

Submit 3 Copies To Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., 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
May 27, 2004

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

| | |
|--------------------------------------|--|
| WELL API NO. | 30-015-22941 |
| 5. Indicate Type of Lease | STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/> |
| 6. State Oil & Gas Lease No. | L-4397-3 |
| 7. Lease Name or Unit Agreement Name | Merchant State |
| 8. Well Number | |
| 9. OGRID Number | 001801 |
| 10. Pool name or Wildcat | Palmito (Bone Springs) |

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 <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> | |
| 2. Name of Operator | BEPCO, L.P. |
| 3. Address of Operator | P.O. BOX 2760 MIDLAND, TX 79702-2760 |
| 4. Well Location | Unit Letter H : 1980' feet from the North line and 660' feet from the East line Section 1 Township 19S Range 28E NMPM County Eddy |
| 11. Elevation (Show whether DR, RKB, RT, GR, etc.) | 3384.4' GL; 3403' KB |
| Pit or Below-grade Tank Application <input type="checkbox"/> or Closure <input type="checkbox"/> | |
| Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____ | |
| Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____ | |

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

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☒ MULTIPLE COMPL ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: ☐

13. 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.

- 1) MIRU Pulling Unit and Plugging Equipment.
- 2) RIH W/workstring, Tag cmt @ 6375'.
- 3) Mix & load wellbore W/10 ppg Salt gel mud. POH.
- 4) Freepoint 5-1/2" casing.
- 5) Cut casing at freepoint (must be below 4000') POH & LD csg.
- 6) RIH and spot 35 sxs cement. (50' inside casing stub & 50' above).
- 7) Spot 35 sxs cement from 3200' - 3300' (8-5/8" casing set @ 3250').
- 8) RD equipment.
- 9) Run MIT test on 8-5/8" casing.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Cindi Goodman TITLE PRODUCTION CLERK DATE 08/01/2006
Type or print name CINDI GOODMAN E-mail address: cdgoodman@basspet.com Telephone No. (432)683-2277
For State Use Only
APPROVED BY: District II Supervisor TITLE _____ DATE 8/7/06
Conditions of Approval (if any): _____

LEASE: MERCHANT STATE Well #: 1 "VERTICAL" TA'D
 FIELD: PALMILLO (BONE SPRING)
 LOCATION: 1980' FNL & 660' FEL, SEC. 1, T19S, R28E
 COUNTY: EDDY ST: NM API: 30-015-22941

KB: 3403'
 GL: 3384'
 SPUD DATE: 7/3/1979
 COMP DATE: 11/9/1979
 Lat: 32.69184
 Long: -104.12334

SURFACE CASING

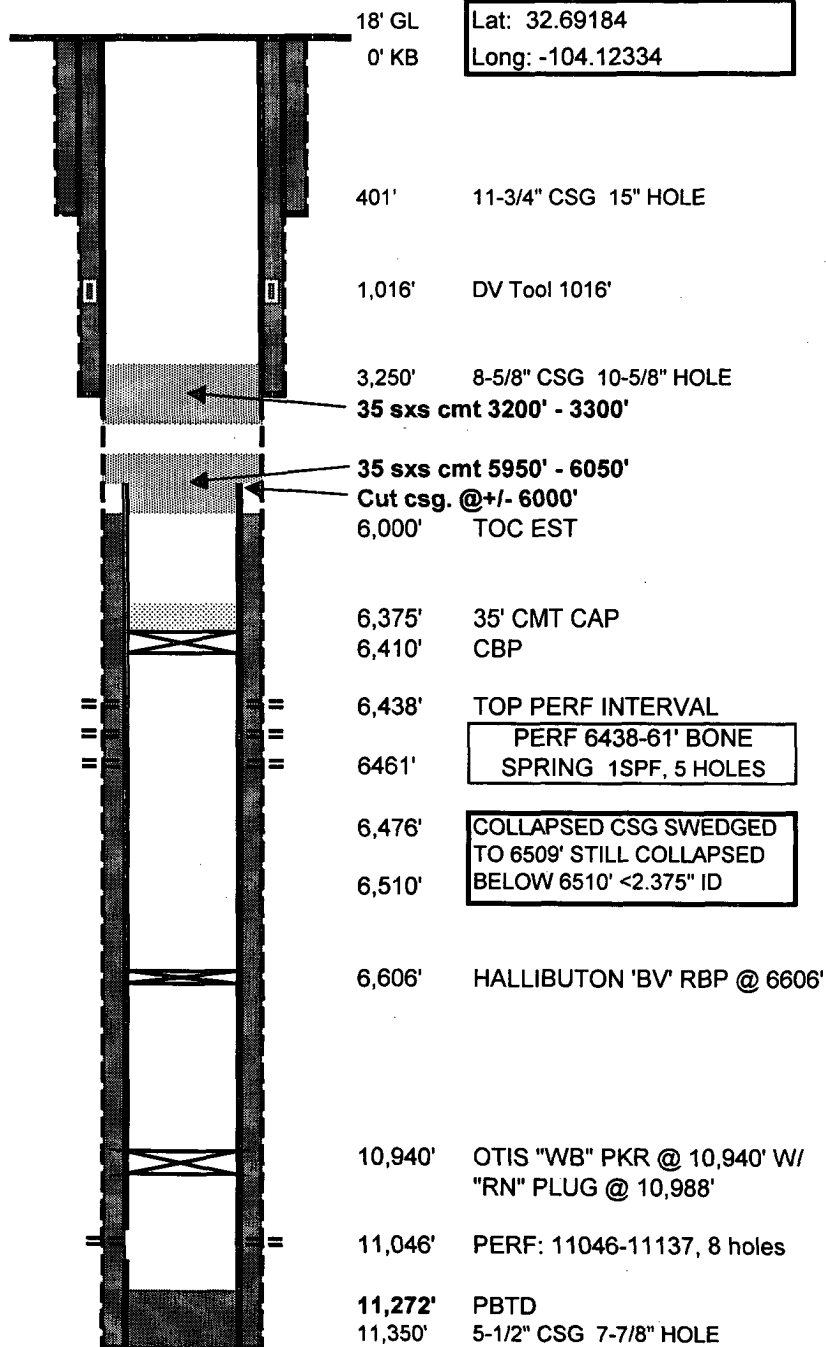
SIZE: 11-3/4"
 WT/GRD: 42# H-40
 CSA: 401
 SX CMT: 400
 CIRC: Yes
 TOC: Surface
 HOLE SIZE: 15" 401'

