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1120 Lincoln Street, Suite 801, Denver Colorado 80203 (303) 894-2100 Fax (303) 894-2109

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COGCC

WELL ABANDONMENT REPORT

Submit original plus one copy. This form is to be submitted as an intent whenever a plugging is planned on a borehole. The approved intent shall be valid for twelve months after the approval date after that period a new intent will be required. After the plugging is complete, this form and one copy shall again be submitted as a subsequent report of the work as actually completed.

COGCC Operator Number: U3975	Contact Name & Telephone Gary L. Hinaman No: 970-675-8257 Fax: 970-675-8225	24 hour notice required, contact: DAVE ANDREWS Tel: (970) 456-5262
Name of Operator: Argall Exploration Company Address: 138 Pinyon Circle City: Rangely State: CO Zip: 81648		
API Number: 05-103-07814	Well Name: Federal Well Number: 24-2	Complete the Attachment Checklist
Location (QtrQtr, Sec, Twp, Rng, Meridian): 983'FSL, 1380'FEL, Sec.24, T3S-R102W, 6th PM (swse)	County: Rio Blanco Federal, Indian or State Lease Number: C-0121348	
Field Name: Cathedral Field Number: 10330		

Notice of Intent to Abandon Subsequent Report of Abandonment

Only Complete the Following Background Information for Intent to Abandon

Latitude: 39.76836459 Longitude: -108.7873442

GPS Data:

Date of Measurement: 6/10/10 PDOP Reading: 1.8 Instrument Operator's Name: Brandon Bowthorpe PLS Uintah Engineering

Reason for Abandonment: Dry Production Sub-economic Mechanical Problems Other

Casing to be Pulled: Yes No Top of Casing Cement: SURFACE

Fish in Hole: Yes No If yes, explain details below

Wellbore has Uncemented Casing Leaks: Yes No If yes, explain details below

Details: See attached P&A proposal approved by the BLM, wellbore diagram, original mancos B completion report, Castlegate completion report.

Current and Previously Abandoned Zones

Formation	Perforations - Top	Perforations - Bottom	Date Abandoned	Method of Isolation (None, Squeezed, BP, Cement, etc.)	Plug Depth
MNCS A	1280	1290			
MNCS B	2327	2652			

Casing History

String	Size of Hole	Size of Casing	Weight per ft	Setting Depth	Sacks Cement	Cement Bottom	Cement Top
Surface	12 1/8"	8 5/8"	24	152	100	152	Surface
Productio	7 7/8"	4 1/2"	10.5	2773	125	2773	2224
S.C. 1.1				1400'		1400'	SURFACE

Plugging Procedure for Intent and Subsequent Report

CIBP #1: Depth 2300 with 4 sacks cmt on top. CIBP #2: Depth 1250 with 4 sacks cmt on top. NOTE: Two (2) sacks cement required on all CIBPs.

Set **AS NEEDED** sks cmt from 202' ft. to surface ft. in Casing Open Hole Annulus

Set _____ sks cmt from _____ ft. to _____ ft. in Casing Open Hole Annulus

Set _____ sks cmt from _____ ft. to _____ ft. in Casing Open Hole Annulus

Set _____ sks cmt from _____ ft. to _____ ft. in Casing Open Hole Annulus

Set _____ sks cmt from _____ ft. to _____ ft. in Casing Open Hole Annulus

Perforate and squeeze at _____ ft. with _____ sacks Leave at least 100 ft. in casing

Perforate and squeeze at _____ ft. with _____ sacks Leave at least 100 ft. in casing

Perforate and squeeze at _____ ft. with _____ sacks Leave at least 100 ft. in casing

Set _____ sacks half in, half out surface casing from _____ ft. to _____ ft.

Set _____ sacks at surface

Cut four feet below ground level, weld on plate Dry-Hole Marker: Yes No

Set _____ sacks in rat hole Set _____ sacks in mouse hole

Additional Plugging Information for Subsequent Report Only

Casing Recovered: _____ ft. of _____ in. casing Plugging date: _____

*Wireline Contractor: _____ *Cementing Contractor: _____

Type of Cement and Additives Used: _____

*Attach job summaries.

I hereby certify that the statements made in this form are, to the best of my knowledge, true, correct, and complete.

Print Name: Gary L. Hinaman Email: hinaman@lexry.com

Signed: *Gary L. Hinaman* Title: President Date: 6/21/2010

OGCC Approved: *David Andrews* Title: PE II Date: 6/23/2010

CONDITIONS OF APPROVAL, IF ANY:

DA

DA

DA

DA

see BLM require ments

Form 3160-5 (August 1999)

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

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

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.

