

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 811 South First, 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
 Revised March 25, 1999

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

WELL API NO. 30-025-34807
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. V-04576
7. Lease Name or Unit Agreement Name: State 2-M
8. Well No. 1
9. Pool name or Wildcat Undes. Bone Springs
10. Elevation (Show whether DR, RKB, RT, GR, etc.) 3675' GR

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

2. Name of Operator
 Threshold Development Company (817-870-1483)

3. Address of Operator
 777 Taylor St. - Suite II-D - Fort Worth, TX 76102

4. Well Location
 Unit Letter M : 660 feet from the South line and 660 feet from the West line
 Section 2 Township 20S Range 35E NMPM Lea County

11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

<p>NOTICE OF INTENTION TO:</p> <p>PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input checked="" type="checkbox"/></p> <p>TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/></p> <p>PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPLETION <input type="checkbox"/></p> <p>OTHER: <input type="checkbox"/></p>	<p>SUBSEQUENT REPORT OF:</p> <p>REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/></p> <p>COMMENCE DRILLING OPNS. <input type="checkbox"/> PLUG AND ABANDONMENT <input type="checkbox"/></p> <p>CASING TEST AND CEMENT JOB <input type="checkbox"/></p> <p>OTHER: <input type="checkbox"/></p>
---	--

THE COMMISSION MUST BE NOTIFIED 24 HOURS PRIOR TO THE BEGINNING OF PLUGGING OPERATIONS FOR THE C-103 TO BE APPROVED.

12. 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.
 Threshold Development Company respectfully requests permission to plug and abandon this well as follows:

- Nipple up BOP. Release tubing anchor. TOOH with tubing. Load casing with produced water if necessary.
- Wireline set CIBP at 9800' and cap with cement.
- TIH with tubing and tag CIBP at 9800'. Load hole with plugging mud or 25#/bbl salt-water gel in produced water. TOOH with tubing.
- Stretch casing to determine freepoint. Cut at 9000' and pull casing. Spot a 25 sack Class "H" cement plug 50' in and 50' out of casing stub. POOH with tubing to 7000'.
- Spot a 40 sack Class "H" cement plug from 7000-6900'. POOH with tubing to 5300'.
- Spot a 50 sack Class "H" cement plug 50' in and 50' out of intermediate casing shoe (5300-5200').
- POOH with tubing to 1940'. Spot a 35 sack Class "C" cement with 2% CaCl2 50' below and above anhydrite top (1940-1840'). POOH with tubing to 703'.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

CONTINUED ON NEXT PAGE:

SIGNATURE Rusty Klein TITLE Agent for Threshold Dev. Co. DATE July 12, 2002

Type or print name Rusty Klein

Telephone No. 746-6565

(This space for State use)

APPROVED BY _____ TITLE _____

ORIGINAL SIGNED BY
PAUL E. KAUFZ
 PETROLEUM ENGINEER

JUL 16 2002
 DATE _____

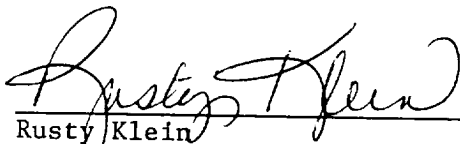
Conditions of approval, if any:

THRESHOLD DEVELOPMENT COMPANY
State 2-M #1
Section 2-T20S-R35E
Lea County, New Mexico

SUNDRY NOTICE CONTINUED:

8. Spot a 35 sack Class "C" cement plug with 2% CaCl₂ from 703-603' (50' in and 50' out of surface casing).
9. Spot a 35 sack Class "C" cement plug with 2% CaCl₂ from 120' to surface.
10. Install regulation abandonment marker.

NOTIFY OCD-HOBBS (505-393-6161, EXT. 112 or 114) 24 HOURS PRIOR TO COMMENCING PLUGGING OPERATIONS



Rusty Klein
Agent for Threshold Development Company
July 12, 2002

BEFORE

Threshold Development Company

State 2M #1

API Num. 30-025-34807

Pool Name: 2nd Bone Springs

Location: 660' FSL and 660' FWL

Lea County, NM

Surface Equipment

2 - 210 steel tanks, recoated
1 high pressure separator

17 1/2" hole

12 1/4" hole

7 7/8" hole

GL 3675'
KB 3689'

Drilled: February 2000
Completed: March 2000

9 5/8" @ 5249' 53.5# N-80 STC.
Cement - 2680 sks. Circ to surface

2 7/8" tbg @ 8,629'. SN @ 8,508'. TA @ _____

TOC - 9,070' 6/2000 CBL

1st Bone Springs. 9,902' - 12'

Acidize with 20,000 gal HCL/CO2

3rd Bone Springs. 10,708'-16'

Acidize with 1,500 gal. No fluid entry

Cement retainer @ 10,897'

Cement with 325 sks.

