

TAW OFFICES

Ranne B. Miller Alice T. Lorenz Stephen M. Williams Stephan M. Vidmar Seth V. Bingham Timothy R. Briggs Rudolph Lucero Deborah A. Solove Gary L. Gordon Lawrence R. White Virginia Anderman Marte D. Lightstone J. Scott Hall Thomas R. Mack Thomas M. Domme Ruth O. Pregenzer Jeffrey E. Jones James J. Widland Bradley D. Tepper Robin A. Goble James R. Wood Dana M. Kyle Kirk R. Allen Ruth Fuess H. Brook Laskey Paula G. Maynes M. Dylan O'Reilly Jennifer D. Hall Nell Graham Sale Scott P. Hatcher Ann M. Conway Randall J. McDonald Robert H. Clark Richard L. Alvidrez Kelsey D. Green Marcy Baysinger Caroline Blankenship Matthew S. Rappaport Karen E. Wootton Somer K. Chyz Joseph L. Romero Kelly A. Stone Deron B. Knoner Patricia A. Bradley T. Aaron Garrett Amy P. Hauser Rebecca M. Alves Alisa R. Wigley-DeLara Of Counsel

William K. Stratvert James B. Collins Sharon P. Gross Terri S. Beach Robert D. Taichert Reply to Albuquerque

500 Marquette N.W., Suite 1100 Albuquerque, NM 87102

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June 28, 2006

New Mexico Oil Conservation Division

Attn: Clerk of Division 1220 South St. Francis Drive Santa Fe, New Mexico 87505

RE: Case No. 13711: Pre-Hearing Statement and Motion to Dismiss

Dear Ms. Davidson:

Enclosed please find (2) copies of the following:

- 1. Travelers Indemnity Company's Pre-Hearing Statement; and
- 2. Travelers Indemnity Company's Motion to Dismiss.

Please note that the three affidavits submitted on behalf of Frank Pannell, Tom Garber, and Earl Douglas are approved as correct statements by the affiants. The copies are attached as Exhibits E, F, and G of the Pre-Hearing Statement and the Motion to Dismiss. The signed originals will be immediately forwarded upon receipt.

Thank you for your attention to this matter.

Ann M. Conway

AMC/ag Enclosures

Cc: Will Jones, Hearing Examiner (w/enclosures)

David K. Brooks, Assistant General Counsel (w/enclosures)

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A PROFESSIONAL ASSOCIATION

STATE OF NEW MEXICO ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION COMMISSION

PRE-HEARING STATEMENT IN RESPONSE TO THE NEW MEXICO OIL CONSERVATION DIVISION'S NOTICE OF VIOLATION TO PLUG AND ABANDON SAN SIMON STATE #6 WELL API 30-025-029839

CASE NO. 1591

MOTION TO DISMISS

Respondents move for dismissal of New Mexico Oil Conservation Division case number 13711. The Respondents have no claim and have no connection to the well in dispute.

STATEMENT OF FACTS

- 1. The New Mexico Oil Conservation Division (OCD) sent Travelers Indemnity

 Company (Travelers), as the surety bond issuer, and Tempo Energy, Inc. (Tempo) a Notice of

 Violation for not plugging and abandoning San Simon State #6 Well, API 30-025-29839 on

 March 9, 2004. (Exhibits A and E)
 - 2. The well in dispute is listed under OGRID 22212. (Exhibits A and E)
 - 3. Tempo does not operate any wells under OGRID 22212. (Exhibits Aland E)
 - 4. Tempo only operates wells in New Mexico under OGRID 22223. (Exhibits A and E)
- 5. Tempo never owned, drilled, or operated the san Simon State #6 Well. (Exhibits E, F, and G)
- 6. Joe Peterson (Peterson) was an independent contractor hired to do drilling consulting for Tempo in New Mexico and Texas. (Exhibits C, F, and G)
- 7. Tempo never authorized nor gave any indication to Peterson that he could use Tempo's surety bond to drill any well in the San Simon area. (Exhibits F and G)

- 8. Peterson mistakenly, wrongfully, or fraudulently used Tempo's blanket plugging bond as financial security to drill the San Simon State #6 Well. (Exhibits B and H-N)
- 9. All correspondence with the OCD concerning the San Simon State #6 Well has a Hobbs, New Mexico return address. (Exhibits E, F, and G)
- 10. All correspondence with the OCD concerning the San Simon state #6 Well has Peterson Petroleum with Tempo either printed in by hand with no initials or in conjunction with Peterson Petroleum. (Exhibits B and H-N)
- 11. Neither tempo nor its surety bond issuer, Travelers, ever had any connection to or knowledge of the San Simon State #6 Well prior to receiving the Notice of Violation from the OCD on March 9, 2004. (Exhibits B, E-N)
- 12. Phillips Petroleum, the designated transporter for the San Simon State #6 Well, has no record of Tempo operating any property under API 30-025-29839. (Exhibits D and L)
- 13. Tempo has never had an address in New Mexico and all correspondence would have come out and been sent to Midland, Texas. (Exhibits E, F, and G)

POINTS AND AUTHORITIES

I. Dismissal of this matter is proper in this case because Tempo had no knowledge of or connection to the San Simon State #6 Well.

In New Mexico every oil and gas operator is required to maintain a financial guaranty on any well under its jurisdiction. NMSA 1978, § 70-2-14(A) (2005); NMAC 19.15.3.101. The financial guaranty is required to ensure that the well will be properly maintained and plugged and abandoned in an appropriate manner. NMSA 1978, § 70-2-14(A). The OCD is authorized to order the operator, surety, or both to plug and abandon a well that is not properly maintained. NMSA 1978, § 70-2-14(B) (2005). If the operator or issuer does not comply with the OCD order the financial assurance is forfeited. Id.

In addition, the NMAC requires "the operator of any well drilled for oil, gas or injection; for seismic, core or other exploration, or for a service well, whether cased or uncased, shall be responsible for the plugging thereof." NMAC 19.15.4.201(A). The NMAC also requires that the OCD notify a well operator on a monthly basis via first class mail if any of its wells have been inactive for the past twelve months. NMAC 19.15.1.40 (B). The notice is sent to the address that the OCD has on file for the individual well. NMAC 19.15.3.100. Any well listed on the OCD's inactive list for one year plus ninety days "creates a rebuttable presumption that the well is out of compliance." NMAC 19.15.1.40(F)(2).

