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JUN 28 2012

Farmington Field Office
Bureau of Land Management

submitted in lieu of Form 3160-5

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
Sundry Notices and Reports on Wells

1. **Type of Well**
   Gas X

2. **Name of Operator**
   Schalk Development Company

3. **Address & Phone No. of Operator**
   P.O. Box 25825, Albuquerque, NM 87125

Location of Well, Footage, Sec., T, R, M
935' FNL & 985' FEL, Section 12, T-30-N, R-5-W,

5. **Lease Number**
   USA NM 4457
6. **If Indian, All. or Tribe Name**
7. **Unit Agreement Name**
8. **Well Name & Number**
   Schalk 57 #2
9. **API Well No.**
   30-039-21024
10. **Field and Pool**
    Blanco MV
11. **County & State**
    Rio Arriba County, NM

12. CHECK APPROPRIATE BOX TO INDICATE NATURE OF NOTICE, REPORT, OTHER DATA

Type of Submission	Type of Action		
X Notice of Intent	X Abandonment	___ Change of Plans	
	___ Recompletion	___ New Construction	
___ Subsequent Report	___ Plugging Back	___ Non-Routine Fracturing	
	X Casing Repair	___ Water Shut off	
___ Final Abandonment	___ Altering Casing	___ Conversion to Injection	
BP	__ Other – Production test		

RCVD JUL 3 '12

OIL CONS. DIV.
DIST. 3

13. Describe Proposed or Completed Operations

The operator intends to isolate casing leaks; repair and return the well to production. If unable to repair the casing then the operator intends to plug and abandon the well per the attached procedure.

Must run + submit CBL prior to cementing plug #1

14. I hereby certify that the foregoing is true and correct.

Signed Jack Evans Title Production Superintendent Date June 26, 2011
Jack Evans

(This space for Federal or State Office use)
APPROVED BY Original Signed: Stephen Mason Title _____ Date JUN 29 2012
CONDITION OF APPROVAL, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly 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.

NMOCD
AV

A-PLUS WELL SERVICE, INC.

P.O. BOX 1979
Farmington, New Mexico 87499
505-325-2627 * fax: 505-325-1211

June 26, 2012

John E. Schalk
P.O. Box 25825
Albuquerque, NM 87125

Re: Cost Estimate - **Schalk 57 #2** Casing Repair - Mesaverde well
NE, Section 12, T30N, R05W
Rio Arriba County, NM

Gentlemen:

A-Plus Well Service is pleased to provide you with this estimate to repair the casing in the referenced well. We have evaluated the attached procedure and **A-Plus** agrees to provide:

a steel waste pit for waste fluid containment,
a workover rig package with 4 man crew (70 rig hours),
(package includes - a 7" 3M BOP, pump, mud pit and power swivel)
crew travel time (27 hours travel and 1200 miles),
cement services (cementer for 6 days and 1200 miles),
200 sxs cement,
no cement retainers,
4.5" casing scraper,
storage tank and water,
necessary for repairing the casing of this well.

It is our understanding that **Schalk** would provide the following third party items: rig anchors, hot oil truck (if necessary), a Casing Inspection Log (if desired), tool and packer services, and hauling and disposal of all waste fluids and solids. We estimate these items could cost $20,000.

A-Plus estimates the cost for the rig and cementing services to be $48,227.00 to do this proposed casing repair for the referenced well. The total project estimated cost would be $68,227 plus tax. If needed, additional Class B cement is $14.40 per sack and 4.5" cement retainer is $1150.00.

Please review this proposal and advise us of any questions you may have. This cost estimate is based on the information that you have provided and the attached planned procedure. In the event the planned procedure is modified or deviated from, then any additional work or services provided by A-Plus will be paid for by the operator in accordance with A-Plus' current price schedule.

We look forward to the opportunity to work for you.