INTERMEDIATE CASING

SIZE: 8-5/8"
 WT/GRD: 32 & 24# K-55
 CSA: 3250
 SX CMT: 1750
 CIRC: Yes DVT 1016'
 TOC: Surface
 HOLE SIZE: 10-5/8" 3250'

PRODUCTION CASING

SIZE: 5-1/2"
 WT/GRD: 15.5 K-55 & 17 K-55 & N-80
 CSA: 11350
 SX CMT: 1100
 CIRC: No
 TOC: 6000' EST
 HOLE SIZE: 7-7/8" 11,350'



PBTD: 6375'
 TD: 11350'

Updated: 7/31/2006
 Author: WHF
 Engr: MWD

LEASE: MERCHANT STATE Well #: 1. "VERTICAL" TA'D
 FIELD: PALMILLO (BONE SPRING)
 LOCATION: 1980' FNL & 660' FEL, SEC. 1, T19S, R28E
 COUNTY: EDDY ST: NM API: 30-015-22941

KB: 3403'
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 SPUD DATE: 7/3/1979
 COMP DATE: 11/9/1979
 Lat: 32.69184
 Long: -104.12334

SURFACE CASING

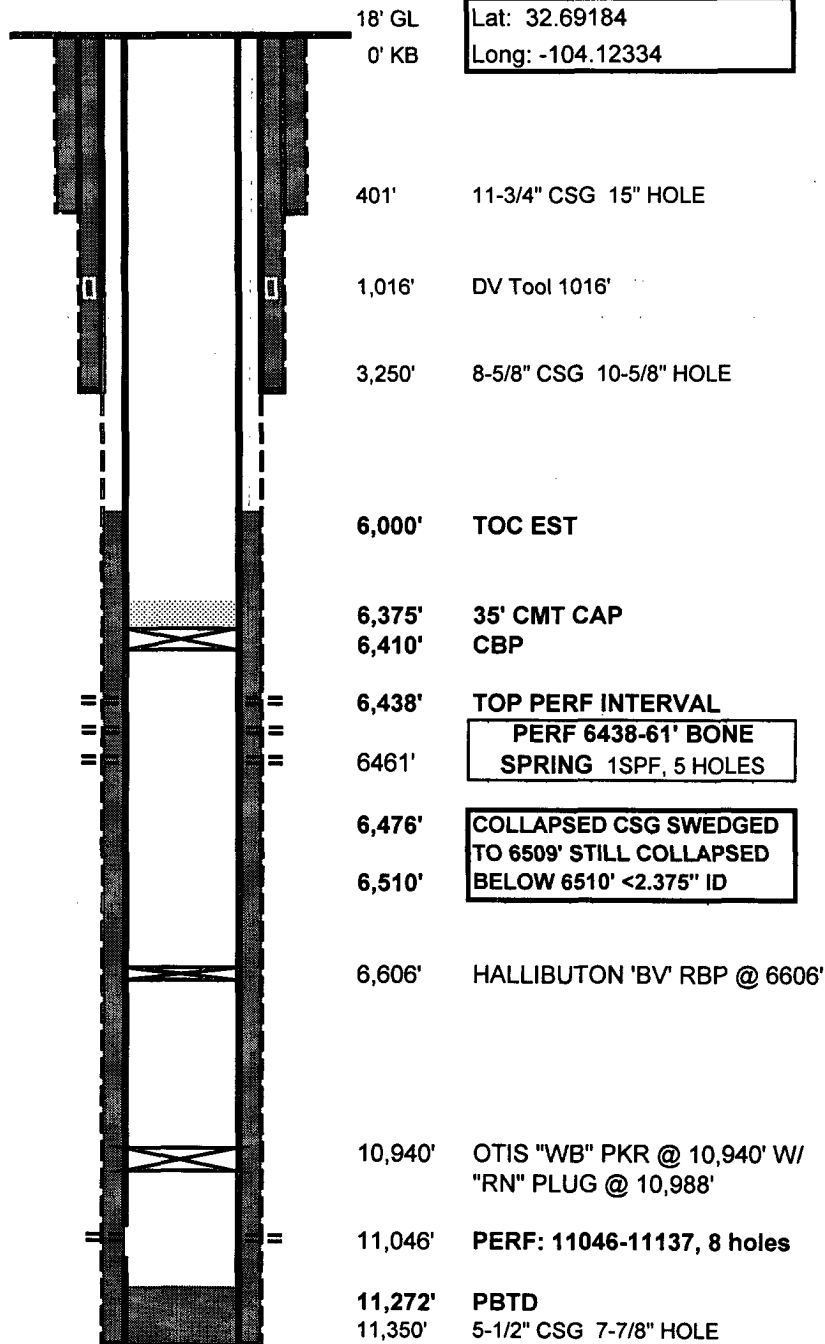
SIZE: 11-3/4"
 WT/GRD: 42# H-40
 CSA: 401
 SX CMT: 400
 CIRC: Yes
 TOC: Surface
 HOLE SIZE: 15" 401'