Tempo has no connection to the San Simon State #6 Well and denies all claims pertaining to the well. Exhibits E, F, and G. Tempo energy did not drill the San Simon State #6 Well and did not post their \$50,000 Blanket Plugging Bond to drill any well in the San Simon area of Lea County New Mexico. Exhibits E, F, and G. Tempo operates all of its wells in New Mexico under the OGRID 22223, while the well in contention is listed under OGRID 22212. Exhibits A and E. Peterson is the only signature on any correspondence with the OCD concerning the San Simon State #6 Well and Tempo's name is either added in print, without any initials, or is listed along side Peterson Petroleum. Exhibits B and H-N. The Tempo address is wrong on all correspondence with the OCD over the San Simon State #6 Well; Tempo has only ever had an address in Midland, Texas. Exhibits A, B and E-N. Peterson is solely responsible for plugging and abandoning the well pursuant to NMAC 19.15.4.201(A) because he is the operator of the well. Exhibits A, B and E-N.

Moreover, Tempo was never notified that this well was on the inactive list because it did not drill or operate the well. Exhibits E, F, and G. In addition, Tempo has never had an address in New Mexico and would not have received any OCD notices because its address is and always has been in Midland, Texas. Exhibits E, F, and G.

CONCLUSION

Tempo did not drill the San Simon State #6 Well and denies all connections and claims to the well. The well was drilled after a former Tempo consultant mistakenly, wrongfully, or fraudulently took Tempo's blanket plugging bond information and submitted it as financial security to drill the well. Tempo never authorized Peterson to use its surety bond to drill the well or any other well in the San Simon area. Tempo was never notified of the well until March of 2004 when it received the OCD's Notice of Violation concerning the San Simon State #6 Well. Tempo never even knew of the well's existence and could not have known because it is located in Midland, Texas, and would not have received any correspondence from the OCD concerning the well because the address listed for the well's operator was in Hobbs, New Mexico.

WHEREFORE Travelers and Tempo request that the OCD dismiss with prejudice any action relating to the San Simon State #6 Well API 30-025-29839 because neither have any claim or connection to the well.

Exhibits:

- 1. Exhibit A: Copy of the Notice of Violation sent to Tempo dated March 9, 2004.
- Exhibit B. Copy of the OCD Well Location and acreage Dedication Plat form for San Simon State #6 Well dated December 5, 1986.
- 3. Exhibit C: Copy of the letter sent to Chris Williams, OCD District 1 Supervisor, from Frank Pannell of Tempo dated March 26, 2004.
- 4. Exhibit D: Copy of a fax sent to Frank Pannell of Tempo from Phillips Petroleum's Title Advisor, David Eubank.
- 5. Exhibit E: Affidavit of Frank Pannell.
- 6. Exhibit F: Affidavit of Tom Garber.
- 7. Exhibit G: Affidavit of Earl Douglas.

- 8. Exhibit H: OCD Application for Permit to Drill, Deepen, or Plug Back for the San Simon State #6 Well dated January 13, 1987.
- 9. Exhibit I: Texas Oil and Gas Division Inclination Report for the San Simon State #6 Well dated January 28, 1987.
- 10. Exhibit J: OCD Sundry Notice for the San Simon State #6 Well dated February9, 1987.
- 11. Exhibit K: OCD Well Completion or Recompletion Report and Log for the San Simon State#6 Well dated July 13, 1987.
- 12. Exhibit L: OCD Request for Allowable and Authorization to Transport Oil and Natural Gas dated October 1, 1987.
- 13. Exhibit M: OCD Sundry Notice showing Peterson's intent to temporarily abandon the San Simon State #6 Well dated October 16, 1987.
- 14. Exhibit N: OCD Sundry Notice showing Peterson's intent to plug and abandon the San Simon State #6 Well dated September 24, 1990.

Respectfully submitted,

MILLER STRATVERT P.A.

ANN M. CONWAY

Attorney for Travelers Indemnity Company

P.O. Box 25687

Albuquerque, New Mexico 87125

(505) 842-1950

(505) 243-4408 Fax



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor
Joanna Prukop
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

3/9/04

Tempo Energy POB 1034 Midland, Texas 79701

Ref: San Simon State #6, API 30-025-29839

Notice of Violation

To Whom It May Concern:

It has come to my attention that this well is seriously out of compliance. The well has intent to plug dated 9/24/90 submitted by Tempo Energy. The well has not been plugged. Buddy Hill has made several attempts to reconcile this problem with your company. Tempo Energy has had three letters sent about this well. Tempo Energy has 30 days to plug and abandon this well. If it is not plugged, Tempo Energy will be scheduled for hearing to show cause why Tempo Energy has not completed the work needed. This well is under OGRID 22212, but the bond on this well is under OGRID 22223. It is Tempo Energy responsibility to bring this well into compliance.

Tempo Energy can be subject to penalties up to \$1000.00/day per violation/well from the date of this letter.

Sincerely

NMOCD District I Supervisor

NEW MEXICO OIL CONSERVATION COMMISSION WELL LOCATION AND ACREAGE DEDICATION PLAT

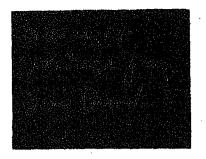
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Tempo Energy, Inc.

PO Box 1034 Midland TX 79702

(432) 689-2951



March 26, 2004



Chris Williams
NMOCD District I Supervisor
Oil Conservation Division
1625 N. French Drive
Hobbs, NM 88240

Re: San Simon State # 6 API 30-025-29839

Mr. Williams:

Tempo Energy, Inc. of Midland, Texas does not own, operate, have any interest in, nor did we drill the above mentioned well.

At this time we have concluded that the driller of the well, Joe Peterson dba Peterson Petroleum Company, fraudulently used Tempo Energy, Inc.'s surety bond to drill the above referenced well as evidenced by documents retrieved from your website. Mr. Peterson had access to the bond information due to the fact that he did work as a consultant to Tempo Energy, Inc. on drilling wells in New Mexico and Texas from 1983 until 1986 when he was terminated for cause.

