

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-HOBBS

FORM APPROVED
OMB No. 1004-0137
Expires: March 31, 2007

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.

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. NMNM 14204
2. Name of Operator Southwest Royalties Inc.		6. If Indian, Allottee or Tribe Name
3a. Address 6 Desta Drive Ste. 210 Midland, TX 79705	3b. Phone No. (include area code) 432-686-9927	7. If Unit or CA/Agreement, Name and/or No.
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) J; SEC 31, T9S, R22E ³³ 1980/5 & 1980/12		8. Well Name and No. Gonsales Fed 31 #1
		9. API Well No. 30-025-23974-0000
		10. Field and Pool, or Exploratory Area San Andres
		11. County or Parish, State Lea 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 checked="" 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 checked="" 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 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 must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

M.I.R.U. Basic Energy P&A Rig 1273 7-19-06 Rig up reverse unit & attempt to clean out fill @ 1059 & drill to 1067 getting Redbed on returns P.O.O.H. 7-20-06 I.H. w/ bent sub to attempt to get into 4½ csg @ 1059' to 1067' Attempt to try to get into 4½ csg w/ a straight jt. P.O.O.H. w/ tbq. T.I.H.W. flat bottom mill & start milling @ 1067' mill acted like we had cut into csg getting metal & redbed back in returns. 8-21-06 P.O.O.H. w/ mill & go into hole w/ 3 7/8 bit & start drilling. Drill to 1320' start getting cement & redbed in returns. Appears we are still out side of csg. P.O.O.H. 7-26-06 T.I.H. w/ flat bottom mill & start milling @ 1059 P.O.O.H. w/ mill outside of mill lv open. No sign of wear on bottom. 7-27-06 T.I.H. w/ flat bottom mill #3 start mill @ 1059 getting metal & redbed in returns mill wore out P.O.O.H. & change out bottoms & go in hole & start milling on mill #4 getting more metal in returns shut down for day. 7-28-06 Continue to mill w/ #4 mill @ 1059' P.O.O.H. w/ #4 mill. Shut down for weekend. (over)

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

RANDALL MINEAR

Dawn M. Howard, Operations Assistant, 8/21/06

Title AGENT

Signature

Date 8-15-06

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

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.

Title

Office

Date AUG 29 2006

CARLSBAD, NEW MEXICO

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make 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.

(Instructions on page 2)

GW

7-31-06 T.I.H. w/ mill #5 start milling @1059' small amount of metal & redbed in returns P.O.O.H w/ flat bottom mill 08-01-06 T.I.H. w/ taper mill & start milling getting metal & redbed in returns mill to 1071' start getting more formation & cement in returns pull back up to 1060' & continue to mill on csg. P.O.O.H. & shut down. B.L.M. oks to plug well. 08-02-06 T.I.H. w/ 4½ C.I.C.R. & set @ 700' squeeze 200 sx cement under C.I.C.R. clear retainer w 1.5 B.B.L. of water unstring & P.O.O.H. W.O.C. 08-02-06 T.I.H. w/ stinger & string into retainer pressure test sqz w/ 1000# for 15 minutes holding O.K. cap retainer w/ 10 sx cement. P.O.O.H. w/ tbg & stinger 08-03-06 Perf csg @ 414' set PKR @ 131 squeeze 30 sx cement to circulate cement to surface. Shut well in overnight. 08-04-06 Tag T.O.L. @ 36' Rig down M.O. location.
Install dry hole marker 08-11-06

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CARLSBAD FIELD OFFICE