INTERMEDIATE CASING

SIZE: 8-5/8"
 WT/GRD: 32 & 24# K-55
 CSA: 3250
 SX CMT: 1750
 CIRC: Yes DVT 1016'
 TOC: Surface
 HOLE SIZE: 10-5/8" 3250'

PRODUCTION CASING

SIZE: 5-1/2"
 WT/GRD: 15.5 K-55 & 17 K-55 & N-80
 CSA: 11350
 SX CMT: 1100
 CIRC: No
 TOC: 6000' EST
 HOLE SIZE: 7-7/8" 11,350'



PBSD: 6375'
 TD: 11350'

Updated: 7/31/2006
 Author: WHF
 Engr: MWD

WELL HISTORY
MERCHANT STATE #1
PALMILLO (BONE SPRING) FIELD
 UPDATED 08/22/05 (KRA)
 TA'D 08/05

LOCATION: 1980' FNL & 660' FEL, SEC 1, T19S, R28E, UNIT H
 EDDY COUNTY, NM

API #: 30-015-22941

ELEV: GL: 3384' DF: 3402' KB: 3403'

SPUD DATE: 07/03/79

COMP DATE: 11/09/79

ORIG TD: 11,350'

CURRENT TD: 11,350'

ORIG PBTD: 11,310'

CURRENT PBTD: 6,375'

CASING:

| DATE | SIZE | WT | GRD | CSA | SX | CLASS | TOC | HOLE SIZE | HOLE DEPTH |
|------|---------|--------------|--------------|---------|------|-------|-------|-----------|------------|
| | 11-3/4" | 42# | H-40 | 401' | 400 | | CIRC | 15" | 401' |
| | 8-5/8" | 32# 24# | K-55 | 3250' | 1150 | | CIRC | 10-5/8" | 3250' |
| | 5-1/2" | 15.5# 17# | K-55 N-80 | 11,350' | 1100 | | 6000' | 7-7/8" | 11,350' |

LINER:

| DATE | SIZE | WT | GRD | CSA | SX | CLASS | TOC | HOLE SIZE | HOLE DEPTH |
|------|------|----|-----|-----|----|-------|-----|-----------|------------|
| NONE | | | | | | | | | |

OPEN HOLE:

| DATE | HOLE SIZE | HOLE DEPTH |
|------|-----------|------------|
| NONE | | |

LOGS:

| DATE | LOG | COMPANY | DEPTH | LOGGERS TD | RF |
|----------|--------------------|---------|----------------|------------|----|
| 07/10/79 | CDL/CNL/GR/DLL/MLL | | 0-3248' | 3250 | |
| 08/07/79 | CDL/CNL/GR/DLL | | 3234-11340' | 11342 | |
| 08/07/79 | MLL/GR | | 3234-11335' | 11338 | |
| 08/16/79 | GR/CCL | | 10,000-11,272' | | |
| 08/16/79 | GR/CCL | | 6000-7000' | | |

DST:

6432'-6529' BONE SPRINGS- TO 60 min: Strg blow, GTS 40 min, rate varied @ 52-137 MCF, SI 240 min: Gas show 20 ppm H₂S. Sample: 1900#, 5.8 ft³ gas 500 cc. Oil 38° API, 1100 cc, SW w/slfr cl 85,000, Rw 0.34 @ 70°F. IHP 2964#, FSIP 2946#, FP 722-1799#, FHP 2964#, BHT 120°F.