In looking at the documents retrieved from your website we found the following irregularities (each number signifies corresponding document):

- 1) On well location and acreage dedication plot in the mame of Peterson Petroleum, a certified document, the typed name of Peterson Petroleum is marked through and Tempo Energy Inc is hand written beside it, no initial of change by anyone.
- 2) On the Application to Drill, filed under Tempo energy, Inc/ Peterson Petroleum Company (with the latter lined out with no initials) the mailing address is listed as PO Box 5509 Hobbs, NM 88241-5509. Tempo energy, Inc. has never read an office in the State of New Mexico, and all correspondence would have originated from the Midland, TX office. This document was submitted by Joe D. Petereson.
- 3) On the Inclination report submitted by James Brazeal dba Capstar Drilling, another notarized document, the operator typed onto the form is Peterson Petroleum Company, which is again fined out and has handwritten Tempo Energy, Inc. This change also is not initialized by anyone on the notarized document.
- 4) The OCD Sundry Notice form is filled out and signed by Joe D. Peterson with a return address of Hobbs, NM.
- 5) The OCD Well Completion Report shows Tempo Energy, Inc./Peterson Petroleum Company, with the letter lined out and the Hobbs, NM mailing address. The form is again signed by Joe D. Peterson.
- 6) WRS Completion report shows Tempo Energy.
- 7) OCD Request for allowable submitted under Tempo Energy, Inc./Peterson Petroleum Company (latter scratched out) with the Hobbs, NM return address.

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filed by Guy Baber of intent to P&A with operator address of Hobbs, NM.

10) A fax received from Mr. David Eubank, Title Advisor fcr Conoco/Phillips showing they have no record of a property under this API number operated by Tempo Energy, Inc.

Tempo Energy, Inc. contacted Mr. Guy Baber, Sr. (80 years old) who stated that he may have filed the paperwork but had no recollection of the document and did not know who Tempo Energy, Inc. was. I described to him the conditions of the well site as told to me by Mr. Buddy Hill about 2 years ago. Mr. Baber stated that someone should prosecute Mr. Peterson for leaving a well in that condition.

Tempo Energy also contacted Mr. James Brazeal, dba Capstar Drilling, who stated that the well was drilled for Joe D. Peterson of Peterson Petroleum Company and that Mr. Peterson had not paid them for their services.

In addition, Tempo Energy also contacted Mr. David Eubank with Conoco/Phillips in Oklahoma and he could find no record of the API number for the well, nor any listing for the well under either Peterson or Tempo per attached copy of fax.

Tempo Energy, Inc. has never had an office in New Mexico, did not drill, operate, or have any financial interest in the referenced well and feel that this was a case of identity theft. Whereas, Joe Petereson used the system to drill a well by taking Tempo Energy, Inc.'s name and bond number and used them to file and get approval to drill this well without Tempo's knowledge or approval. Obviously this fell through the cracks early on as Tempo was not contacted regarding use of the bond or the abnormal use of its name in conjunction with another operator. All the forms that were filed were done so with the Hobbs, NM return address, to which Tempo would have no knowledge of any correspondence sent to that address. Tempo Energy, Inc. has always contacted the OCD by phone and in writing when this matter has arisen. Tempo has always maintained that The San Simon State # 6 was not drilled, operated, or even co-drilled by Tempo. Tempo Energy's name got put on the well fraudulently and the well carries a different OGRID number than the one that Tempo operates every one of our wells under.

In summation, it appears that nearly every document associated with this well has originated in Hobbs, NM with Tempo Energy's name either penciled in or co-listed with Peterson Petroleum Company. Seeing as how Tempo Energy, Inc. has never had an office or even a PO Box in New Mexico, I think it is clear that this is a case of corporate identity theft, in that Joe Peterson iflegally obtained and used Tempo Energy's name and surety bond to avoid liability for his own company to drill this well.

Sincerely,

Frank Pannell VP Operations, Tempo Energy, Inc.

TOTAL P.01

STATE OF NEW MEXICO ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

CASE NO. 13711

AFFIDAVIT OF FRANK PANNELL

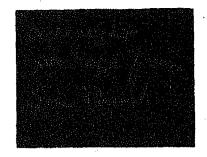
- I, FRANK PANNELL, hereby swear and affirm that:
- 1. I am over the age of eighteen (18) and competent to give this affidavit.
- 2. I am a party-in-interest in this matter.
- I am currently the Vice President of Operations at Tempo Energy, Inc., which is located in Midland, Texas.
- 4. Tempo has never had an address in New Mexico.
- 5. All the addresses listed on the forms filed for the San Simon State #6 Well, API 30-025-029839 state a Hobbs, New Mexico return address.
- 6. Tempo did and does not own, operate, have any interest in, nor did it drill the above mentioned well.
- 7. The above mentioned well is listed under OGRID 22212 but Tempo only operates wells in New Mexico under OGRID 22223.
- 8. The New Mexico Oil Conservation Division (OCD) sent Tempo a Notice of Violation dated March 9, 2004.
- 9. The violation was in reference to the San Simon State #6 Well.
- 10. I sent a letter dated March 26, 2004 to Chris Williams, OCD District 1 Supervisor, at 1625 N. French Drive Hobbs, New Mexico 88240 disputing Tempo's connection to the well.

| 11. | A true and correct copy of this lette | er with attachments (10) is attached as exhibit |
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Tempo Energy, Inc.

PO Box 1034 Midland TX 79702

(432) 689-2951



March 26, 2004



Chris Williams
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Sincerely,

Frank Pannell
VP Operations, Tempo Energy, Inc.

