

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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OCD
Hobbs

FORM APPROVED
OMB No. 1004-0137
Expires: July 31, 2010

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.

DEC 08 2010

HOBBSOCD

SUBMIT IN TRIPLICATE - Other instructions on page 2.

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. NMNM 0 27572
2. Name of Operator Marshall & Winston Incorporated		6. If Indian, Allottee or Tribe Name N/A
3a. Address P.O. Box 50880, Midland, TX 79710-0880	3b. Phone No. (include area code) (432) 684-6373	7. If Unit of CA/Agreement, Name and/or No. Laguna Deep Unit NMNM 70966
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 2310 FSL & 330 FEL UL J, Sec. 35, T. 19 S., R. 33 E. NMPM		8. Well Name and No. Laguna Deep Unit Federal No. 35
		9. API Well No. 30-025-39946
		10. Field and Pool or Exploratory Area Teas Bone Springs # 58960
		11. Country or Parish, State Lea County, NM

12. CHECK THE 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 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 type="checkbox"/> Other 9 5/8" setting depth
	<input checked="" type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<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 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.)

Due to severe loss circulation which began mild at approximately 3644' to severe total loss, we continued drilling and pumping fresh water mud. There was no drag during joint changes indicating the hole was being cleaned at the bottom around the BHA. As hard formation was encountered, it was desired to set the 9 5/8" at 4268'. The original setting depth was 4850'. A call on 11/27 to Pat McKelvy [i.e. (575) 393-3612] by Gary Gourley discussed the problems and asked if we could set pipe at the 4268' depth instead of the planned 4850'. An ok from McKelvy was relayed to Shorty Sweeden in addition to the requested subsequent sundry. On 11/28, the intermediate 9 5/8" was set at 4266'. No cement service was immediately available at this time, so the rig is shut down in wait.

This Sundry is representing the Intent and Subsequent approval and actions. During discussion with Wesley Ingram, M&W decided to pull and lay down the 9 5/8" casing from uncemented hole, drill to original intent of 4850', -bottom of reef, then cement in 2 stages. The cementing parameters are as follows:

SEE ATTACHED 3 PAGES (i.e. BJ Inc. job description)

Sundry can only cover one action - entered as NOI to match with verbal. Subsequent sundry detailing work done as approved here shall be submitted.

14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed)
Vernon D. Dyer (575) 420-0355

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

Signature *Vernon D. Dyer* Title Agent for Marshall and Winston Incorporated
Date 12/03/2010

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

PETROLEUM ENGINEER

APPROVED

DEC 3 2010

DEC 09 2010

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

WESLEY W. INGRAM
PETROLEUM ENGINEER

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)

Operator Name: Marshall & Winston Inc
 Well Name: Leguna Deep Federal 35-1H
 Job Description: 9-5/8" Intermediate Casing
 Date: December 2, 2010



Proposal No: 556451528G

WELL DATA

ANNULAR GEOMETRY

ANNULAR I.D. (in)	DEPTH(ft)	
	MEASURED	TRUE VERTICAL
12.615 CASING	1,390	1,390
12.250 HOLE	4,875	4,875

SUSPENDED PIPES

DIAMETER (in)		WEIGHT (lbs/ft)	DEPTH(ft)	
O.D.	I.D.		MEASURED	TRUE VERTICAL
9.625	8.835	40	4,875	4,875

STAGE: 1 Float Collar set @ 4,835 ft
 Mud Density 9.50 ppg
 Mud Type Brine Based
 Est. Static Temp. 112 ° F
 Est. Circ. Temp. 103 ° F

VOLUME CALCULATIONS

430 ft	x	0.3132 cf/ft	with	486 % excess	=	789.1 cf
995 ft	x	0.3132 cf/ft	with	2 % excess	=	317.2 cf
40 ft	x	0.4257 cf/ft	with	0 % excess	=	17.0 cf (inside pipe)
TOTAL SLURRY VOLUME					=	1123.3 cf
					=	200 bbls

STAGE: 2 Stage Collar set @ 3,450 ft
 Mud Density 9.50 ppg
 Mud Type Brine Based
 Est. Static Temp. 102 ° F
 Est. Circ. Temp. 95 ° F