TOC - 12,839', CBL.

CIBP @ 12,800' + 3 sk cement

Morrow Sand - 12,953' - 12,967'

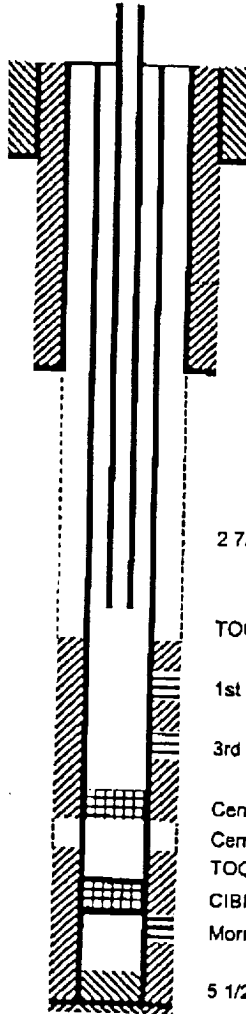
5 1/2" P-110 + N-80 17# LTC casing set @ 13,356'

Cement - 220 sks. TOC - 12,939' CBL

Formation tops:

Anhydrite - 1,890'
Queen - 4,680'
San Andres - 5,130'
Delaware - 6,214'
Bone Springs - 9,048'
Wolfcamp - 11,056'
Strawn - 12,053'
Atoka - 12,374'
Morrow - 12,698'
Chester - 13,184'

not to scale



AFTER

Threshold Development Company

State 2M #1

API Num. 30-025-34807

Pool Name: 2nd Bone Springs

Location: 660' FSL and 660' FWL

Lea County, NM

dry hole marker with operator, location, lease, date

35 sks Class C + 2% CC 120' to surface

35 sks Class C + 2%CC 603' - 703'

35 sks Class C + 2%CC 1,840' - 1,940'

17 1/2" hole

12 1/4" hole

50 sks
5,200' - 5,300'

7 7/8" hole

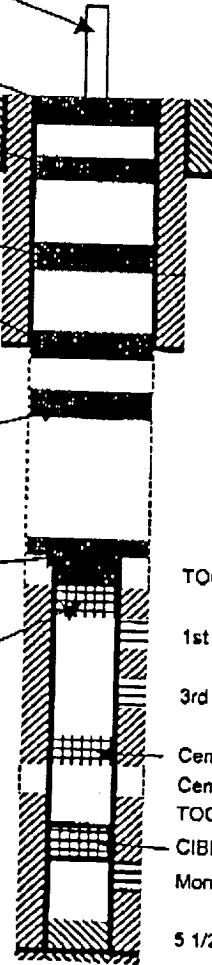
40 sks
6,900' - 7,000'

25 sks
8,950' - 9,050'

CIBP + cmt
9,800'

Formation tops:

- Anhydrite - 1,890'
- Queen - 4,660'
- San Andres - 5,130'
- Delaware - 6,214'
- Bone Springs - 9,048'
- Wolfcamp - 11,056'
- Strawn - 12,053'
- Atoka - 12,374'
- Morrow - 12,698'
- Chester - 13,184'



GL 3675'
KB 3689'

13 3/8" 68# J-55 @ 653'. Cmt to surface

9 5/8" @ 5249' 53.5# N-80 STC.
Cement - 2680 sks. Circ to surface

Hole loaded with plugging mud.

Top of 5 1/2" casing - 9,000'

TOC - 9,070' 6/2000 CBL

1st Bone Springs. 9,902' - 12'.
Acidize with 20,000 gal HCL/CO2

3rd Bone Springs. 10,708'-16'.
Acidize with 1,500 gal. No fluid entry

Cement retainer @ 10,897'.
Cement with 325 sks.

TOC - 12,939'. CBL

CIBP @ 12,800' + 3 sk cement

Morrow Sand - 12,953' - 12,967'

5 1/2" P-110 + N-80 17# LTC casing set @ 13,356'

Cement - 220 sks. TOC - 12,939' CBL

not to scale