked="" 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 Final Drilling Report |
| | <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporary Abandon | Casing and Cement |
| | <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 starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat 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 must be filed within 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 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Please see the Final drilling report summary attached.

RCVD MAY18'07
OIL CONS. DIV.

DIST. 3



14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Habib J. Guerrero

Title **Engineer**

Signature

Date

05/14/2007

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Date

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 operations thereon.

Office

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make 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.

(Instructions on page 2)

NMOC

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Robert L. Bayless, Producer LLC

Morning Report – Drilling

Horn Canyon No. 2

1335' FNL & 995' FEL

Section 15, T28N, R11W

San Juan County, ~~Colorado~~ **New Mexico**

API # 30-045 – 33990

4/23/07

Cutting wood and building road and location.

4/27/07

Location finished.

5/01/07

Move in Frac tank. The plan is to move in and rig up D&D Services rig tomorrow Friday 05/04 and spud the Horn Canyon #2 well on Monday 05/07.

05/04/07

Moved drilling rig D&D #1 to location and rigged up.

05/07/07

Spudded Well at 8:00 am 05/07/2007. Drilled 8 3/4 hole to 145 ft. The hole was in good condition. Trip out drill pipe and bit. Circulate and condition hole for casing. As per BLM suggestions, Rig up casing crew and run 3 joints of 7" 20 # J-55 ST&C surface casing. Casing was landed at 138 ft. Rig up cementers and cement casing to Surface with 50 sx (59 cubic ft) Premium Cement, 2% CaCl_2 and 1/8#/sx Polyflake mixed at 15.6 ppg, 1.18 yield. Good returns throughout job with 4 bbls good cement circulated to reserve pit. Rig down cementers. Wait on cement.

05/08/07

Break off landing joint and make up wellhead. Nipple up and rig up to pressure test BOP and surface casing. Pressure test BOP and surface casing to 1500 psi, BOP equipment held OK, found a leak at the surface casing. Ran a packer in the hole and set it to 60 ft. Pressure test casing above the packer to 600 psi, held ok. Pressure test casing below the packer at 600 psi and determined that the leak was at the shoe. BLM approved test will to continue ahead with the drilling plan. ✓

05/09/07

Make up 6 1/4" BHA. Trip in the hole and tag top of cement at 90 ft. Drilled out cement shoe to 145 ft and continue drilling to 845 ft. Took surveys at 130 ft (0.5 degrees) and 630 ft (1 degree). Water flow (20 Bbls/hr approximately) and Gas surface were found at 260 ft. While drilling through out the Ojo Alamo formation water flow increased to about 80 Bbls/ hr. currently, drilling ahead through out the Kirtland formation at 885 ft.

05/10/07

Drilled ahead to 1485 ft. Took survey at 1130 ft (1 ¾ degree). Water flow continues (50 to 80 Bbls/hr approximately). Currently, drilling ahead at 1500 ft.

05/11/07

Drilled to 1660 ft, TD with final survey at 1630 ft of 1 ¾ degrees. Circulate and condition the hole for logs. Trip out of the hole for logs (no drag). Rig up loggers and ran open hole log Triple Lithodensity, GR, SP, Array induction, and Caliper logs. Hole in good condition, no problems getting logging tools to bottom. Loggers TD was 1661 ft. Trip back in the hole with drilling pipe. Start to lay down singles.

05/12/07

Finish lay down drill pipe. Rig up to run casing. Run a total of 40 joints of 4 ½" 10.5 #/ft J-55 new casing. Centralizers at 1611 ft, 1530 ft, 1450 ft, 1366 ft, 1282 ft, 584 ft, 377 ft. Casing Landed at 1652 ft, as follow:

| | | |
|---------------------|-------------------|----------------|
| KB to landing point | 5.00 ft | 0 – 5 ft |
| 39 joints casing | 1606.06 ft | 5 – 1611 ft |
| Float Collar | 1.00 ft | 1611 – 1612 ft |
| Shoe Joint | 40.10 ft | 1612 – 1652 ft |
| Guide Shoe | <u>0.50 ft</u> | 1652 – 1652 ft |
| | <u>1652.66 ft</u> | |

Circulate and condition hole for cementing. Rig up Halliburton well services and cement as follows: Pump 5 bbls water. Pump 20 bbls Chemical wash. Pump 5 bbls water with green dye. Pump 145 sx (289 cf) PRB-2 cement with 5#/sx Gilsonite, ¼#/sx Poly-E-flake at 13 ppg, 2.0 yield. Good circulation throughout job. Circulated out 9 bbls of Good cement to surface. ✓ Displaced with 26 bbls water. Bumped plug and float held. Plug down at 01:30 PM 05/12/07. Shut well in. ✓

05/14/07

Rig down and move out drilling rig.