10,420'-10,459' ATOKA- 5 min preflow- wk blow, 60 min ISI, 60 min FF wk blow, 120 min FSI, Sample: 50#, 1800 cc mud. IH 5602, IF 86, ISI 215, FF 129, FSI 215, FH 5602, BHT 165°F.

11,040'-11,079' MORROW BREAK 11,050'-11,055'- TO 5 min: Strg blow. SI 60 min: GTS 25 min, Open 300 min. SI 600 min. Sample: 200#, 6.3 ft³/gas, 500 cc mud w/trace cond. IHP 5933, IFF 161, ISIP 4256, FF 138-253, FSIP 4502, FHP 3933, BHT 172°F.

MERCHANT STATE #1
WELL HISTORY

CORES: NONE

TUBING: SEE DATA SHEET

INITIAL COMPLETION

08/15/79-11/09/79

Ran GR/CCL log.

08/16/79 **PERF @ 11,046', 48', 11,129', 31', 32', 34', 36', 37'**. Set pkr @ 10,940'. Pump 900 gls 7-1/2% acid + adds. Swab. Acidize w/1500 gls 7-1/2% MS acid w/850 SCF Nitro/bbl+adds, 12 ball sealers. Flow back on 3/8" chk. Died. Swab & flow. Ran BHP bomb. **Frac perfs** 11,046-11,048' & 11,129-11,137' w/17,671 gls gel+17,842# 20/40 sd. Dead. Swab & flow. 4 pt. test, CAOF 955 MCFD. **Set "WB" Pkr @ 10,940' w/Otis "RN" plug @ 10,988'**.

11/03/79 **PERF 6438', 44', 50', 56', 61', 1 JSPF. SET RBP @ 6606'**. Set pkr @ 6388'. Acidize perfs 6438-6461' w/2000 gls 15% NE acid DS-30+2 GPT I-15 w/9 each 7/8" ball sealers. Flow & test. Ran BHP bombs & SI. **IP: Bone Spring** 11/09 24H (F) 477.5 BO+335.6 BW+900 MCF. **Lwr Morrow** 09/06 24H (F) CAOF 955 MCF.

WORKOVER SUMMARY:

01/80 CONNECTED TO FLOW LINE & SI FOR BU
06/81 INSTALL PUMPING UNIT
02/02 RETURN TO PRODUCTION TO MEET STATE COMPLIANCE

CONNECTED TO FLOW LINE & SI FOR BU

01/24/80-05/20/80

AWO: (F) 24H 231 BO+99 BW+708 MCF, FTP 1480#, 16/64" chk (Bone Spring)

INSTALL PUMPING UNIT

06/17/81-06/20/81

AWO: (P) 24H 74 BO+173 BW+501 MCF. (Bone Spring)

11/05/82 Rod Part.
08/11/83 Rod Part & Pump Change.
05/27/84 Acidize Tbg.
01/30/87 Tbg lk.
05/20/87 Rod Part.
06/02/87 Rod Part.
09/07/87 Rod Part.
11/16/87 Rod Part.
12/04/87 Rod Part.
12/27/87 Rod Part.
12/31/87 Rod Part.
02/21/88 Rod Part.
02/05/88 Rod Part.
03/12/88 Rod Part.
07/18/88 Rod Part & Pump Change.
10/05/88 Tbg Part.
12/18/88 Exchg pmp. Depth of failure 6460'.
12/21/88 Tbg part 46th jt FS. Exchg TAC. Chg pmp. Depth of failure 1468'.
02/23/89 3/4" pin brk 144th FS. Depth of failure 3500'.
04/05/89 Exchg pump. Depth of failure 6476'.
12/03/89 7/8" SH box 62nd. Depth of failure 1550'.
01/08/90 7/8" SH box 43rd. Depth of failure 1075'.
01/11/90 3/4" pin brk 143rd FS. LD 102 7/8" rods & 1-1/2" pmp. Exchg pump 1-1/4" pump. Rplc all 7/8" rods w/102 & 9 3/4" rods. Depth of failure 3575'.

MERCHANT STATE #1
WELL HISTORY

02/04/91 Exchg pump. Depth of failure 6480'.
08/03/92 3/4" cplg brk 149th FS. Exchg pump. Depth of failure 3725'.
11/14/94 3/4" pin brk 67th FS. Exchg pump. Depth of failure: 1675'.

