

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB NO. 1004-0135
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.5. Lease Serial No.
NMSF078902A

6. If Indian, Allottee or Tribe Name

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

SUBMIT IN TRIPLICATE - Other instructions on reverse side.

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

8. Well Name and No.

GALLEGOS CANYON UNIT 338

2. Name of Operator

BP AMERICA PRODUCTION CO.

Contact: CHERRY HLAVA

E-Mail: hlavacl@bp.com

9. API Well No.

30-045-26103-00-C1

3a. Address

HOUSTON, TX 77253

3b. Phone No. (include area code)

Ph: 281-366-4081

10. Field and Pool, or Exploratory

BASIN FRUITLAND COAL
WEST KUTZ PICTURED CLIFFS

4. Location of Well (Footage, Sec, T, R., M., or Survey Description)

Sec 9 T27N R12W NENW 0790FNL 1600FWL
36.59477 N Lat, 108.11997 W Lon

11. County or Parish, and State

SAN JUAN COUNTY, NM

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

TYPE OF SUBMISSION

TYPE OF ACTION

☒ Notice of Intent☐ Subsequent Report☐ Final Abandonment Notice☐ Acidize☐ Alter Casing☐ Casing Repair☐ Change Plans☐ Convert to Injection☐ Deepen☐ Fracture Treat☐ New Construction☒ Plug and Abandon☐ Plug Back☐ Production (Start/Resume)☐ Reclamation☐ Recomplete☐ Temporarily Abandon☐ Water Disposal☐ Water Shut-Off☐ Well Integrity☐ Other

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 shall 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 shall be filed once testing has been completed. Final Abandonment Notices shall 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 reference demenad letter dated Nov. 2, 2009

BP has reviewed the above mentioned well and find no further uphole potential

Please see the attached P&A procedure.

RCVD DEC 9 '09
OIL CONS. DIV.

DIST. 3

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

**Electronic Submission #78429 verified by the BLM Well Information System
For BP AMERICA PRODUCTION CO., sent to the Farmington
Committed to AFMSS for processing by STEVE MASON on 12/09/2009 (10SXM0044SE)**

Name (Printed/Typed) CHERRY HLAVA

Title REGULATORY ANALYST

Signature (Electronic Submission)

Date 12/07/2009

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By STEPHEN MASON

Title PETROLEUM ENGINEER

Date 12/09/2009

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 Farmington

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.

** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED **

MOCOD b

SJ Basin Plug & Abandonment Procedure

API #: 30-045-26103

Well Name: GCU 338
Version: 1.0
Date: December 3, 2009
Repair Type: PXA
Location: T29N-R12W-Sec 9
County: San Juan
State: New Mexico
P/L: Enterprise
Horizon: FC

Meter #:
Gathering System: CHACO
Engr: Nona Morgan
Phone (281)-366-6207

Objective: Plug and Abandonment

1. TIH and pull out completion
2. Cleanout wellbore
3. Isolate wellbore to check casing integrity
4. Run CBL of 4-1/2" casing & consult w/ NMOCD
5. Set cement plugs to isolate intervals.
6. Install markers.
7. Rig down move out.
8. Restore location.

Well History: Spud date 11/1984

Abandon the PC & Stimulate and Recomplete to FC - 6/2007

Current Status - Well is shut in and unable to produce. The well has not been able to produce consistently since it was recompleted as a Fruitland Coal in 2007. Refracturing, compression and artificial lift would be required to get this well producing again. However, at this time it appears from the RE 's analysis that there would be interference in production between the GCU 338 well and the nearby well GCU 79 FT/PC well.

Procedure:

Preparations

Wellsite Preparations and Agency Notifications:

1. Notify the following Inspectors 48 hours before working on the well; -

Charlie Perrin 505-334-6178 ext. 11 or Kelly Roberts 505-334-6178 ext. 16 (NMOCD)
Steve Mason 505-599-6364 (BLM)
2. Perform pre-rig site inspection. Per Applicable documents, check for:
(1) size of location, (2) gas taps, (3) other wells, (4) other operators, (5) production equipment, (6) wetlands, (7) wash (dikes requirements), (8) H2S, (9) barriers needed to protect equipment, (10) landowner issues, (11) location of pits (buried or lines in pits), (12) raptor nesting, (13) critical location, (14) check anchors, (15) ID wellhead, etc. Allow 48 hours for One Call if earth pit is required.
3. Identify wellhead for proper flange connections and BOP equipment.

