

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

WELL API NO. <u>30-025-29969</u>
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. <u>C-2-1041</u>
7. Lease Name or Unit Agreement Name <u>Kellakin State</u>
8. Well No. <u>14-2</u>
9. Pool name or Wildcat <u>5 RR San Andres</u>

1. Type of Well: OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/>
2. Name of Operator <u>Spence Energy Co.</u>
3. Address of Operator <u>4925 Greenville Ave Ste #605 Dallas, TX</u>
4. Well Location Unit Letter <u>P</u> : <u>330</u> Feet From The <u>South</u> Line and <u>700</u> Feet From The <u>East</u> Line Section <u>14</u> Township <u>9</u> Range <u>32</u> NMPM <u>Lea</u> County
10. Elevation (Show whether DF, RKB, RT, GR, etc.)

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.)

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data	
NOTICE OF INTENTION TO:	SUBSEQUENT REPORT OF:
PERFORM REMEDIAL WORK <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>
OTHER: <input type="checkbox"/>	CASING TEST AND CEMENT JOB <input type="checkbox"/>
	OTHER: <input type="checkbox"/>

12. 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.

I have been ~~the~~ trying to get the well plugged but I can not find a rig. I am on the list w/ Basic Energy, triple N, BC m associates, sunset. Gentlemen I am trying as hard as I can. Please bare w/ me & I will get it done.

**THE OIL CONSERVATION DIVISION MUST
BE NOTIFIED 24 HOURS PRIOR TO THE
BEGINNING OF PLUGGING OPERATIONS.**

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Clarence TITLE V.P. DATE 8-2-05

TYPE OR PRINT NAME _____ TELEPHONE NO. _____

(This space for State Use)

APPROVED BY Larry W. Wink TITLE _____ DATE SEP 12 2005

CONDITIONS OF APPROVAL, IF ANY _____



July 20, 2005

Spence Energy Company
Attn: Clay Spence
Kellahin State 14-2
Lea County, NM

Dear Mr. Spence:

- (1) MIRU
- (2) ND WH, NU BOP.
- (3) RU W/L & set 5-1/2" CIBP @ 4100', dump bail cmt., tag.
- (4) RIH w/ tbg. 4000', circulate w/ MLF.
- (5) Pull to 1732', spot 25 sx. cmt., may have to tag.
- (6) Pull to 400', spot 25 sx. cmt., WOC & tag.
- (7) 60' - surface, tag.
- (8) RDMO. Cut off wellhead & anchors, install dry hole marker, and clean location.

Quote: \$18,712.00

Quote will expire 90 days from July 20, 2005.

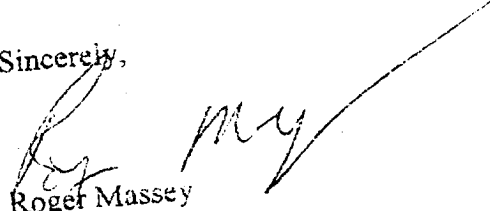
BASiC Energy Services will furnish the workstring.

Spence will furnish fluid disposal if needed.

This quote is based on information furnished to Basic Energy by your company. In the event operations are delayed or restricted because of unknown wellbore conditions or changes beyond our control to original approved regulatory form, charges will revert to standard hourly rates until such problems are corrected. In the event that this occurs, your company representative will be notified. As of March 01, 2003, all anchors must have been tested within the last two years.

Thank you for this opportunity to furnish this quote for your plugging and abandonment.

Sincerely,



Roger Massey
Area Manager