RETURN TO PRODUCTION
TO MEET STATE COMPLIANCE

02/13/02-03/11/02

Install C228-213-86 Lufkin pmpg unit w/20 Hp elec motor. 24H (P) 0 BO+0 BW+77 MCFG. TP-520#, LP-43#, CP-400#. Pmp 75 BPW dn tbg. Hard vac. POH w/rods & shop pump. Pmp 43 BPW dn tbg. Hard vac. Tbg leak 88th FS. RIH w/new SN & exchg TAC. Chg pmp. POP. BWO: 0 BOPD + 0 BWPD + 0 MCFD. AWO: 2 BO + 40 BW + 373 MCF. **Perfs 6438-61' (Bone Springs)**

06/18/02 Wellhead lkg @ 7-1/16" X 2-3/8" tbg hgr. Shop tbg hgr f/repairs. Depth 1', leak.
02/04/03 3/4" pin brk 146th FS. Exchg pump. Depth 3650', over torque.

RECOMPLETE TO MORROW
UNSUCCESSFUL - TA WELL

07/27/05-08/11/05

POH w/ rods & pump. LD all rods. Shop pump. POH & LD tbg, TAC & SN. PU 4-3/4" rotary bit, XO & 5-1/2" csg scraper f/ 15.5-17# csg. RIH w/ 209 jts 2-7/8" WS. Tagged @ 6476' (15' blw btm perf & ~130' above fill on RBP). POH w/ 3 stnds WS to leave bit @ 6290' (148' above top perf). POH w/ 2-7/8" WS & tools. LD bit & csg scraper. No visible sign of fill on tools. PU 4-3/4" blade bit & bailer assmbly. RIH w/ 2-7/8" WS to tag @ 6476'. RU kill truck. Stroked bailer. Sat dn second time & appeared to be pushing something DH w/ 5 pts. PU on tbg to observe drag & then pulled free. Sat back dn lightly to tag ~3' higher. Felt same drag when PU on tbg. Appeared to be setting dn on RBP. POH w/ WS. LD bailer. Blade bit had marks up 2" between blades. Recovered heavy iron sulfide fluid & wtr in bailer (no solids). PU 2-7/8" SN. RIH w/ 40 stnds WS (kill string) to leave EOT @ 2473'. POH w/ 2-7/8" WS. PU rtrvg head f/ Halliburton Mdl 1 RBP & 2-7/8" SN. RIH w/ 2-7/8" WS. Tagged @ 6485' (9' deep). Made several attempts to latch onto RBP. Slipping off w/ 15-18 pts. Appeared to be only getting a friction bite. RU kill truck. PU rtrvg head ~1' off btm. Pmpd 40 BFW dn tbg (38 bbls cap). Began working tbg while pmpg dn tbg. Same results. PU power swivel. Continue pmpg dn tbg. Work tbg w/ 2-3 rounds of left hand torque in tbg. Setting 15-20 pts dn. PU on tbg & pull free w/ 18 pts. Worked plug DH 10' thru day (left @ 6495'). RD swivel. RD kill truck (pmpd ttl 230 BFW). POH w/ tbg. Rtrvg head was folded in around btm. Appeared to possibly be going beside rtrvg stem of plug. PU 4-1/2" lead impression blk. RIH w/ 2-7/8" WS. Tagged @ 6476' (same depth as origin tag). Set 3 pts dn on impression blk. Pulled 10 pts to pull free. POH w/ WS. LD impression block. Had 2 wide marks up side of blk. No marks on btm face. Appears to be collapsed csg. PU 4" csg swedge, XO, 3-3/4" Bowen bumper sub, 3-3/4" National (Bowen) jars, (6) 3-1/2" DC's & XO. RIH w/ 2-7/8" WS. Tagged @ 6482'. Bumped swedged dn to 6488'. Began getting tight & making no hole. POH w/ WS. Paint worn off up to 3-5/8" on swedge. PU 3-9/16" swedge, XO, 3-1/2" DC's (callipered 3-7/16"), bumper sub, jars, (5) 3-1/2" DC's & XO. RIH w/ 2-7/8" WS. Tagged @ 6497'. Bumped swedge dn to 6504'. POH w/ 4 stnds tbg to leave swedge @ 6256' (182' above top perf). RIH w/ swedge & tools. Swedge 5-1/2" csg w/ 3-9/16" swedge & made 5' to 6509'. Could make no add'l hole. POH w/ tools & LD DC's & bumper sub & jars. PU & RIH w/ same 3-9/16" swedge, 3-1/8" bumper sub, 3-1/8" jars & (8) 3-1/8" DC's & 2-7/8" WS. Re-tag @ 6509'. Work swedge & made very little progress. Jars would not hit & area became sticky. PUH to ±6250'. POH w/ 2-7/8" WS & LD DC's, jars, bumper sub & swedge. PU & RBIH w/ 2 jts 2-3/8" tbg w/ muleshoe cut on btm 2-7/8" WS. Sat dn @ 6510'. Could not work 2.375" tbg thru collapsed area. PU to 6250'. POH w/ 2-7/8" WS & LD 2 jts 2-3/8" tbg. PU & RBIH w/ Bkr 5-1/2" Mdl "G" RBP & 5-1/2" Baker "EA" rtrvmc pkr on 2-7/8" WS. **Set RBP @ 6410'** & PU to set pkr @ 6380'. Load 2-7/8" tbg w/ 27 bbls (FL @ 4660' FS) & test pkr & BP 1500#--OK. Load 2-7/8" x 5-1/2" annulus