Lease Serial No. C-0121348
If Indian, Allottee or Tribe Name
If Unit or CA/Agreement, Name and/or No.
Well Name and No. Federal 24-2
API Well No. 05-103-07814
Field and Pool, or Exploratory Area Cathedral
County or Parish, State Rio Blanco, Colorado

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well [X] Gas Well
2. Name of Operator Argali Exploration Company
3a. Address 138 Piñon Circle, Rangely, CO 81648
3b. Phone No. (include area code) 970-675-8257
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 983'FSL, 1380'FEL Section 24, T3S-R102W, 6th P.M.

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

Table with columns: TYPE OF SUBMISSION, TYPE OF ACTION. Includes checkboxes for Notice of Intent, Subsequent Report, Final Abandonment Notice, Acidize, Deepen, Production (Start/Resume), Water Shut-Off, etc.

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 recompletes 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.)

See attached P&A proposal, Wellbore Diagram, Original Mancos B completion report, Castlegate completion report

- REALTY
PAT
[X] PE B/L 5/7/10
[X] PET B/L 5/10/10
GEO
NRS
AFMSS IN [X] OUT [X]

Last well on lease
Lease will be held by its inclusion in the Cathedral Unit.

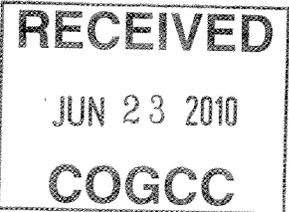
"Conditions of Approval Attached"

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed) Gary L. Hinaman
Title President, Argali Exploration Company
Signature [Signature]
Date 5/1/2010

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

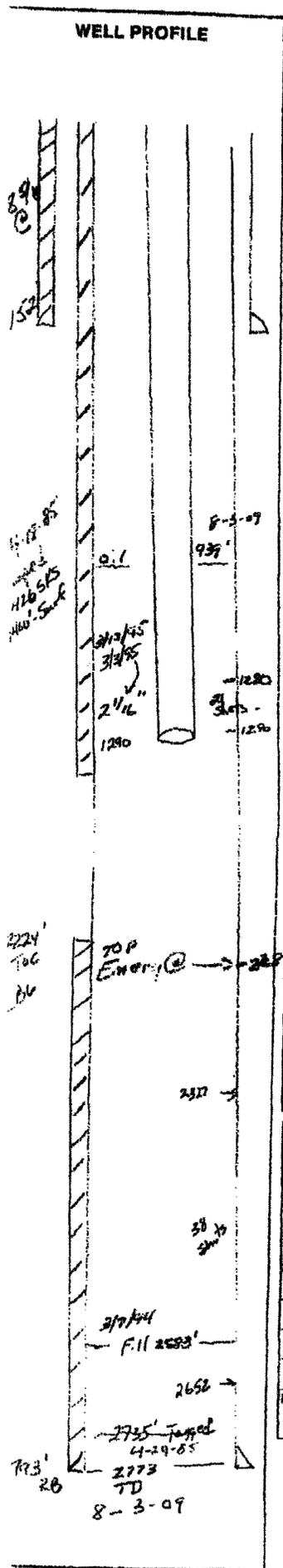
Approved by [Signature]
ASSOCIATE FIELD MANAGER
Date 5/1/10
Office [Blank]

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.



P&A Proposal for the Argali Exploration Company Federal 24-2 Well located 983'FSL, 1380'FEL, Section 24, Township 3 South, Range 102 West 6th P.M. Rio Blanco, County, Colorado. Lease # C-0121348

1. Move in and Rig up service company (either Rocky Mountain Wireline Service or DLD Pipe Recovery Services, LLC). We removed all the tubing a few weeks ago and the well is close to full of 9# mud.
2. Set Cast Iron Bridge plug at 2300' ^{50'} (27') above the top Mancos "B" zone perforation and cover with 4 sacks of cement 50'.
3. Set Cast Iron Bridge plug at 1250' ^{50'} 30 feet above the top Castlegate Perf at 1280' and cover with 4 sacks of cement 50'.
4. Set Cast Iron Bridge Plug at 202'. This will be 50' below the surface casing shoe at 152'.
5. The well was perfed at 1400' on 4/18/1985 and Haliburton pumped 426sacks of halco light cement with flocele mixed 1/4# per sack of cement to surface before they completed the Castlegate. I sent out the rig crew and we visually removed the plugs from the 8 5/8 " casing and had cement at the surface
6. Run in hole with 200' of tubing and cement the well from 202' to surface with 17 sacks of cement.
7. Cut the wellhead off 4' below ground level and weld on a steel plate. Top off any void that is present if the cement sags before welding on plate.
8. Remove all the well site equipment and reclaim the location and road on BLM property.
9. The surface owner Mr. Robinson has requested the portion of his road on his property be left in good condition.



