

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
811 South First, Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy Minerals and Natural Resources  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, NM 87505

Form C-141  
Revised March 17, 1999

Submit 2 Copies to appropriate  
District Office in accordance  
with Rule 116 on back  
side of form

### Release Notification and Corrective Action

30 045 32096

OPERATOR

☒ Initial Report ☐ Final Report

Name of Company SG INTERESTS I, LTD	Contact Lynn Garner
Address c/o Sagle & Schwab Energy Resources PO Box 2677, Durango, CO 81302	Telephone No. (970) 259-2701
Facility Name FEDERAL 29-9-28 #3	Facility Type Gas Well

Surface Owner Federal	Mineral Owner Federal	Lease No. SF 080245
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### LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
F	28	29N	9W	1780	North	1950	West	San Juan

### NATURE OF RELEASE

Type of Release water	Volume of Release 200 bbls	Volume Recovered 150 bbls
Source of Release Bradenhead, est 1235'	Date and Hour of Occurrence	Date and Hour of Discovery 7/18/04 6:00 pm
Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom? Denny Foust	
By Whom? Lynn Garner	Date and Hour 7/19/04 8:00 am	
Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse. n/a	

If a Watercourse was Impacted, Describe Fully.\*

n/a

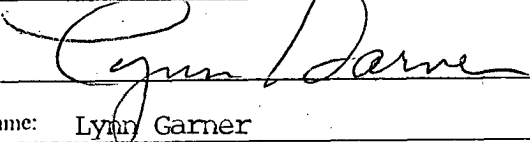
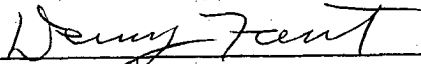
Describe Cause of Problem and Remedial Action Taken.\*

See attached

Describe Area Affected and Cleanup Action Taken.\*

See attached

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.

Signature: 	OIL CONSERVATION DIVISION	
Printed Name: Lynn Garner	Approved by For Frank Chavez District Supervisor: 	
Title: Operations Manager	Approval Date: 8/2/04	Expiration Date:
Date: 7/20/04 Phone: (970) 259-2701	Conditions of Approval:	Attached <input type="checkbox"/>

\* Attach Additional Sheets If Necessary

n06F0421537926

# SAGLE & SCHWAB ENERGY RESOURCES

**Bob Sagle**  
President/Engineering

**Tripp Schwab**  
Vice-President/Operations

July 20, 2004

Bureau of Land Management  
1235 La Plata Hwy, Suite A  
Farmington, NM 87401

Attn: Mark Kelly

Re: Federal 29-9-28 #3  
Sec 28-T29N-R9W, Unit F  
San Juan County, NM  
Bradenhead Flow and Release July 18, 2004

Dear Mr. Kelly,

SG Interests I Ltd. spud the Federal 29-9-28 #3 well at 4:00 PM July 10, 2004. Surface casing was set at 350' and cemented to surface. TD of 2290' was reached at 7:30 PM July 13, 2004. Casing was set at 2280' and cemented with 290 sx 65/35 Poz with 6% gel, 5#/sx Gilsonite and 1/4#/sx flocele and 160 sx standard cement plus 1/4#/sx flocele. Partial returns were observed during cementing and we lost circulation 40 bbls into displacement. The drilling rig was released at 6:30 PM July 14, 2004. Drilling equipment was rigged down and moved out July 15, 2004. A temperature log was run approximately 24 hours after cementing and showed a possible cement top at 1235'. Crews were on location Friday July 16, 2004 fencing the 4<sup>th</sup> side of the reserve pit and filling in mouse and rat holes. There was no flow from the well until sometime after crews left location late Friday July 16<sup>th</sup>. An SG employee discovered the water flow from the bradenhead valve (open) Sunday July 18<sup>th</sup> at about 6:00 PM. Flow was into the reserve pit and also off location into a draw for a distance of about 200 yards. Flow from the bradenhead was measured at about 4 BPH or 100 BPD. Based on a maximum of 48 hour of flow, we estimate a 200 bbl flow with about three-fourths of this volume flowing into the reserve pit. An estimated 50 bbls flowed off location and traveled about 200 yards down a draw to the northeast (see attached topographic map). This flow was bermed to prevent any further flow of water off location. Water trucks were dispatched to pull water from the reserve pit to eliminate any

Federal 29-9-28 #3

Bradenhead Flow and Release July 18, 2004

Page 2

potential of overflow. No hydrocarbon spills were associated with this flow. No water courses were reached.

The upper section of the wellhead was scheduled for installation Monday AM 7/19/04. Although there was no flow up the 5-1/2" production casing, the wellhead installation was completed Sunday 7/18/04 PM. The integrity of the wellhead and valves was checked and the well was shut-in. A sample of the bradenhead flow was taken for analysis (copy attached).

Cause of the release is two-fold. First, lost circulation of cement prevented proper cementing of the production casing. Normally, cement is circulated to surface. Although the temperature log indicates a cement top of approximately 1235', a CBL will help further evaluate the lost circulation zone, top of cement and water flow source. The second factor in the release was an open or partially open bradenhead valve. Normally this valve is closed. It is possible that this valve was knocked open while working around the wellhead (filling of mouse and rat holes) on Friday July 16<sup>th</sup>. It does not seem likely that the valve was open prior to that time since there had been no prior flow.

Remedial cementing will be required to eliminate any future water flow potential from this well. A procedure for this work has not been prepared at this time but will likely be done in conjunction with completion operations.

If there is any additional information needed, please feel free to contact me at (970) 259-2701.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lynn Garner".

Lynn Garner  
Operations Manager

Attachments

# HALLIBURTON

## Water Analysis Report

To: S&G Interests Date: 7/20/2004  
Submitted by: Halliburton Energy Services Date Rec: 7/20/2004  
Attention: Lynn Garner Report #: FLMM4525  
Well Name: Federal 29-9-28 #3 Formation: Braden Head  
Fax: 970-385-1598 :: PH: 970-759-0409

Specific Gravity	1.015	
pH	9.0	
Resistivity	1.10	@ 70° F
Iron (Fe)	0	Mg / L
Potassium (K)	0	Mg / L
Sodium (Na)	1932	Mg / L
Calcium (Ca)	353	Mg / L
Magnesium (Mg)	29	Mg / L
Chlorides (Cl)	1800	Mg / L
Sulfates (SO <sub>4</sub> )	2500	Mg / L
Carbonates (CO <sub>3</sub> )	40.0	Mg / L
Bicarbonates (HCO <sub>3</sub> )	41	Mg / L
Total Dissolved Solids	6695	Mg / L

Respectfully:

Title: SENIOR SCIENTISTLocation: Farmington, NM

NOTICE: This report is limited to the described sample tested. Any person using or relying on this report agrees that Halliburton shall not be liable for any loss or damage whether due to act or omission resulting from such report or its use.