MERCHANT STATE #1
WELL HISTORY

w/ 67 bbls (FL @ 4324' FS) to test 5-1/2" csg 1500#--OK. Release pkr & RBP. POH & LD all 2-7/8" WS, pkr & RBP. Chg out tbg line f/ 2 & 4 line rig up to 3 & 6 rig up. RU Rotary WL. RIH w/ 5-1/2" CIBP. Set CIBP @ 6410'. RBIH & dump bail 35' of cmt on CIBP, PBTD @ 6375'. Informed @ 10:30 a.m. gyro needed to be run. Wait on gyro. Rotary ran gyro IH to ±6350'. POH & RD gyro. CO tbg line f/ 3 & 6 line to 2 & 4 line. Instl do-nut tbg hanger. No tbg IH. Clean location. Close pit. Move 228 PU to BEU #60 yard. Well TA'd.

NOTE: ESTIMATED CURRENT BHP OF THE BONE SPRINGS IS 850 PSI 8/9/05

MERCHANT STATE #1

07-27-05 **(AFE #23320 - \$169,000 - Abandon Bone Springs & Recomplete to the Morrow Perfs 6438-6468' (Bone Springs)** Contract crew dug out cellar and plumbed bradenhead to surface. MIRU Lucky WS (Lupe). Secure well & SD. Prep to LD rods & tbg.

| | | |
|-----------------|----|--------------|
| PULLING UNIT | \$ | 843 |
| CONTRACT LABOR | | 1,000 |
| CO SUPERVISION | | 200 |
| BACKHOE | | 500 |
| TAX | | 203 |
| DAILY TOTAL | | <u>2,746</u> |
| CUMULATIVE COST | \$ | 2,746 |

07-28-05 **Perfs 6438-6468' (Bone Springs)** Unseated pump. POH with rods & pump #Y-5448 (2" x 1-1/4" x 16' RWTC). LD all rods. Sent pump into George Young Pump shop. ND WH. Worked for 2 hrs to get donut out of WH. Release TAC. NU BOP. POH & LD 30 jts of tbg. Secure well & SD. Prep to continue to LD tbg.

| | | |
|-----------------|----|--------------|
| PULLING UNIT | \$ | 3,352 |
| CO SUPERVISION | | 400 |
| BOP | | 500 |
| MATS & RACKS | | 750 |
| RACKS | | 300 |
| SPOOL | | 300 |
| MISC | | 500 |
| TAX | | 488 |
| DAILY TOTAL | | <u>6,590</u> |
| CUMULATIVE COST | \$ | 9,337 |

07-29-05 **Perfs 6438-6468' (Bone Springs)** Continue to LD 2-3/8" prod tbg, 2-3/8" x 5-1/2" TAC and 2-3/8" standard SN. LD a total of 4 jts of 2-3/8" J-55 tbg and 204 jts of 2-3/8" N-80 tbg. Unload & rack 198 jts of 2-7/8" N-80 and 179 jts of L-80 WS (Bass-owned). Back loaded tbg & (256) 3/4" x 25' WCN-90 sucker rods (via E.L. Farmer to McClatchey's yard). PU 4-3/4" rotary bit, X-over and 5-1/2" csg scraper for 15.5-17# csg. PU & RIH with 209 jts of 2-7/8" WS. Tagged @ 6476' (15' below bottom perf and ~130' above fill on RBP). POH with 3 stands of WS to leave bit @ 6290' (148' above top perf). Secure well & SD. Prep to POH with WS & tools in a.m.

| | | |
|-----------------|----|--------------|
| PULLING UNIT | \$ | 3,295 |
| CO SUPERVISION | | 400 |
| TRANS | | 1,000 |
| WS | | 700 |
| SCRAPER | | 350 |
| TAX | | 460 |
| DAILY TOTAL | | <u>6,205</u> |
| CUMULATIVE COST | \$ | 15,542 |

07-30-05 **Perfs 6438-6468' (Bone Springs)** POH with 2-7/8" WS & tools. LD bit & csg scraper. No visible sign of fill on tools. Secure well & SD. Prep to PU bailer on Monday a.m.

| | | |
|-----------------|----|--------------|
| PULLING UNIT | \$ | 1,715 |
| CO SUPERVISION | | 400 |
| TAX | | 169 |
| DAILY TOTAL | | <u>2,284</u> |
| CUMULATIVE COST | \$ | 17,825 |

MERCHANT STATE #1

07-31-05 **Perfs 6438-6468' (Bone Springs)** No activity. Prep to PU bailer in a.m.