SW 36 Sec. 24 T3S R102W 983' FSL 1380' FEL
 API # 05-103-07814

OPERATOR Argali Expl. Co.	Casing 1 3/4" hole	Pod 7 3/4" 56	Tubing
WELL # Fed 24-2	SIZE 8 5/8"	4 1/2"	
FIELD Cathedral	WEIGHT 24#	10.50	
COUNTY Rio Blanco	GRADE		
STATE Colorado	THREAD		
DATE 7-30-09	DEPTH 152'	2773'	
<input type="checkbox"/> NEW COMPLETION <input type="checkbox"/> WORKOVER			

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ITEM NO.	DESCRIPTION	ESTIMATE OR DEPTH
KB 6354		
62 6396	EQUIPMENT AND SERVICES	
	Prof B' w/ ave. 58 chit @ 2327.41, 51.61, 74.80	
	2489, 52.46, 73.81, 93.2501, 09, 21, 24, 27, 29, 31, 32	
	47, 54, 55, 56, 65, 69, 71, 75, 80, 91, 2600, 05, 23, 3, 39, 41	
	52 TOTAL 38 shots	
	Frac'd 2327-2652 110,000# p. 20 Mud Sol	
	20,000# 100" "	
	12 BBLs HCl 15%	
	CMTL Long String w/ 100' Class 4 2% CaCl2	
	1/2" flocc / 5X	
	125 SLS Class 4	
	Removed 40 JTS 2 1/2" Tub 1285' @ 2750'	
	3/9/95 - Pinnd Collar, 2-8' 2 3/4" Perf Sides	
	39 JTS 2 1/2" Tbg @ 1288' Scabbed Dry - Tbg 650' 398	
	3/12/95 Tbg 9' coll @ 1280	
	4-27-85 1-2" 78 Htg, Perf X 200' 4.5'	
	79 JTS 2 1/2" Tub w/ 2571.02	
	1 Pinnd collar	
	2580.72 RB 2572.72	
	2/7/94 Scabbed - Tbg Fill @ 2583'	
	Fluid 2450'	
	4-18-85 Htg. water Pump 726 SLS Htg. light cmt w/	
	flocck mixed 1/2" per SL from 1400' to Surface	
	2/20/09 STTP 46 SJCP 0	

COMMENTS

Tested 9-23-76 11.200# @ 24" 4" CE, 26KF CP312 TRR3

4/85 Perf Casing's

5/18/85 210,000# (22% or 5/2)

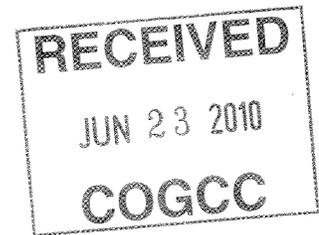
8-3-09 Tom Wiltz w/ Rocky with pulled 39 JTS of 2 1/2" tubing had pin collar had 100-200' of paraffinic oil on tubing @ 20 JTS ~ 300' above A paper.

PREPARED BY _____ OFFICE _____ PHONE _____

MILLER SERVICE TUBES PRODUCTION TOOLS COMPLETION SYSTEMS REPAIR

PACKERS VERNAL 1111 HANGER 5160R40C 180' 70' 100'

ELDER Address: 8000 YORKTOWN TEXAS 78164 (512) 564-2201



CONDITIONS OF APPROVAL FOR PERMANENT WELL ABANDONMENT

**A COPY OF THESE CONDITIONS SHOULD BE FURNISHED YOUR
FIELD REPRESENTATIVE TO INSURE COMPLIANCE**

Failure to comply with the following conditions of approval may result in a Notice of Incident of Noncompliance (INC) in accordance with 43 CFR 3163.1.

This well is the only well on Lease COC-0121348, which is beyond its primary term. This lease will be held by its inclusion in the Cathedral Unit.