Sincerely,

Bill Clark

Schalk 57 #2

Proposed P&A

Blanco Mesaverde

935' FNL, 985' FEL, Section 12, T-30-N, R-5-W,

Rio Arriba County, NM / API #30-039-21024

Lat _____ / Long _____

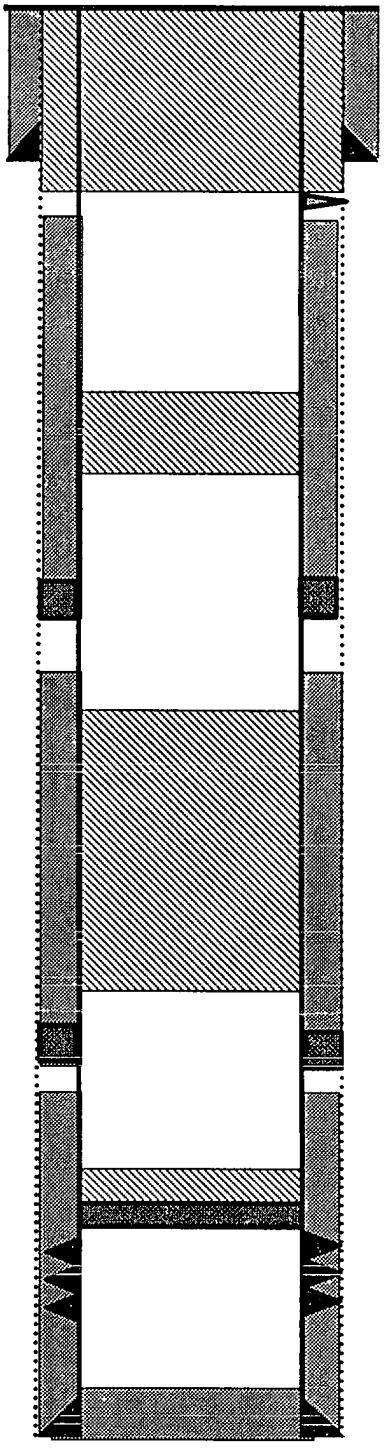
Today's Date: **6/26/12**

Spud: 10/1/74

Completed: 12/16/74

Elevation: 6675' Gl
6687' KB

12-1/4" hole



8.625" 23#, Casing set @ 306'
Cement with 200 sxs (Circulated to Surface)

Perforate @ 356'

TOC @ 431' (Calc, 75%)

Plug #4: 356' – 0'
Class B cement, 120 sx

Nacimiento @ 1534' *est

Plug #3: 1584' – 1484'
Class B cement, 12 sxs

DV Tool @ 2005'
Cement with 350 sxs (471.9 cf)

TOC @ 2447' (Calc, 75%)

Ojo Alamo @ 2904'

Kirtland @ 3002'

Fruitland @ 3366'

Pictured Cliffs @ 3484'

Plug #2: 3534' – 2854'
Class B cement, 56 sxs

DV Tool @ 4001'
Cement with 286 sxs (471.9 cf)

TOC @ 4570' (Calc, 75%)

Isolate casing leaks 4948' – 4917'

Plug #1: 5614' - 5514'
Class B cement, 12 sxs

Set CR @ 5614'

Mesaverde @ 5646'

Mesaverde Perforations:
5664' – 6010'

4.5",10.5# Casing set @ 6100'
Cement with 380 sxs (564.6 cf)

7.875" hole

TD 6100'

Schalk 57 #2

Current

Blanco Mesaverde

935' FNL, 985' FEL, Section 12, T-30-N, R-5-W,

Rio Arriba County, NM / API #30-039-21024

Lat _____ / Long _____

Today's Date: **6/26/12**

Spud: 10/1/74

Completed: 12/16/74

Elevation: 6675' Gl
6687' KB

12-1/4" hole

8.625" 23#, Casing set @ 306'
Cement with 200 sxs (Circulated to Surface)

TOC @ 431' (Calc, 75%)

Nacimiento @ 1534' *est

2.375" tubing at 5705' *est
(181 joints, SN @ 5674', with notched collar on bottom)

DV Tool @ 2005'
Cement with 350 sxs (471.9 cf)

TOC @ 2447' (Calc, 75%)

Ojo Alamo @ 2904'

Kirtland @ 3002'

Fruitland @ 3366'

Pictured Cliffs @ 3484'

DV Tool @ 4001'
Cement with 286 sxs (471.9 cf)

Isolate casing leaks 4948' – 4917'

TOC @ 4570' (Calc, 75%)

Set Baker Model "R" Packer at 5038' with 10K compression.

Mesaverde @ 5646'

Mesaverde Perforations:
5664' – 6010'

4.5",10.5# Casing set @ 6100'
Cement with 380 sxs (564.6 cf)

7.875" hole

TD 6100'

CASING REPAIR PROCEDURE

June 26, 2012

Schalk 57 #2

Blanco Mesaverde
935' FNL & 985' FEL, Section 12, T30N, R5W
Rio Arriba County, New Mexico, API #30-039-21024
Long: _____ / Lat: _____

1. Install and / or test rig anchors. Comply with all NMOCD, BLM and Schalk safety rules and regulations. Conduct safety meeting for all personnel on location. MOL and RU daylight pulling unit. NU relief line and blow well down; kill with 3% KCl water as necessary.

2. ND wellhead and NU BOP and stripping head; test BOP. TOH with the 2.375" tubing and Baker Model R packer (10K compression and set at 5038'); note depth and quantity of scale or mud, if observed.