NEW MEXICO OIL CONSERVATION COMMISSION WELL LOCATION AND ACREAGE DEDICATION PLAT

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| | | | , Frepased Depth | 19A, Fermetio | | 10. Rober of C.Y |
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| 201013 GD | | | | rig. | <u> </u> | 17-01 |
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| SIZE OF HOLE | SIZE OF CARING | WEIGHT PER POOT | 330 | H BACKS OF 290 | CEMENT | Surface |
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| PROPOSAL | | | | | | |
| II w/2% Ca. Cl. | to approx. 330' | - | | | | . |
| After 12 hrs. W run casing to T Class C Nest w/ | .O.C. pressure to .D Cement w/800 2% Ca. Cl. and 2 | ast to 1000 PSI, 0 sx lite-wt. #3 # salt per'sack. | resume drill: , w/5# salt po | ing to 420 er øx.,tal | 0', <u>l</u> og (1-in 100) | ax x |
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| by sorijly that the informat | ion above in true and som | plate to the best of my be | pwledge and hellefe | | | f |
| Just In al | (FR 61) | rui. Conquitir | ıg. Agent | | Date 1- | 13-07 |
| PAIR TOTAL | i i i i i i i i i i i i i i i i i i i | | | | CONTRACT (CANAL) | |
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| ALCIANA OF AMERICANAL | D AMM. | The second secon | | Control of the Contro | NOTE OFFI | |

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| I. PIELD WANK (AS BO | one Cap. A Ride Par Vilde | · · · · · · · · · · · · · · · · · · · | | manganitasiki dapangganggang dan palanggan manga | 8. Well Humber |
| SHARM LINES for b. | | | • • | , ; | C+ 41 |
| S. OPENATOR, | 2 - A - 41 | the state of the same that the | Simon State | | 9. BRQ identillanties |
| | troloun Company | ij Inci. | | Signatura in Sida a limata di arangan kanaya na manaka mana in si | (Clas complettons e |
| P.O. Box 55 | 09 Hobbe, N | M 88241-5509 | | | 10. County |
| | ec. 4. T-22-5. | R-35-E | | • | Lea |
| | | RECORD OF | INCLINATIO | Y | |
| * []. Meanwood Depth (foot) | 12. Course Longth (Hindreds of feet) | • 12. Angle of Instination (Degrees) | 14. Displacement per liundred Fest | 15. Gowse Displacement (feet) | 16. Acamulative Dispisesment (feet) |
| 357 | 357 | - Charles | (Bine of Angle \$100) 1.75 | 6.25 | 6.25 |
| 890 | 533 | | 1.75 | 9.33 | 15.58 |
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| 1808 | 494 | 3/4 | 1.31 | 6.47 | 29.47 |
| 2266 | 458 | 1 3/4 | 3.06 | 14.01 | 43.49 |
| 2766 | 500 | 1 1/2 | 2.63 | 13.15 | 56.63 |
| | 487 | 1 1/2 | 2,19 | 10.67 | 67.30 |
| 3253 3746 | 493 | 1 | 1.75 | 8.63 | 75.93 |
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| 17. Is any informat 16. Accumulative t 19. Inclination mes 20. Distance from 21. Minimum distan 22. Was the subject | ion shown on the rove, otal displacement of w surements were made surface location of we see to lease line as prit well at any time inte | rell bore at total depth o | Casing The vertical in any mar | Cent z 85.35 Open hole man what a certain a | loot. Drill Plpe fo |
| Bignestre of Authoriti | penalties presented in all I am authorized to milit am authorized to militate and the end of the latter and the authorized the authorized that such data and factory provided by the ten number of the provided that the authorized that the areas I - President allocates are printly and by a Capster of the authorized that are allocates are printly and by a Capster of the authorized that are allocates are printly and by a Capster of the authorized that are allocates are printly and the authorized that are allocates are allocates and the authorized that are allocates are allocates and the authorized that are allocates and are allocates a | r Drilling | Rignature of Author Hame of Person and | FIGATION permitten premarined in half am authorized to a reladge of all information need on both wides of the sequent forein except ince item numbers on this for leading the sequent forein except ince item numbers on this for lead Representative | Hee, 91,143, Texas Nake this certification, presented in this reper is form are true, correct interior date as indication date as indication. |
| Railread Commission | | | Telephone: ,Aird | Oidi in | |

COUNTY OF COLLIN

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|------|------|------|----------|--------|------|-----|----------|-------------|-------|-----|--------|----|------|-----|---|
| A | 28 | th | day | of | 4 | LAL | <u> </u> | curations f | 1987 | by | James | L. | Braz | eal | 8 |
| Pres | iden | t of | BRAZI | GAL, | ING. | • | d/b | /a C | atega | a a | RILLIN | G. | | | |
| MU | | | BAULA CA | RLISLE | | | | 9. | 2/ | | 7 1 7 | 9 | | | |

PAULA CARLISLE
NOTARY PUDLIC STATE OF TEXAS
COMMISSION EXPIRES 1—11—89

Notary Public

My commission expires:

1-11-89

STATE OF NEW MEXICO NERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION us, or corner passivity " BISTRIBUTION P. O. BOX 2086 BANYA'FE SANTA FE. NEW MEXICO 87501 FILE ta, Indicate Type of Locas V.S.B.S. Bigin XX LAND OFFICE 1, State Oll & Gas Lease No. OPERATOR LG-4234 PORTS ON WELLS Form or Lages Hamp INC./ e/o PETERSON PETROLEUM COMPANY san simon state . Viii no. P.O. BOX 5509 HOBBS, N.M. 88241-5509 Possilon of Moll id. Fleid and Pool, or Wildest Undersignated 2310 North UNIT LETTER 16, Elevation (Show whether DF, RT. GR. etc.) 12, Gounty 3610.5 GL Lea Check Appropriate Box To Indicate Nature of Notice, Report or Other Data NOTICE OF INTENTION TO: SUBSEQUENT REPORT OF: PLUE AND ADAMSON ALTERING CABING COMMERCE PRILLING STUB. MAGAARILY AMAMARIN PLUE AND AGARDORMEN GABING TEST AND GEMENT JOS 🌇 LL OR ALTER CASING SHANGE PLANE Desgribe Proposed of Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any pro-work) SEE RULE 1900. Spudded 1-19-87, drilled 124" hole to 352', ran 95/8" 40# casing to 352', cemented w/110 sx Class "C" and 2% cacl and circulated 38 sx cement. Drilled 7 7/8" hole to 4103', ran Spectral Density Dual Spaced Neutron Log with GammaRay & Caliper Log. (attached) Ran 54" 17# casing to 4103' w/latch-down plug in guideshoe, cemented w/1000 sx filler and 200 sx Class "C" w/2% cacl. WOC 18 hrs. on surface, tested 1500#, held for 30 mins. no pressure drop, resume drilling.