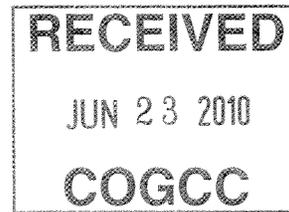
1. All Plugging and Abandonment operations shall be conducted per OO#2.III.G. and 43 CFR 3160 and completed by August 1, 2010.
2. This office should be notified sufficiently in advance, 48 hour minimum of actual plugging work, so that a representative may have an opportunity to witness the operation.
3. Upon completion of approved plugging, all casing shall be cut-off at least 3 feet below final restored ground level and attach the regulation marker plate (**4-inch pipe above ground will not be allowed**) in accordance with 43 CFR 3162.6 and OO#2.III.G.10. The top of the marker must be closed or capped and have a weep hole. Pits must be fenced unless approved otherwise by the authorized officer.
4. The following minimum information shall be permanently placed on the marker with a plate, cap, or beaded-on by welding:
 - a. Operator Name
 - b. Federal Lease Serial Number
 - c. Well Number
 - d. Location by 1/4/4, Section, Township and Range or other Acceptable Surveyed Description.
5. Within 30 days after well bore plugging operations are completed, a Subsequent Report of Abandonment, Form 3160-5, must be filed showing the date of the abandonment operation, location of plugs, amount of cement in each plug, the amount of casing left in the hole and the **GPS coordinates for location of wellhead**.
6. Prior to abandonment reclamation work, the operator shall submit a sundry notice describing their proposed reclamation plans. The plan must be approved prior to beginning any reclamation of the well site. If the approved APD contains a reclamation plan, you can reference it in your submission. Do not conduct any well pad or access reclamation without an approved reclamation plan for the subject well.
7. If not previously filed, submit in duplicate, Well Completion or Recompletion Report and Log, Form 3160-4, well history, electric logs, and other surveys, and if taken, core analysis and water analysis. These reports must also be filed within 30 days after completion of plugging operations.

8. All trash, junk, and other waste material shall be contained in trash cages or bins to prevent scattering and shall be removed and deposited in an approved landfill.

9. The procedure will be modified as follows:

Casing integrity must be proven by pressure testing.

Plugs will be tagged after an appropriate waiting period.



Per OO#2, G 2. Cased Hole. A cement plug shall be placed opposite all open perforation and extend to a minimum of 50 feet below (except as limited by TD or PBTD) to 50 feet above the perforated interval. All cement plugs, except the surface plug, shall have sufficient slurry volume to fill 100 feet of hole, plus an additional 10 percent of slurry for each 1,000 feet of depth. In lieu of the cement plug, a bridge plug is acceptable, provided:

- i. The bridge plug is set within 50 feet to 100 feet above the open perforations;***
- ii. The perforations are isolated from any open hole below; and***
- iii. The bridge plug is capped with 50 feet of cement. If a bailer is used to cap this plug, 35 feet of cement shall be sufficient.***

The submitted procedure has the CIBP above the Mancos perforations set 27' above the perforations and the CIBP above the Castlegate perforations set at 30' above the perforations. In order to comply with the passage from Onshore Order #2 above, the CIBP above the Mancos perforations must be set between 2227' and 2277' and the CIBP above the Castlegate perforations must be set between 1180' and 1230'.

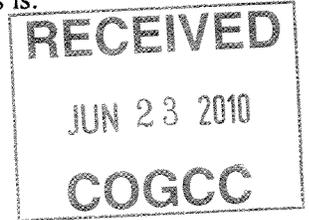
Per the submitted procedure, the annulus appears to have cement to the top. If the BLM representative at the site agrees, the annulus will be considered filled.

Per OO#2, G9. Mud. Each of the intervals between plugs shall be filled with mud of sufficient density to exert hydrostatic pressure exceeding the greatest formation pressure encountered while drilling such interval. In the absence of other information at the time plugging is approved, a minimum mud weight of 9 pounds per gallon shall be specified.

10. This approved procedure is based upon the assumption that wellbore conditions are as presented in the Notice of Intent. If unexpected wellbore conditions occur, this procedure may require modification to meet our regulations. This will be done on a case-by-case basis with consultations with the BLM and your personnel. If casing integrity is compromised, it may be necessary to set cement plugs across the compromised intervals, unless you can prove to the satisfaction of the authorized officer that there are no porous zones in the intervals.

The Bureau of Land Management, White River Field Office address is:

220 E. Market St.
Meeker, CO 81641
(970) 878-3800



CONTACTS:

Petroleum Engineer

Betty Lau

Office Phone (970) 878-3814
Home Phone (970) 878-4395

Petroleum Engineering Technicians

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Cell Phone (970) 942-8043

Bud Thompson

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Cell Phone (970) 942-7040

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Steve Halcomb

Work Phone (970) 878-3869
Cell Phone (970) 942-7484

Joe Beck

Work Phone (970) 878-3826