4. Work with GCU through CoW and w/P&S to develop a plan to move or temporarily relocate equipment that prohibits well servicing/plugging objectives.
5. Notify land owners with gas taps on well.
6. Perform a second site visit after lines are marked to ensure all lines locations are clearly marked and that Planning & Scheduling has stripped equipment and set surface barricades as needed.
7. Properly lock out/tag out any remaining production equipment. Ensure all necessary production equipment is isolated (LOTO) including, but not limited to the meter run, automation, and separator, etc.

Initial Well Checks & Preparations:

8. Check gas H₂S content and treat if the concentration is > or equal to 10 ppm/Treat for H₂S, if necessary per H₂S Wells NOTICE.
9. MRU workover rig. Conduct lifting JHA and fill out permit for removing the Horse's head. Complete necessary paperwork and risk assessment.
10. Check and record tubing, casing and bradenhead pressures daily. Ensure production casing and bradenhead valves are double valved, if required. Double valve all casing strings. Follow all procedures per DWOP. Check lock down pins on hanger.
11. Pressure test tree and hanger to 200 psi above SITP. Make up 3" flowback line, if necessary and blow down well. Kill with 2% KCL water or fresh water, as necessary. Check all casing strings to ensure no pressure exist on any annulus.

TOH w/ Pump & Rods

12. Hang off polish rod on stuffing box and remove horses head.
13. Pump tubing capacity with 2% KCL water to load tubing. Test stroke pump to 500 psi if tubing will load. **Note:** If tubing will not load or goes on vacuum after loading, then hole in tubing or pump shoe problem is indicated.
14. Unseat pump. TOH Rods/Pump, inspect rods and pump for scale or wear. *Watch lower rods (near EOT) closely for signs of wear on guides and rods. (Discuss disposition of rods with Engineer and Ken Russell.)

Completion Removal

15. RU slickline and set mechanical barriers plugs/bpv in tubing and tubing hanger or install "G" packoff. Blowdown and kill tubing and casing strings. RD slickline.
16. Nipple down Wellhead. Reference "No Dual Barrier in Annulus During All Well Servicing" dispensation. NU BOPs and diversion spool with 3" outlets and 3" pipe to the blow tank. Pressure test BOPs to 250 psi on the low end and on the high range at 1500 psi. Monitor flowing casing pressure with gauge (with casing flowing to blow tank), if available, throughout workover.

17. Install stripping rubber. Pull tubing hanger up to rubber and shut pipe rams. Bleed pressure above rams. Pull stripping rubber and hanger up to floor. Remove hanger and replace stripping rubber.
18. Open rams and TOOH w/ 2-3/8" production tubing currently set at 1321'. PBTD 1350' Use approved "Under Balance Well Control Tripping Procedure". Visually inspect tubing while POOH. *(It is acceptable to use the existing tubing as workstring, if it appears to have good integrity based on normal inspection procedures. - WSL's discretion.)*
19. TIH w/ bit & scraper for 4-1/2" casing to the top of the FC perms at 1314' and clean out.
20. RIH with 4- 1/2" CIBP on workstring and set at 1284'.
21. Load hole and circulate out any produced fluids. Pressure test wellbore to 500 psi for 15 minutes. Monitor bradenhead for indications of communication while this is being done.
22. RU slickline and run Schlumberger CBL for 4-1/2" casing from 1284' to surface. RD slickline. Report casing load, cement quality, and pressure test results, bradenhead pressure and bleed details, and TOC to the BLM, NMOCD, and Production Engineer.

Spot Plug Location and Pump Cement to plug off Fruitland Coal interval:

23. RIH with 2-3/8" open-ended workstring to 1284'. Spot ~~300~~ or ~~37~~ sacks - (50 cu. Ft.) of G-Class cement on top of CIBP from 1284'-~~984~~'. This will isolate the entire FT Gas bearing productive intervals. WOC. **956'**
24. Based on 4-1/2" CBL forthcoming results, it will be determined if and where cement will be required behind casing to squeeze off the Fruitland Coal productive intervals.

