

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. NM-87187
2. Name of Operator Presco, Inc.		6. If Indian, Allottee or Tribe Name N/A
3a. Address c/o J. O. Easley, Inc. P. O. Box 2691, Roswell, NM 88202-2691	3b. Phone No. (include area code) (505) 625-8807	7. If Unit or CA/Agreement, Name and/or No.
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 1800' FSL, 2283' FEL, Unit J, Sec. 14, T23S-R20E, N.M.P.M.		8. Well Name and No. Indian Creek Federal #1
		9. API Well No. 30-015-
		10. Field and Pool, or Exploratory Area Abo Wildcat
		11. County or Parish, State Otero County, NM

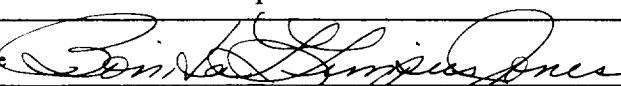
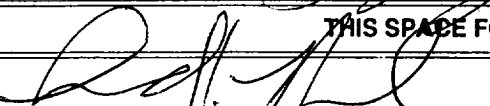
12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" 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 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 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 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 recompleate 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 recompleation 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.)

Upon further evaluation of the drilling program for this well, Presco, Inc., requests your approval of the following changes to the APD for this well:

1. Change the total depth from 5,000' to 5,500'.
2. Drill the first 1600' of this well using a closed loop air drilling system. Please refer to the attached proposal, marked "Attachment 1".
3. Modify the casing and cement program as indicated on the attached, marked "Attachment 2", which modifies parts III, IV. A. "Proposed Casing Program" and IV.B., "Proposed Cement Program" of Exhibit "A" to the original APD.

14. I hereby certify that the foregoing is true and correct Name (Printed/Typed) Bonita L. Limpus Jones		Consulting Landman for J. O. Easley, Inc., Title Agent for Presco, Inc.	
Signature 		Date December 22, 1999	
THIS SPACE FOR FEDERAL OR STATE OFFICE USE			
Approved by 		Title AFM	Date 1/11/2000
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.			

ATTACHMENT "1"

WELL NO.1 INDIAN CREEK FEDERAL SECTION 14, T23S, R20E OTERO COUNTY, NEW MEXICO

PROPOSAL TO DRILL THE WELL WITH CLOSED LOOP AIR DRILLING SYSTEM FROM 0' - 1,600' WITH CLOSED LOOP MUD DRILLING SYSTEM FROM 1,600' TO TOTAL DEPTH

The above captioned well will be drilled with air from the depth of 0 feet (surface) to 1,600 feet because of the high probability that the formation pressures to be drilled in that interval will be very low. The anticipated low formation pressures will result in lost circulation, in lost cuttings, and in very poor hole integrity if the well is drilled with a water based mud system. It is possible that the lost circulation water based mud could reach the cliff face and result in spillage onto the surface of the cliff face. Drilling with a closed loop air drilling system (see attached diagram) will mitigate the low formation pressures, and insure that the well can be safely drilled without contaminating the low pressured formations.

Low formation pressures are anticipated because 1,600 feet of the Permian San Andres and Yeso formations that will be drilled in the well cropout and are exposed to the atmosphere approximately 13,000 feet to the southwest (see attached topographic map). The formations are exposed along the cliff face of the Big Dog Canyon. With the formations exposed, the formation pressures are in balance with the atmospheric pressure, resulting in low formation pressures.

Once 1,600 feet has been reached by drilling with the closed loop air drilling system, 1,600 feet of surface casing will be set and cemented. With the well being below the exposed formations in the Big Dog Canyon cliff, the closed loop air drilling system will be converted to a closed loop mud drilling system (see attached diagram) to finish drilling the drill hole.

Closed Loop Air Drilling System