3. PU a 3.875" bit and 4.5" casing scraper and TIH. Install a SV in the SN and pressure test each row of tubing while TIH. Note: if tubing has paraffin, scale or mud inside, then do not run a SV until the tubing is clean; circulate well with 3% KCl water. Round trip the bit and scraper to PBTD, determine if any perforations are covered with fill. TOH and LD bit and scraper.

4. PU a 4.5" RBP and TIH. Set the RBP at 4910'(7' above top casing leak). Load the casing with 3% KCl and circulate well clean. Pressure test the casing to 600#, hold for 30 minutes.

5. If the casing leaks, RU WLU and run a Casing Inspection Log.

6. PU a packer and isolate the casing leak(s) – top and bottom hole. **Note: workover in October 2011 (report attached) indicated casing leaks from 4948' to 4917'.**

7. Call A-Plus Office/Schalk Representative for squeeze cementing instructions. May further isolate casing leaks by moving the RBP and packer. Note: ***You must notify the BLM and NMOCD Agencies before doing any cement squeeze work.***

8. Repair casing leak(s) per instruction with Class B cement. WOC. Drill out cement and pressure test each leak zone to 500#. TOH with bit.

9. Notify the NMOCD and then pressure test the casing to 500# for 30 minutes; record this test on a chart.

10. Run a casing scraper and CO to RBP. Then circulate the well clean. TOH with scraper and TIH with the retrieving head (unloading well in 1500' stages if air package available). Release the RBP. TOH and LD RBP and retrieving head. If the perforations are covered with fill then clean out by circulating or bailing or blowing with air.

11. If scale was observed on the 2.375" tubing, consider acidizing the Mesaverde perforations with 1000 gallons 15% mud acid (with corrosion inhibitors, surfactant and iron additive). Let acid soak 2 to 3 hours before circulating or swabbing the well clean. TOH and LD bit.

12. Run production tubing per instructions provided by Schalk. Land tubing at approximately 5700'. ND BOP and NU the wellhead.

    If casing does not test and the decision is made to P&A the well then go to #13. If casing does test then RD and MOL.

NOTE: BLM requires a CBL log to be run on all wells where the cement did not circulate to surface or where a T.S. or CBL log was not previously run. This procedure is prepared with the understanding that it may be modified based on the TOC from the CBL.

Plug #1 (Mesaverde perforations and top, 5614' – 5514'): PU and TIH with 4.5" cement retainer, set at 5614'. Pressure test tubing to 1000 PSI. *Pressure test casing to 800 PSI. If casing does not test, then spot or tag subsequent plug as appropriate.* Mix and pump 12 sxs Class B cement above CR to isolate the Gallup interval. PUH.

→ Chacra plug 4524'-4424'

13. **Plug #2 (Pictured Cliffs, Fruitland, Kirtland and Ojo Alamo tops, 3534' – ~~2854~~ 2732'):** Spot ~~56~~ sxs Class B cement balanced plug inside casing to cover the Pictured Cliffs, Fruitland, Kirtland and Ojo Alamo tops. PUH.

14. **Plug #3 (Nacimiento top, 1584' – 1484'):** Spot 12 sxs Class B cement balanced plug inside casing to cover the Nacimiento top. TOH and LD tubing.

15. **Plug #4 (8-5/8" Surface casing shoe, 356' to Surface)**: Perforate 3 squeeze holes at 356'. Establish circulation out bradenhead with water and circulate the BH annulus clean. Mix approximately 120 sxs Class B cement and pump down the 4.5" casing to circulate good cement out bradenhead. Shut in well and WOC.

16. ND BOP and cut off wellhead below surface casing flange. Install P&A marker with cement to comply with regulations. RD, MOL and cut off anchors. Restore location per BLM stipulations.

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
FARMINGTON DISTRICT OFFICE
6251 COLLEGE BLVD.
FARMINGTON, NEW MEXICO 87402

Attachment to notice of
Intention to Abandon:

Re: Permanent Abandonment
Well: 2 Schalk 57

CONDITIONS OF APPROVAL

1. Plugging operations authorized are subject to the attached "General Requirements for Permanent Abandonment of Wells on Federal and Indian Lease."

2. Farmington Office is to be notified at least 24 hours before the plugging operations commence (505) 564-7750.

3. The following modifications to your plugging program are to be made:

a) Place the Chacra plug from 4524' – 4424' inside and outside the 4 ½" casing.

b) Bring the top of the Pictured Cliffs/Fruitland/Kirtland/Ojo Alamo plug to 2732'.

You are also required to place cement excesses per 4.2 and 4.4 of the attached General Requirements.

Office Hours: 7:45 a.m. to 4:30 p.m.