The next steps listed below assume the TOC behind the 4-1/2" casing is available in sufficient quantities to surface and will fully plug off the identified producing intervals from a depth of 1284' to surface. However, the order and detail of the next steps could change based on the casing pressure tests and CBL results. If necessary, a modified procedure that has been agreed upon by the NMOCD/BLM will be issued at that time to fully isolate and squeeze off any portion of the producing intervals where cement is found to be inadequate according to test reports. *The engineer should be consulted throughout the plugging and abandonment procedures. All CBL and pressure test results will be reported to the onsite NMOCD and BLM representatives.*

Set Cement Plugs to Isolate & Plug off Shallow Productive Zones: Kirkland & Ojo Alamo

25. RIH w/ 2-3/8" workstring and 4-1/2" cement retainer and set @ 260'.
26. RIH with 2-3/8" open-ended workstring to 250'. Spot 250' or ~31 sacks - (41 cu. Ft.) of G-Class cement on top of cement retainer from 250' to surface. This will isolate the wellbore from the entire Kirkland/Ojo Alamo horizon to surface.
27. If CBL indicates no cement behind pipe across the Kirkland or Ojo interval, work with engineer to develop plans to perform a squeeze behind pipe from 250' to surface.

Final Plugging and Abandonment steps:

28. After completion of the above described or modified cementing procedures, If cement cannot be seen on all annulus and casing strings after removing wellhead, remedial cementing at the surface will be required.
29. Install 4' well marker and identification plate per NMOCD requirements.
30. RU slickline to remove all mechanical barriers and plugs. RD slickline.
31. RD service rig and release all equipment. Remove all Wells Team LOTO equipment.
32. Ensure all well work details and well bore equipment report are entered in DIMS. Print DIMS summary of work and wellbore diagram and put in well file. Notify Sherri Bradshaw and Cherry Hlava of completed P&A for final regulatory agency reporting and database clearing.
33. Submit work request to Planning and Scheduling to prepare location for reclamation and reseeding.



Gallegos Canyon Unit 338

Fruitland Coal
API # 30-045-26103
T-27N, R-12-W, Sec. 9
San Juan County, New Mexico

History

Spud Date: 11/1984

Payadd & Plug (2007) - Perforate FC and Plug PC

Formation Tops

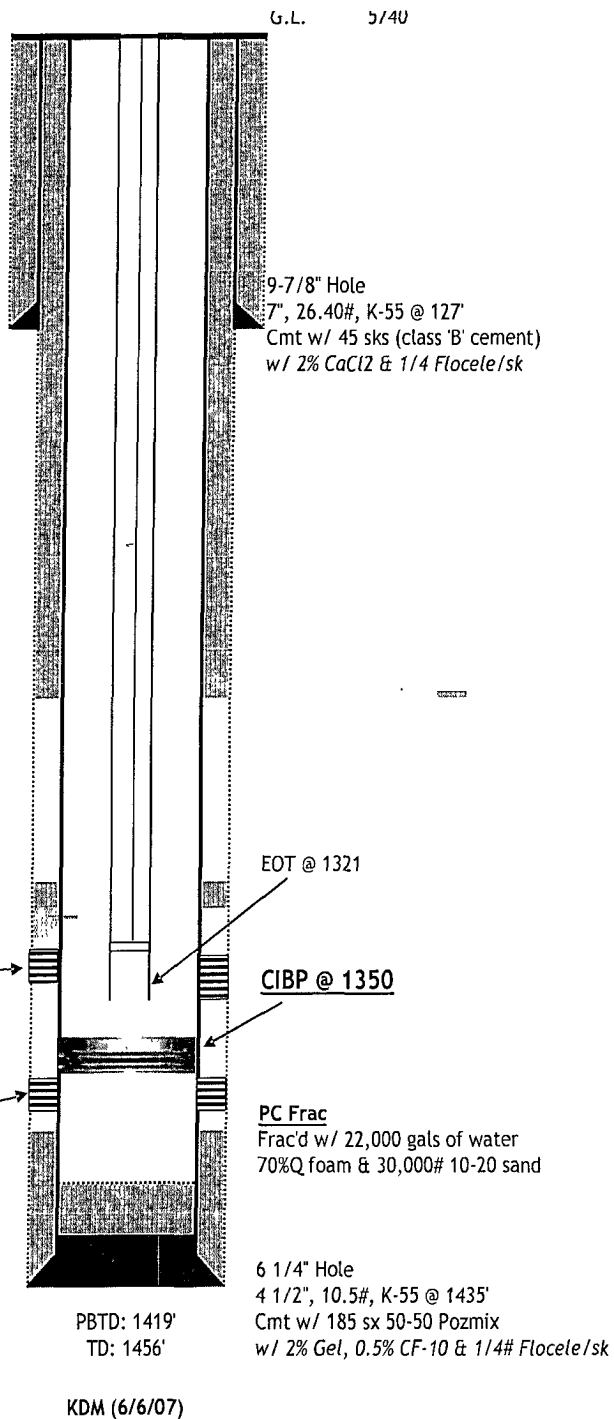
Ojo Alamo	35'
Kirtland	186'
Fruitland	1006'
PC	1329'

Fruitland Coal Perfs

1314' to 1320' 6SPF 3 1/8" casing gun.

