

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

RECEIVED CONSERVATION DIVISION
MAR 12 2009
1220 South St. Francis Dr. Santa Fe, NM 87505
HOBBSOCD

WELL API NO. 30-025-24866
5. Indicate Type of Lease STATE [X] FEE []
6. State Oil & Gas Lease No. B-1167
7. Lease Name or Unit Agreement Name Shell State
8. Well Number #1
9. OGRID Number 009974
10. Pool name or Wildcat San Andres; Eunice; NW

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 [X] Gas Well [] Other []
2. Name of Operator Hanson Operating Company, Inc.
3. Address of Operator P. O. Box 1515, Roswell, NM 88202-1515

4. Well Location
Unit Letter O : 660 feet from the South line and 1650 feet from the East line
Section 36 Township 21 South Range 36 East NMPM Lea County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3493.2' GR

Pit or Below-grade Tank Application [] or Closure []
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 [X]
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.

- Propose to Plug and Abandon the well as follows:
1. Tag CIBP at 4070'. Cap with 35' cement.
2. Circulate hole clean with 10# brine with 12.5# per barrel salt water gel.
3. Set CIBP at 3950' with 35' cement cap.
4. Circulate hole clean with 10# brine with 12.5# per barrel salt water gel.
5. Perforate casing at 1210' with 4 shots.
6. Pump 50 sacks cement for solid 100' plug inside and outside 5 1/2" casing.
7. Shut down 2 to 3 hours. WOC. Tag cement plug.
8. Pump 100 sacks cement for solid 400' plug inside 5 1/2" casing to surface.
9. Prep to set Dry Hole Marker, and clean and remediate location.

The Oil Conservation Division Must be notified 24 hours prior to the beginning of plugging operations

* Spot 25 sq. cnt. @ 2500' - BOS

Perf + Squeeze.

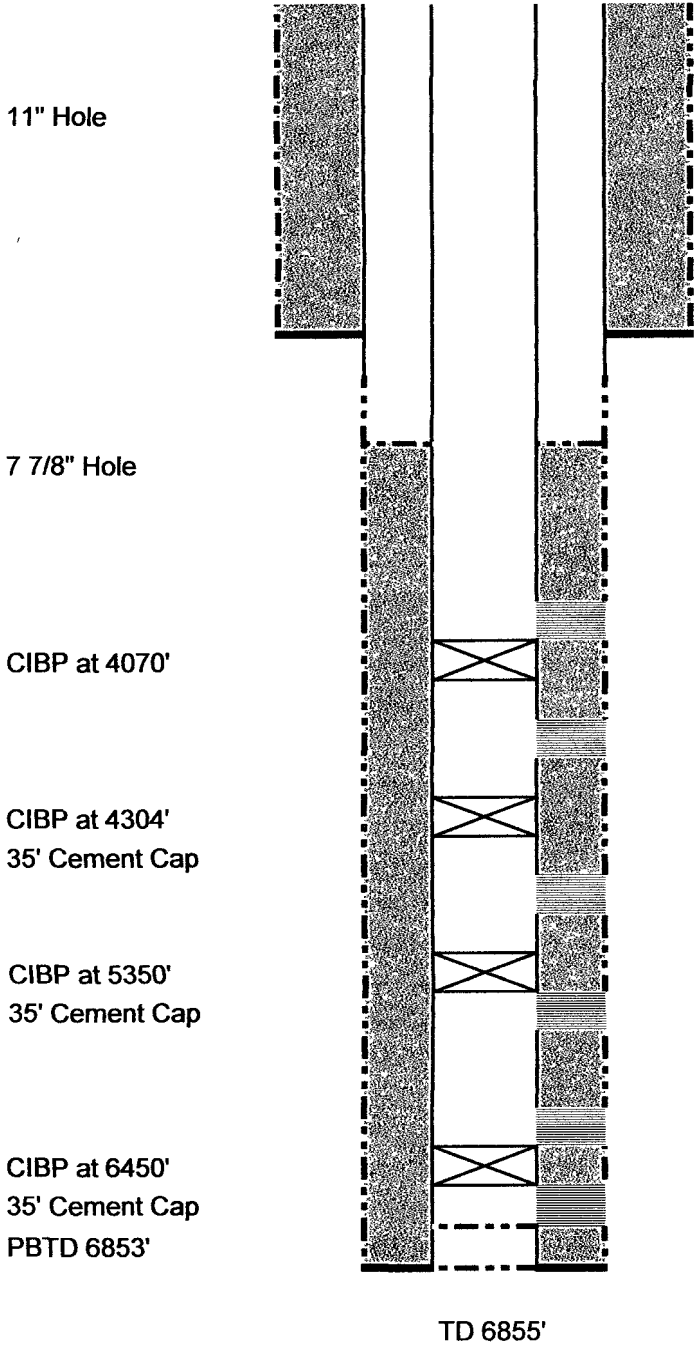
I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines [X], a general permit [] or an (attached) alternative OCD-approved plan [].