CUMULATIVE COST \$ 17,825

08-01-05 **Perfs 6438-6468' (Bone Springs)** PU 4-3/4" blade bit and bailer assembly. RIH with 2-7/8" WS to ≈6000'. ND manual BOP. NU hydraulic BOP. Continued RIH with WS and tagged @ 6476' as before. RU kill truck. Stroked bailer. Sat down second time and appeared to be pushing something down hole with 5 points. PU on tbg to observe drag and then pulled free. Sat back down lightly to tag ~3' higher. Felt same drag when PU on tbg. Appeared to be setting down on RBP. POH with WS. LD bailer. Blade bit had marks up 2" between blades. Recovered heavy iron sulfide fluid and water in bailer (no solids). PU 2-7/8" SN. RIH with 40 stands of WS (kill string) to leave EOT @ 2473'. Secure well & SD. RD kill truck (did not pump any water). Secure well & SD. Prep to PU retrieving head for RBP.

| | |
|-----------------|--------------|
| PULLING UNIT | \$ 3,295 |
| CO SUPERVISION | 400 |
| KILL TRUCK | 750 |
| BAILER | 1,000 |
| SWIVEL | 1,400 |
| MISC | 250 |
| TAX | 568 |
| DAILY TOTAL | <u>7,663</u> |
| CUMULATIVE COST | \$ 25,489 |

08-02-05 **Perfs 6438-6468' (Bone Springs)** POH with 2-7/8" WS. PU retrieving head for Halliburton Model 1 RBP & 2-7/8" SN. RIH with 2-7/8" WS. Tagged @ 6485' (9' deep). Made several attempts to latch onto RBP. Slipping off with 15-18 points. Appeared to not be jaying up only getting a friction bite. RU kill truck. PU retrieving head ~1' off bottom. Pumped 40 bbls of FW down tbg (38 bbls cap). Began working tbg while pumping down tbg. Same results. PU power swivel. Continue pumping down tbg. Work tbg with 2-3 rounds of left hand torque in tbg. Setting 15-20 points down. PU on tbg and pull free with 18 points. Worked plug down hole 10' thru day (left @ 6495'). RD swivel. RD kill truck (pumped a total of 230 bbls of FW). POH with tbg. Retrieving head was folded in around bottom. Appeared to possibly be going beside retrieving stem of plug. Secure well & SD. Prep to run impression block on tbg.

| | |
|-----------------|--------------|
| PULLING UNIT | \$ 3,085 |
| CO SUPERVISION | 400 |
| PKR HAND | 650 |
| POWER SWIVEL | 800 |
| KILL TRUCK | 750 |
| MISC | 250 |
| TAX | 475 |
| DAILY TOTAL | <u>6,410</u> |
| CUMULATIVE COST | \$ 31,899 |

MERCHANT STATE #1

08-03-05 **Perfs 6438-6461' (Bone Springs)** PU 4-1/2" lead impression block. RIH with 2-7/8" WS. Tagged @ 6476' (same depth as origin tag). Set 3 points down on impression block. Pulled 10 points to pull free. POH with WS. LD impression block. Had 2 wide marks up side of block. No marks on bottom face. Appears to be collapsed csg. Secure well & SDON. Prep to PU csg swedge in a.m.

| | | |
|------------------|----|--------------|
| PULLING UNIT | \$ | 3,772 |
| CO SUPERVISION | | 400 |
| IMPRESSION BLOCK | | 600 |
| PKR HAND | | 650 |
| MISC | | 500 |
| TAX | | 474 |
| DAILY TOTAL | | <u>6,396</u> |
| CUMULATIVE COST | \$ | 38,295 |

08-04-05 **Perfs 6438-6461' (Bone Springs)** PU 4" csg swedge, X-over, 3-3/4" Bowen bumper sub, 3-3/4" National (Bowen) jars, (6) 3-1/2" DC's and X-over. RIH with 2-7/8" WS. Tagged @ 6482'. Bumped swedged down to 6488'. Began getting tight & making no hole. POH with WS. Paint worn off up to 3-5/8" on swedge. PU 3-9/16" swedge, X-over, 3-1/2" DC's (callipered 3-7/16"), bumper sub, jars, (5) 3-1/2" DC's and X-over. RIH with 2-7/8" WS. Tagged @ 6497'. Bumped swedge down to 6504'. POH with 4 stands of tbq to leave swedge @ 6256' (182' above top perf). Secure well & SD. Prep to continue swedging csg.

| | | |
|-------------------|----|---------------|
| PULLING UNIT | \$ | 3,100 |
| CO SUPERVISION | | 400 |
| FISHERMAN & TOOLS | | 7,500 |
| BOP | | 225 |
| MATS & RACKS | | 300 |
| MISC | | 500 |
| TAX | | 962 |
| DAILY TOTAL | | <u>12,987</u> |
| CUMULATIVE COST | \$ | 51,282 |