I hereby certily that the information above is true and samplete to the best of my browledge and belief.

CONSULANT/AGENT

OATS

2-9-87

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| CTATE OF LIEU | MANUA | (G) | | | | • | | | | • | | C-105 | |
|--|----------------|---------------------------|---|--------------|---|---|---|--|-------------------------|-------------------------------|---|---|-----------------------------|
| WENGY AND MINURALE | | RNT | | | | | · | • | | | KOYII | led 19-1-78 | |
| wa. er forita attetre | |] | OIL C | | | | DIVI | ISION | | Sq. Ind | liodie T | Yne of Laure | |
| DISTRIBUTION | [[[udb]. | | | | Q, BQ | | ~~ ~ ~ | T. 4 | | 6 1a | ıto X | | reo [|
| SANYA FE | | 4 | SAN | ra Pe | , NEW | MEXI | CO 87 | DV 1 | | 1 | | Ciga Legip | No. |
| U,1,0,1,1 | - T | WELL | COMPLETI | ON OR | PECO | MPI FI | ION RI | FPORT AN | VD LO | LG | -423 | 34 | |
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| | | with X | ens [m | 7 | [] | | | | | | | | |
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| MER X WOULD | | EPEN . | PLUE PLUE | | va 🔲 | | En | | | | | lmon St | ate |
| , Hame of Operator | 3: 1 | | | | | | 141 H C (C 497. 140 | | - 13 2 2 1 4 4 1 | J. Wel | l No. | AND THE RESERVE THE PERSON NAMED IN | ********** |
| Tempo Energy | , Inc. | /·Puta | rreon P | 1010 | -mua | eompa | ny | | | 6 | | - A | |
| P.O. Box 550 | O Hab | he N | м яяз | 41-5 | 50a | | _ | | | | | (Asset | |
| i. Legation of Well | | | THE UUL | 6-14 th 1-15 | 16.843.00.00.00.00.00.00.00.00.00.00.00.00.00 | *************************************** | *************************************** | | 1 - 10 - 10 | m | 7777 | 777777 | TTTT. |
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| MIT LETTER H. | LOSATED . | 2310 | FEET FROM | M THE | Nort | h rine | AND AND | 90 | EET FRO | | | | IIII |
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| rne East sine or a | es, 4 | TWP. | 22-S nes.2 | 5-E | HAME | | | | LILLI | ∑ Le | B I I O F | Low Cambian | |
| 1-19-87 | 1-27- | | 7-13- | | , , 144 dami | 7,04.7 | 3615 | | 11144 114 | I fast ares | | 3612 | Hadd |
| 10. Total Depth | | Plug Back | | | Multipl | e Compl. | | 23, Interval Drilled | e , Ro | tary Tools | | Cable Tool | s |
| 4103 | 1 | 100 | <u>.</u> . | ' | muity . | | | Citien | → | XXX | | - | |
| 3892-1 is. Type Electric and O Welex-Speci | her Logn Ru | n amanana A | 20-4065 Dual S _l | paced | l . Neu | tron | Log | (attach | ed) | | 27. Wa | yes n Well Cored O | |
| 28, | | | CASIN | G RECO | RD (Rep | ort all st | rings sol | in well) | | | | | ******** |
| CASING SIZE | | Lp./ft. | DEPTHE | | | E BIZE | | | TING R | ECORD. | | AMCUNT | |
| 9 5/8" | 40/ | | 352 4103 | | 7 | 24" 7/8" | | 100sx 1000sx | *# 1 1 1 | er 200 |)av | None | |
| 7.14 | | | *************************************** | 4-m 76-can-a | 1 20 15 7 11 11 11 | | | Class (| | <u> </u> | | None | 3 |
| 19 p. | | * | डलक्≒े ध=का वश्चे== | | 7120 - A 18 - E | | 1000 | ************************************** | <u></u> | 2500000 v | | *************************************** | |
| 29, | | LINER | RECORD | | ***** | | | 30, | | TUBING | RECO | RD | |
| SIZE · | 707 | þ | OTTOM | ACKE C | EMENT | SCR | EEN | SIZE | *** | DEPTH S | ET | PACK | ER SET |
| | _ | | | | | | | Same Private Section 1 | m. | . 4.2 * 44.4 * 1 1.7 * | *************************************** | | -, -(61+ - + +) |
| 1) Perfuertion Bears / | Internal, etc. | and sumb | | | | 32. | ACI | D, SHOT, F | PACTU | E CEME | AT BOU | ERZF. STC | |
| 31, Performing Regard (3892-3906 | 15 ho1 | 98 4" | 4832-48 | 22 5 | hole 2hole | DE | PTHINI | d toda nazy di seedar "1 | केर कार के जान के | ******** | | D MATERIA | |
| 3928 -3931 | 4 " | | 4034-40 | 00 T | zuo Te | 40 | 20-40 | | 150 |)0 gal | 73% | MSR | |
| 3938 -3942 394 7-3952 | 4 · " | | | | | 389 | 32-39 | 64 | 300 |)O gal | 5% | MSR | |
| 3958 -3964 | 7 " | | | | | | | A Characteristics | ر س _{تو ام} ر. | \X\\ #4\\ | 766 | አለላለ | _ , _ , _ |
| | | | All the second second | | יממת | UCTION | 92-40 | op | and | | / <u>4</u> U- | 32000g | AT I |
| 33. Date First Production | <u>-</u> | radvetton | Mailtod (Flaw | ng, zon | | | | he bamb) | änn. | Well | Biglus | (Prod. or Sh | vi-in) |
| 7-10-87 | 1 | PUMPIN | (G | y. | | | | | | | rod. | | |
| 7-13-87 | House Teel | ed . | Ihoka Siza | Prod'n | For or lod | 8 110 | bl. | Gqs - MC 25 | | Weter - B) 80 | ગ્ય, | Qqs Otl F | nllo |
| Flow Tubing Press. 100 | Cusing Pro | See We | Completed 34- | 011 1 | na), 8 | Gr | m - MCT 25 | | ner = 11 | | ÖII | Gravily Al | 1) (Can |
| 34. Disposition of Gas | Sold, weed / | or Just, ver | ried, eie. | علىدىنىد أ | in.iss::53:4: | war elege | या हा भागा गाराण व | γ., | , | Taul Wilian | | | |
| Vented | ! | | | | . ' | | | . } | | Pet | orac | on | |
| 15. List of Allashments Logs | 1. | | - m derme - in in an a milet | | · 1 · · · · · · · · · · · · · · · · · · | | · ************************************ | | <u> </u> | C 45 | , | | |
| 40 I havaky mortify that | the Indiana | ion thous | on love sider | ofthie | Frank de de | ue and re | verilata t | a cha base al | | | 1.20.6 | | · ········ |

N.