SIGNATURE Carol J. Smith TITLE Production Analyst DATE 3/10/2009
Type or print name Carol J. Smith E-mail address: hanson@dfn.com Telephone No. 505-622-7330

For State Use Only
APPROVED BY: [Signature] TITLE DISTRICT 1 SUPERVISOR DATE MAR 16 2009
Conditions of Approval (if any):

WELLBORE DIAGRAM

| | | | |
|-----------|--|-----------------|----------------------|
| WELL NAME | Shell State #1 | FIELD | Eunice San Andres SW |
| LOCATION | 660' FSL & 1650' FEL, O-Section 36-21S-36E, Lea County, NM | | |
| GL | 3493' | ZERO | KB |
| SPUD DATE | 11/5/1974 | COMPLETION DATE | 1/10/1975 |
| COMMENTS: | API #30-025-24866 | | |



CASING PROGRAM

| | | |
|--------|-------|-------|
| | | |
| 8 5/8" | 24# | 1160' |
| 5 1/2" | 15.5# | 6853' |
| | | |

8 5/8" at 1160' with 450 sacks cement circulated

BEFORE

TOC at 3380' CBL

San Andres

Perfs: 4015'-4055' 35 holes

San Andres

Perfs: 4080'-4130' 40 holes

Paddock

Perfs: 5128'-5192' 18 holes

Blinebry

Perfs: 5514'-5841' 26 holes

Drinkard

Perfs: 6250'-6364' 16 holes

Drinkard

Perfs: 6499'-6583' 17 holes

5 1/2" at 6853' with 450 sacks cement

Not to Scale
3/10/2009

WELLBORE DIAGRAM

| | | | |
|-----------|--|-----------------|----------------------|
| WELL NAME | Shell State #1 | FIELD | Eunice San Andres SW |
| LOCATION | 660' FSL & 1650' FEL, O-Section 36-21S-36E, Lea County, NM | | |
| GL | 3493' | ZERO | KB |
| SPUD DATE | 11/5/1974 | COMPLETION DATE | 1/10/1975 |
| COMMENTS: | API #30-025-24866 | | |

11" Hole
400' Plug with
100 sacks Cement

100' Plug with
50 sacks Cement

7 7/8" Hole

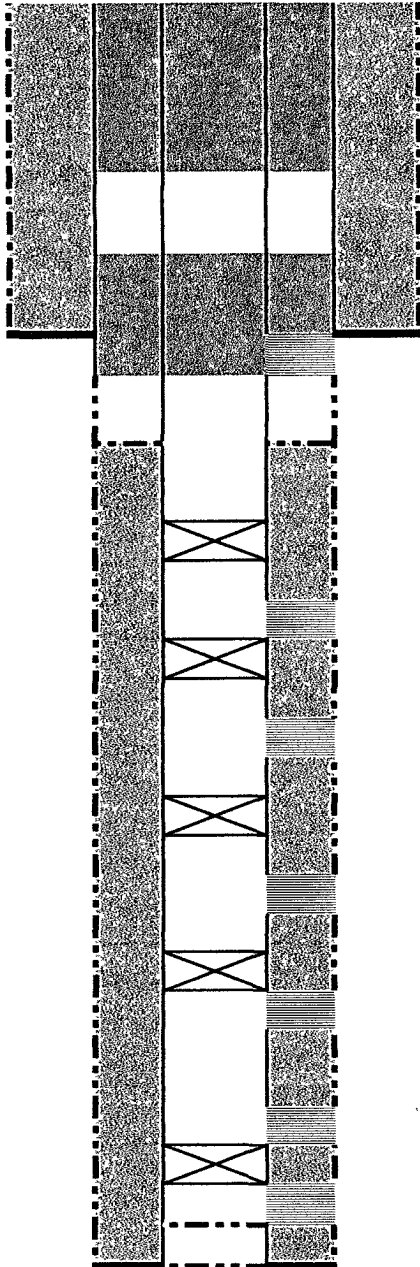
CIBP at 3950'
35' Cement Cap

CIBP at 4070'
35' Cement Cap

CIBP at 4304'
35' Cement Cap

CIBP at 5350'
35' Cement Cap

CIBP at 6450'
35' Cement Cap
PBTD 6853'



TD 6855'

CASING PROGRAM

| | | |
|--------|-------|-------|
| | | |
| 8 5/8" | 24# | 1160' |
| 5 1/2" | 15.5# | 6853' |
| | | |

8 5/8" at 1160' with 450 sacks cement circulated

Perf 4 Squeeze Holes at 1210'

AFTER

TOC at 3380' CBL

San Andres

Perfs: 4015'-4055' 35 holes

San Andres

Perfs: 4080'-4130' 40 holes

Paddock

Perfs: 5128'-5192' 18 holes

Blinebry

Perfs: 5514'-5841' 26 holes

Drinkard

Perfs: 6250'-6364' 16 holes

Drinkard

Perfs: 6499'-6583' 17 holes

5 1/2" at 6853' with 450 sacks cement

Not to Scale

3/10/2009