Pictured Cliffs Perforations (1984)

1,358' - 1,378' (15 holes)



Proposed PXA



Gallegos Canyon Unit 338
 Fruitland Coal
 API # 30-045-26103
 T-27N, R-12-W, Sec. 9
 San Juan County, New Mexico

History

Spud Date: 11/1984

Payadd & Plug (2007) - Perforate FC and Plug PC

Formation Tops

OJAM:	50' md est
KTLD:	187' md
FTLD:	770' md
IGNA:	1170' md
CTWD:	1255' md
CAHN:	1310' md
PCCF:	1332' md
LWIS:	N/A
CHCR:	N/A
CLFH-E:	N/A
CLFH:	N/A
MENF:	N/A
PNLK:	N/A
MNCS:	N/A

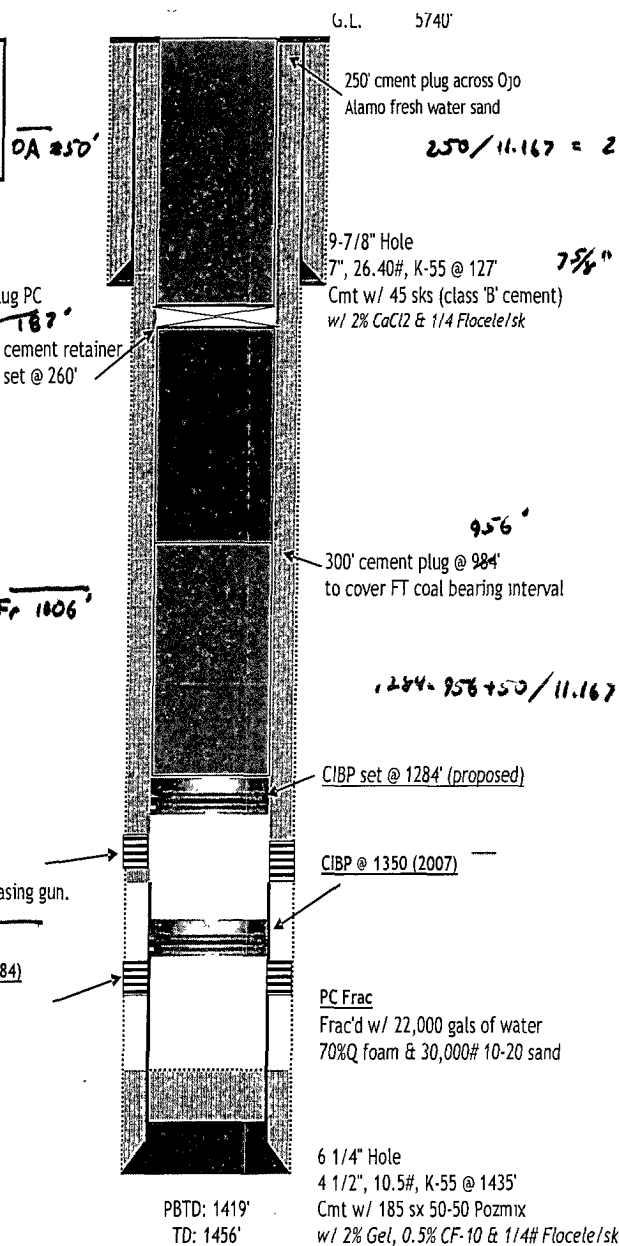
Fruitland Coal Perfs

1314' to 1320' 6SPF 3 1/8" casing gun.

PC 1327

Pictured Cliffs Perforations (1984)

1,358' - 1,378' (15 holes)



NFM (12/02/2009)

**UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
FARMINGTON DISTRICT OFFICE
1235 LA PLATA HIGHWAY
FARMINGTON, NEW MEXICO 87401**

Attachment to notice of
Intention to Abandon:

Re: Permanent Abandonment
Well: 338 Gallegos Canyon Unit

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) 599-8907.
3. The following modifications to your plugging program are to be made:
 - a) Bring the top of the Pictured Cliffs/Fruitland plug to 956'.

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.