GOR (NR) BSK DEPTH/BUB TYPE FORMATION LTH TOP DEPTH/SUB salt Yates 3620 -5 LOG LOG 1815

CONTINUED IC# 300257001187 Petroleum Information Cepyrighted 1887 Fattalaum

Information Corporation

PI-WRS

24HRS

ADDTYNTGN

THE RESPONDENCE OF THE PROPERTY OF THE PROPERT

BTATE OF NEW MEXICO ENERGY AND MINERALE DEPARTMENT

| #0, 97 T##160 016 | ***** | 16.5 | |
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| BANTA FR | 1, | 1 | • |
| PILETE | 7/21 | .1. | 1 |
| V.3,61,4. | 35 | - | - |
| LAND OFFICE | 4/1 | 7 | |
| TAANAAATIN | Oft. | | |
| TAAMAPORTEN | 444 | | |
| OPERATOR " | - | 7 | *** |
| PROBATION OF | 16E | | - |

OIL CONSERVATION DIVISION P. O. BOX 2088

Form 0-104 Revised 10-01-78 Formal 06-01-63 Page 1

| LAND OPPOSE STORY | MEXICO 87501 |
|--|---|
| TAANSPORTEN SAS REQUEST FOR | ALLOWARI F |
| OPERATOR A | ND . |
| AUTHORIZATION TO TRANSF | PORT OIL AND NATURAL GAS |
| Operation | |
| Tempo Energy, Inc./ Peterson Petroleum | Company |
| P.O. Box 5509 Hobbs, N.M. 88241-5509 | |
| Hongonies for liling (Check proper box) | Other (Please explain) |
| Change ta Transporter of: | CASINGHEAD GAS MUST NOT 19 |
| The state of the s | y Gos FILARED AFTER 10-1-27 undersone UNLESS AN EXCEPTION SO R-403 |
| THIS WELL HAS BEEN PLACED IN | THE POUL BY UNKALVED. |
| If change of ownership give name DESIGNATED BELOW. IF YOU DO and address of previous owner water This DESIGNATED BELOW. IF YOU DO | NOT CONCUR |
| A acra | 1.1. |
| II. DESCRIPTION OF WELL AND LEASE 8-85/3 Lease Name 88 11 Well No. Pool Name, including F | 10/1/8-7 principles Kind of Lease Lea |
| San Simon State 6 Understand | (Aug. , Aug.) |
| Location (A) | · (TREED) |
| Unit Letter H , 2310 Feet From The North Lin | e and 990 Feet From The East |
| Line of Section 4 Township 22-S Ronge | 35-E NMPM Lea c |
| *** | |
| III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL | GAS Adarasa (Give address to which approved copy of this form is to be sen |
| Phillips Peteroleum Company (Trucks) | Vadidas (Othe ganters to mutch approved coby of twis form in to be sea |
| Name of Authorized Transporter of Castrohead Gas All or Dry Gas | Address (Give address to which approved copy of this form is to be sen |
| Phillips Natural Gas Company | |
| if well produces off or liquids, Unit Sec. Twp. Res. | is gan actually connected? When |
| give location of tents. H 14 22-S 35-E | |
| If this production is comminded with that from any other lease or pool, | give commingling order numbers |
| NOTE: Complete Parts IV and V on reverse side if necessary. | |
| VI. CERTIFICATE OF COMPLIANCE | OIL CONSERVATION DIVISION |
| I hereby certify that the rules and regulations of the Oil Conservation Division have | APPROVED 1987 19 |
| been complied with and that the information given is true and complete to the best of my knowledge and belief. | |
| ml remarkable and hence! | BY ORIGINAL SIGNED BY JERRY SEXTON |
| | TITLE DISTRICT I SUPERVISOR |
| hant the | This form is to be flied in compliance with Ruke 1184. |
| - William Onos Al- | If this is a raquest for Blowabia for a newly drilled or de |
| CONSULTANT/AGENT | well, this form must be accompanied by a tabulation of the de tests taken on the well in accompany with NULE 111. |
| CUNSULTANT/ AGENT | All sections of this form much be filled out completely for |
| AUGUST 4. 1987 | able on new and rengalifeted Wells. |
| (Date) | Fill out only Audions 1, A III, and VI for changes of well name or number, or transporter or other such abange of con |