VOLUME CALCULATIONS

1,390 ft	x	0.3627 cf/ft	with	0 % excess	=	504.1 cf
1,633 ft	x	0.3132 cf/ft	with	127 % excess	=	1159.4 cf
427 ft	x	0.3132 cf/ft	with	0 % excess	=	133.7 cf
TOTAL SLURRY VOLUME					=	1797.2 cf
					=	320 bbls

Operator Name: Marshall & Winston Inc
Well Name: Leguna Deep Federal 35-1H
Job Description: 9-5/8" Intermediate Casing
Date: December 2, 2010



Proposal No: 556451528G

FLUID SPECIFICATIONS

STAGE NO. 1

Pre-Flush

20.0 bbls Fresh Water @ 8.34 ppg

<u>FLUID</u>	<u>VOLUME CU-FT</u>	<u>VOLUME FACTOR</u>	<u>AMOUNT AND TYPE OF CEMENT</u>
Lead Slurry	789	/ 2.13	= 370 sacks (35:65) Poz (Fly Ash):Class C Cement + 5% bwow Sodium Chloride + 0.13 lbs/sack Cello Flake + 5 lbs/sack LCM-1 + 4% bwoc Bentonite + 1.5% bwoc Sodium Metasilicate + 5% bwoc MPA-5 + 107.5% Fresh Water
Tail Slurry	334	/ 1.34	= 250 sacks Class C Cement + 1% bwoc Calcium Chloride + 0.25 lbs/sack Cello Flake + 56.2% Fresh Water

Displacement

366.6 bbls Displacement Fluid

CEMENT PROPERTIES

	<u>SLURRY NO.1</u>	<u>SLURRY NO.2</u>
Slurry Weight (ppg)	12.50	14.80
Slurry Yield (cf/sack)	2.13	1.34
Amount of Mix Water (gps)	11.21	6.33



FLUID SPECIFICATIONS (Continued)

STAGE NO. 2

Lead Slurry 1664 / 2.13 = 780 sacks (35:65) Poz (Fly Ash):Class C Cement + 5% bwow Sodium Chloride + 0.13 lbs/sack Cello Flake + 5 lbs/sack LCM-1 + 4% bwoc Bentonite + 1.5% bwoc Sodium Metasilicate + 5% bwoc MPA-5 + 107.5% Fresh Water

<u>FLUID</u>	<u>VOLUME CU-FT</u>	<u>VOLUME FACTOR</u>	<u>AMOUNT AND TYPE OF CEMENT</u>
Tail Slurry	134	/ 1.34	= 100 sacks Class C Cement + 1% bwoc Calcium Chloride + 0.25 lbs/sack Cello Flake + 56.2% Fresh Water
Displacement			261.6 bbls Displacement @ 8.34 ppg

CEMENT PROPERTIES

	SLURRY NO.1	SLURRY NO.2
Slurry Weight (ppg)	12.50	14.80
Slurry Yield (cf/sack)	2.13	1.34
Amount of Mix Water (gps)	11.21	6.33

Laguna Deep Unit Federal 35 1H
Marshall & Winston, Inc.
December 3, 2010
Conditions of Approval

1. Oral approval granted at 10:45 p.m. November 28, 2010. Sundry to be submitted within 5 days.
2. Contact BLM a minimum of 2 hours prior to commencing work. BJ to have compressive strength documentation for inspector – documentation must be of slurry for this well and not generic document.
3. The minimum required fill of cement behind the 9-5/8 inch intermediate casing is:
 - a. First stage to DV tool, cement shall:
 - ☒ Cement to circulate. If cement does not circulate, operator shall run a CBL prior to drilling out 9-5/8" shoe to confirm top of cement. Operator can proceed with second stage since an ECP is being used. If the ECP does not hold, contact the appropriate BLM office prior to proceeding with the second stage.
 - b. Second stage above DV tool, cement shall:
 - ☒ Cement to circulate. If cement does not circulate, contact the appropriate BLM office. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to potash.**
4. Review original Conditions of Approval for details about casing cut-off and wait on cement time for R-111-P potash.

WWI 120310