

SUNDY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well

☐ Oil Well ☐ Gas Well ☒ Other

2. Name of Operator

Carbon Energy Corporation (USA)

3a. Address

1700 Broadway, Ste 1150, Denver CO 80290

3b. Phone No. (include area code)

303 863-1555 ext. 213

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

Lot. 31

Unorthodox Surface Location: 2762' FSL 2075' FEL Sec 1 T21S, R26E NMPM

Bottom-Hole Location: 615' FSL & 684' FWL

5. Lease Serial No.

NM 13624

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.

Avalon 1 Federal #3

9. API Well No.

30 015 31199

10. Field and Pool, or Exploratory Area

Foster Draw Delaware Gas

11. County or Parish, State

Eddy County, NM

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

TYPE OF SUBMISSION	TYPE OF ACTION
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize <input type="checkbox"/> Deepen <input type="checkbox"/> Production (Start/Resume) <input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing <input type="checkbox"/> Fracture Treat <input type="checkbox"/> Reclamation <input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair <input type="checkbox"/> New Construction <input type="checkbox"/> Recomplete <input type="checkbox"/> Other
	<input type="checkbox"/> Change Plans <input type="checkbox"/> Plug and Abandon <input checked="" type="checkbox"/> Temporarily Abandon
	<input type="checkbox"/> Convert to Injection <input type="checkbox"/> Plug Back <input type="checkbox"/> Water Disposal

13. Describe Proposed or Completed Operations (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 recompletion 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.)

Carbon Energy Corporation (USA) respectfully requests to continue the TA Status of this well 1 year until 2/01/2004.

On 2/6/2001 this well was Temporarily Abandoned when a CIBP was placed at 1750' in the 9-5/8" Casing (Set @ 1800').

The 9-5/8" casing was cemented to surface w/ 725 sx. cement.

The CIBP was tested to 200 PSIG f/ 30 min. & the casing was left standing full of water.

On 1/17/2001 Mr. Bill Hansen (Representing Carbon Energy Corporation (USA)) met with Mr. Gerry Guye (NMOCD rep.) at the Avalon 1 Fed. #3 wellsite. The casing was observed to still be standing full of water after the cover was removed. The locking cover was re-installed on the well.

Mr. Guye assessed that he was content with the facility condition and would support a 1 year extension of the TA status.

Mr. Guye can be reached at (505) 748-1283.

Carbon Energy Corporation (USA) is of the opinion that a revised directional plan & re-entry of this well will result in commercial production.

14. Name (Printed/Typed) R. A. Schwering, P.E.

Signature

Title

Production Manager

Date

January 21, 2003

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

(Orig. 2003) JOE G. LARA

Title

Petroleum Engineer

Date

3/17/03

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

CFO

Title 18 U.S.C. Section 1001, makes 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.