| OIL CONSERVATION DIVISION P. O. BOX 2088 SANTA FE, NEW MEXICO 87501 FIG. U.O.O.S. LAMB OFFICE. OPERATOR SUNDRY NOTICES AND REPORTS ON WELLS (RO NOT USE THIS PERTAPOLATION POST STRAIL TO TO DECEMBER OF PARTY SALES, I SHAPE LARION FOR STRAIL TO THE PARTY SALES, I SHAPE LARION FETROLEUM COMPANY 3. Name of Operator TEMPO ENERGY, INC./PETERSON PETROLEUM COMPANY 3. Addrone of Operator P.O. BOX 5509 HOBBS, N.M. 88241-5509 4. Location of Well WHIT LETTER THIS 2310 PET FROM THE NOTED LINE AND 990 PETROLEUM COMPANY 15. Elevation (Show whether DF, RT, GR, etc.) 3610.5 GL | Form C-103 Revised 10 Sa. Indicate Type of Lease State XX Fee 5. State Oil & Gas Lease No. 7. Unit Agreement Name 8. Farm of Lease Haine SAN SIMON STATE 9. Well No. |
|--|--|
| SUNDRY NOTICES AND REPORTS ON WELLS (RO NOT USE INIT FORT FOR PROFESALE TO BOIL ON TO DESCRIPT ON SUCH PROPOSALE.) I. OTHER WELL WELL OTHER. 2. Name of Operator TEMPO ENERGY, INC./PETERSON PETROLEUM COMPANY 3. Address of Operator P.O. BOX 5509 HOBBS, N.M. 88241-5509 4. Location of Well OTHER WELL OTHER DOTTER OF TROMBER OF THE AND 990 FEET FROM THE MORTH LINE AND 990 FEET FROM THE LINE AND 990 FEET FROM THE BEST OFFI THE AND 15. Elevation (Show whether DF, RT, GR, etc.) | 5, State Off & Gas Lease No. 7, Unit Agreement Name 8, Farm or Lease Name SAN SIMON STATE |
| SUNDRY NOTICES AND REPORTS ON WELLS (RO NOT USE THIS FRAM FOR PREPARALE TO DRILL ON TO DESCRIB OF PLUG SACE TO A DIFFERENT RESERVOIM. I. OIL RX WELL OTHER. 2. Name of Operator TEMPO ENERGY, INC./PETERSON PETROLEUM COMPANY 3. Address of Operator P.O. BOX 5509 HOBBS, N.M. 88241-5509 4. Location of Well UNIT LETTER METERSON PETROLEUM COMPANY THE EBSt Line, Section 4 TOWNSHIP 22-S RANGE 35-E NAME IS, Elevation (Show whether DF, RT, GR, etc.) | 7, Unit Agreement Name 8. Farm or Lease Name SAN SIMON STATE |
| TEMPO ENERGY, INC./PETERSON PETROLEUM COMPANY 3. Address of Operator P.O. BOX 5509 HOBBS, N.M. 88241-5509 4. Location of Well white the property of the period of the | 8. Form of Leane Name SAN SIMON STATE |
| TEMPO ENERGY, INC./PETERSON PETROLEUM COMPANY 3. Address of Operator P.O. BOX 5509 HOBBS, N.M. 88241-5509 4. Location of Well UNIT LETTER HIT 2310 PEET FROM THE NOT th LINE AND 990 PEET FROM THE EBSt LINE, SECTION 4 YOWNSHIP 22-S NAMES 35-E NAMES 35 | 8. Form of Leane Name SAN SIMON STATE |
| TEMPO ENERGY, INC./PETERSON PETROLEUM COMPANY 3. Address of Operator P.O. BOX 5509 HOBBS, N.M. 88241~5509 4. Location of Well UNIT LETTER HIT | SAN SIMON STATE |
| P.O. BOX 5509 HOBBS, N.M. 88241-5509 4. Location of Well WHIT LETTER SECTION 4 TOWNSHIP 22-S RANGE 35-E HAM 15. Elevation (Show whether DF, RT, GR, etc.) | |
| THE EAST LINE, SECTION 4 TOWNSHIP 22-S NAMES 35-E NAMES 15, Elevation (Show whether DF, RT, GR, etc.) | 1 1 |
| THIS | 10. Field and Poul, or Wildcat |
| 15, Elovation (Show whether DF, RT, GR, etc.) | SAN SIMON YATES |
| | |
| 31111111111111111 3610.5 GL | 12. County |
| Check Appropriate Box To Indicate Nature of Notice, Report or | Les ()))))) |
| · | NT REPORT OF: |
| PERFORM REMEDIAL WORK TEMPORARILY ABANDON PULL OR ALTER CASING CHANGE PLANS CHANGE PLANS CASING TEST AND CEMENT JOS | ALTERIIC CASING PLUS AND ABANDONMEN |
| отиея | 1. |
| 17. Describe Proposed of Campleted Operations (Clearly state all pertinent details, and give pertinent dates, included | ling estimated date of starting any pro |
| work) see Rule 103. | |
| Production is low and not economical at this time. | |
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| 18. I beroby certify that the information shave is true and complete to the best of my knowledge and belief. | and the state of t |

| | ###################################### | • | • |
|---|--|--|---|
| Submit 3 Copies to Appropriate District Office | State of New M Energy, Minerals and Natural 1 | | Form C-103 Revised 1-1-89 |
| DISTRICTI P.O. Box 1980, Hobbs, NM \$8240 DISTRICTI P.O. Drawey DD, Assais, NM \$82 | Santa Pe. New Mexico | 088 | WELL API NO. 347-025-29839 S. Indicate Type of Lease STATE X PER |
| DISTRICT III 1000 Rio Briton Ma, Antes, New I | B7410 | ç. C. D. | 6. State Oil & Ges Lanse No. |
| (DO NOT USE THIS FORM FO DIFFERENT (F) | ' NOTICES AND REPORTS ON W OR PROPOSALS TO DRILL OR TO DEEPH ' RESERVOIR. USE "APPLICATION FOR F 'ORM C-101) FOR SUCH PROPOSALS.) | EN OR PLUG BACK TO A | 7. Lease Name or Unit Agreement Name |
| 1. Type of Well; OL GA | ir A oues | · | SAN SIMON STATE # |
| 2. Nome of Operator | 0 | | & Well No |
| 3. Address of Operator | ENERGY SVC | | 9. Pool same or Wildest |
| 4 Well Location | HOBBS NE | W MEXICO 88240 | SAN SIMON |
| Unit Letter H | 2310 Feet From The N | Line and 99 | CO Reet From The E Line |
| Section 4 | Towaship 22S | Range 35E | NAMPM LEA County |
| | | her DF, RKB, RT, GR, etc.) 3660 GL. | |
| | heck Appropriate Box to Indica | | ·- |
| | OF INTENTION TO: | _ 1 | SSEQUENT REPORT OF: |
| PERFORM REMEDIAL WORK | PLUG AND ABANDON | REMEDIAL WORK | ALTERING CASING |
| TEMPORARILY ABANDON | CHANGE PLANS | COMMENCE DRILLIN | , , , , , , , , , , , , , , , , , , , |
| PULL OR ALTER CASING | | CASING TEST AND C | EMENT JOB L |
| OTHER: | | _ OTHER: | |
| 12. Describe Proposed or Complet work) SEE RULE 1101. | ted Operations (Clearly state all pertinent detail | e, and give pertinent dates, incl | uding estimated date of starting any proposed |
| 2. Run Bai 3. P.U. 2 4. Set 20 | ., Set 5 B.P. @ 3800'. ler Dump 5 sk. cement. 3/8 tbg. and circulate hol sk. plug @ 400'. | Le w/mud @ 3800'. | • . |
| | k. plug @ surface. dry hole marker. Rig do | ∛n. | |
| 1 | | | . · |
| | | | |
| | | | |
| Y have been described that the furthermore from | above is type and ograpiate to this best of my knowled. | on and helis? | |
| 1 hereby carity that the infermelys | LA Ball | AGENT | 9-24-90 |
| SICKATURE | DY BABER | - MLI | PATE |
| | MANA MERINA PER MANER TRANSPORT | | on () |
| AMBOAND BA | | . m.a | DATE |

