

September 16, 2010

Steve Hayden  
District Geologist  
NMOCD  
1000 Rio Brazos Road  
Aztec, NM 87410

RE: C-103 for TOPS AND OPEN HOLE LOGS FOR PATHFINDER AGI #1 API # 30-045-35172

Dear Steve,

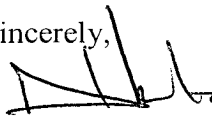
As we discussed today on the phone, I am enclosing the C-103 for the tops, the open hole logs and the CBL on the above-referenced well. As I explained in our call, on August 22, 2010 the 5 1/2" 17ppf L80 casing was run in the Anadarko Pathfinder AGI #1 to 6602 ft and cemented in 2 stages. The first stage was composed of Halliburton's Thermalock cement (special acid resistant cement) and we got full returns at the surface during the job. The second stage began by opening a DV tool set at 5000 ft and managed to circulate 37 bbls of Thermalock to the closed loop system before losing returns. Full returns were restored after pumping approximately 850 bbls of mud. However, when the second stage cement job was started, returns were lost again halfway through the job and the job was finished without ever seeing further returns at the surface. For that reason we ran a CBL on 9/10/10 from the DV tool (5000') to the surface to evaluate the cement bond. That CBL is attached and you will note that this CBL run indicated a top of cement at approximately 2300 ft. Please note that the 8 5/8" surface casing was intentionally set significantly lower than any fresh water aquifers and well below all the coals into the Lewis Shale at 1100' to give extra protection for fresh water and the coal mine in the event cement was not circulated to the surface.

We are requesting the NMOCD waive any further requirement that the 5 1/2" casing be "squeezed" to attempt to bring cement to the surface for the following reasons:

- We ran the extra 8 5/8" casing to assure a safe isolation of all fresh water and the coals in the area.
- The Order requires us to maintain an inert fluid (diesel fuel) within the 2 7/8" tubing x 5 1/2" casing annulus and to monitor it for pressure changes which would potentially indicate a tubing leak.
- Perforating the 5 1/2" casing just below the 8 5/8" casing shoe could pose a significant risk to the integrity of the casing in a zone where we would not want to leak diesel fuel into the formation.
- Perforating the casing for a squeeze may jeopardize our ability to get successful MIT tests which are required every two years in the tubing/casing annulus.

When you have had an opportunity to review the attached logs and our request, please give me a call at 505-842-8000 or email me at [aag@geolex.com](mailto:aag@geolex.com). I look forward to visiting with you.

Sincerely,

  
Alberto A. Gutiérrez, RG  
President

**DENIED**

BY: S. Hayden  
DATE: 9/27/10 (505) 334-6178

*Casing and cement integrity  
is specifically ordered  
by R-13201 any changes  
must come through renewed  
hearing.*

cc: w/o enclosures  
Russell Bentley, Carbonfree Co. via email  
Mark Shaefer, Anadarko via email