08-05-05 **Perfs 6438-6461' (Bone Springs)** RIH with swedge & tools. Swedge 5-1/2" csg with 3-9/16" swedge for 3-1/2 hrs and made 5' to 6509'. Could make no add'l hole. POH with tools and LD DC's & bumper sub & jars. PU & RIH with same 3-9/16" swedge, 3-1/8" bumper sub, 3-1/8" jars and (8) 3-1/8" DC's and 2-7/8" work tbq. Re-tag @ 6509'. Work swedge 2 hrs and made very little progress. Jars would not hit and area became sticky. PUH to ±6250'. Secure & SDON. WOO.

| | | |
|-------------------|----|---------------|
| PULLING UNIT | \$ | 3,600 |
| CO SUPERVISION | | 200 |
| FISHERMAN & TOOLS | | 6,500 |
| MISC | | 300 |
| TAX | | 795 |
| DAILY TOTAL | | <u>11,395</u> |
| CUMULATIVE COST | \$ | 62,677 |

8/6-7/05 **Perfs 6438-6461' (Bone Springs)** No activity. WOO.

| | | |
|-----------------|----|--------|
| CUMULATIVE COST | \$ | 62,677 |
|-----------------|----|--------|

MERCHANT STATE #1

08-08-05 **Perfs 6438-6461' (Bone Springs)** POH with 2-7/8" work tbg and LD DC's, jars, bumper sub and swedge. PU & RBIH with 2 jts 2-3/8" tbg with muleshoe cut on bottom on 2-7/8" work tbg. Sat down @ 6510'. Could not work 2.375" tbg through collapsed area. PU to 6250'. Secure & SDON. WOO.

| | | |
|-------------------|----|--------------|
| PULLING UNIT | \$ | 2,880 |
| CO SUPERVISION | | 200 |
| FISHERMAN & TOOLS | | 650 |
| MISC | | 300 |
| TAX | | 322 |
| DAILY TOTAL | | <u>4,352</u> |
| CUMULATIVE COST | \$ | 67,029 |

08-09-05 **Perfs 6438-6461' (Bone Springs)** POH with 2-7/8" work tbg and LD 2 jts 2-3/8" tbg. PU & RBIH with Baker 5-1/2" Model "G" RBP and 5-1/2" Baker "EA" retrievomatic pkr on 2-7/8" work tbg. Set RBP @ 6410' and PU and set pkr @ 6380'. RU kill truck and load 2-7/8" tbg and test pkr and BP to 1500 psi, OK. Load 2-7/8" x 5-1/2" annulus and test 5-1/2" csg to 1500 psi for 10 mins, OK. Release pkr and RBP. POH & LD all 2-7/8" work tbg, pkr and plug. Secure & SDON. Prep to re-string pulling unit to pull csg.

| | | |
|-----------------|----|---------------|
| PULLING UNIT | \$ | 3,722 |
| CO SUPERVISION | | 200 |
| BAKER | | 3,500 |
| FISHERMAN | | 1,400 |
| KILL TRUCK | | 800 |
| MISC | | 400 |
| TAX | | 834 |
| DAILY TOTAL | | <u>10,856</u> |
| CUMULATIVE COST | \$ | 77,885 |

08-10-05 **Perfs 6438-6461' (Bone Springs)** Change out tbg line from 2 and 4 line rig up to 3 and 6 rig up. RU Rotary Wireline. RIH with 5-1/2" CIBP. Get on depth and set CIBP @ 6410'. RBIH and dump bail 35' of cmt on CIBP. Was informed @ 10:30 a.m. gyro needed to be run. Wait on gyro. Rotary ran gyro in hole to ±6350'. POH & RD gyro. Secure & SDON. Prep to go back to 2 and 4 line rig up.

| | | |
|-----------------|----|---------------|
| PULLING UNIT | \$ | 2,607 |
| CO SUPERVISION | | 200 |
| FISHERMAN | | 1,400 |
| WIRELINE | | 5,700 |
| GYRO | | 4,475 |
| TRUCKING | | 3,500 |
| MISC | | 500 |
| TAX | | 1,470 |
| DAILY TOTAL | | <u>19,852</u> |
| CUMULATIVE COST | \$ | 97,737 |

MERCHANT STATE #1

08-11-05 **Perfs 6438-6461' (Bone Springs)** Change out tubing line from 3 & 6 line to 2 & 4 line.
Install do-nut tbg hanger. No tbg in hole. Clean location. Close pit. Move 228 pumping to
BEU #60 yard. Well TA'd. RDPU.

WO Summary: Abandon Bone Springs & Recomplete to the Morrow
(AFE #23320 - \$169,000) **FINAL REPORT**

| | | |
|-------------------|----|--------------|
| PULLING UNIT | \$ | 2,667 |
| CO SUPERVISION | | 200 |
| BACKHOE | | 400 |
| MOVE PUMPING UNIT | | 3,500 |
| MISC | | 500 |
| TAX | | 581 |
| DAILY TOTAL | | <u>7,847</u> |
| CUMULATIVE COST | \$ | 105,585 |