TOTAL P.OI

STATE OF NEW MEXICO ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

CASE NO. 13711

AFFIDAVIT OF TOM GARBER

- I, TOM GARBER hereby swear and affirm that:
- 1. I am over the age of eighteen (18) and competent to give this affidavit.
- I was the former President of Tempo Energy, Inc. (Tempo) from its inception until the early 1990s.
- 3. Tempo did not own, drill, operate or have any interest in the San Simon State #6 Well, API 30-025-029839 in Hobbs, New Mexico.
- 4. Tempo never had an address in New Mexico.
- 5. Joe Peterson (Peterson) was an independent contractor that worked as a drilling consultant. He was never an employee of Tempo's.
- 6. Peterson was never authorized to drill a well in the San Simon area using any surety bond secured by Tempo.
- 7. Peterson was never given any indication, implicit or explicit, that he was authorized to use a surety bond secured by Tempo to dig a well in the San Simon area.

Further Affiant sayeth not.

| | TOM GARBER | |
|----------------------------------|-----------------------|-----------------------|
| SUBSCRIBED AND SW TOM GARBER. | ORN TO before me this | day of June, 2006, by |
| My Commission Expires: | Notary Public | |

STATE OF NEW MEXICO ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

CASE NO. 13711

AFFIDAVIT OF EARL DOUGLAS

- I, EARL DOUGLAS, hereby swear and affirm that:
- 1. I am over the age of eighteen (18) and competent to give this affidavit.
- 2. I was the former Vice President and Treasurer of Tempo Energy, Inc. (Tempo) from its inception until the early 1990s.
- Tempo did not own, drill, operate or have any interest in the San Simon State #6
 Well, API 30-025-029839 in Hobbs, New Mexico.
- 4. Tempo never had an address in New Mexico.
- All correspondence with Tempo would have originated and been returned to Midland,
 Texas.
- Joe Peterson (Peterson) was an independent contractor that worked as a drilling consultant. He was never an employee of Tempo's.
- 7. Peterson was never authorized to drill a well in the San Simon area using any surety bond secured by Tempo.
- 8. Peterson was never given any indication, implicit or explicit, that he was authorized to use a surety bond secured by Tempo to dig a well in the San Simon area.
- Peterson had a history of doing jobs independent of Tempo where he charged materials to Tempo's account(s) with the material suppliers.
- 10. Peterson was never authorized to purchase materials on Tempo's credit from suppliers when he did jobs independent of Tempo.

| Further Affiant sayeth not. | |
|------------------------------------|--|
| | EARL DOUGLAS |
| SUBSCRIBED AND S' EARL DOUGLAS. | WORN TO before me this day of June, 2006, by |
| | Notary Public |
| My Commission Expires: | |

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| (One Copy Must Be Piled With Each Completion Report.) FIELD NAME (as per RRC Records or Wildow) S. LEASE NAME San Simon State F. OPERATOR. For Patrologue Company ADDRESS P.O. Box 5509 Holde, NM 88241-5509 LOGATION (Section, Block, and Survey) SWY, NEW, Sec. 4, T-22-5, R-35-E RECORD OF INCLINATION 11. Measured Depth 12. Course Length *13. Angle of 14. Displacement per 15. Course 16. Acaimagistive | |) | ROAD COMMI | SSION OF TEXA NS DIVISION | • | Form W (1-1-1 6, RRO DI-17181 |
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| TO THE PERSON OF | Bidnesare of Authoria Dames L. Br | of Representative Associated | | · · | | 1 |

Exhibit I

STATE OF TEXAS

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| OPERATOR OF THE | | | | 1. State Oll & O LG-4234 | |
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| P.O. BOX 5509 | HOBBS, N.M. | 88241-5509 | | 6 | |
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| Desgribe Prepared of Co work) SEE RULE 1901. | imploised Operations (C) | learly state all persinent des | sile, and give pertinent dates, includ | ing estimated date o | f starting any pra |
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| Drilled 7 7/8 with GermaRay | hole to 4103 & Caliper Log | ', ran Spectral De (attached) | ensity Dual Spaced Neut | ron Log | |
| Ran 5½" 17# c sx filler and | asing to 4103' 200 ex Class | w/latch-down plu "C" w/2% cacl. | g in guideshoe, cemente | d w/1000 | |
| WOC 18 hrs. o resume drilli | | ted 1500#, held f | or 30 mins. no pressure | drop, | |
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| · Jacob | lusers | MATERIAL TITLE proper | CONSULANT/AGENT | BATE | 2-9-87 |

ORIGINAL SIGNED BY JERRY SEXTON

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| LAND OFFICE | · Note: | WELL | COMPLE | TION OF | RECO | MPLETION | N REPORT | AND LO | , 11111 | IIII | THITTI |
| OPERATOR * | -v- ! | | 41.54 | | | | | | | IIII | |
| G. TYPE OF WELL | <i>*</i> - | | | | , | | | | 7, Unit | Agrear | nent Name |
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STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT

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OIL CONSERVATION DIVISION P. O. BOX 2088 SANTA FE, NEW MEXICO 87501

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REQUEST FOR ALLOWARIES

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| I hereby curify that the information above is true and ographes to the best of my knowledge and belief. | |
| AGENT PATT 9-24-90 |) |
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