

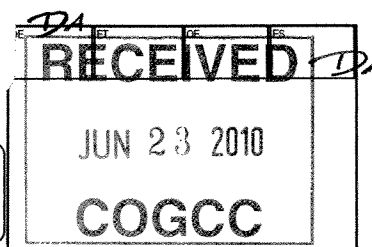
State of Colorado
Oil and Gas Conservation Comi

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



02054400

LUGAS



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: 03975		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: Argali Exploration Company			
Address: 138 Pinyon Circle			
City: Rangely	State: CO	Zip: 81648	
API Number: 05-103-07814			
Well Name: Federal		Well Number: 24-2	
Location (Qtr, 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	

Complete the Attachment Checklist	
	Oper OGCC
Wellbore Diagram	<input checked="" type="checkbox"/>
Cement Job Summary	<input checked="" type="checkbox"/>
Wireline Job Summary	<input checked="" type="checkbox"/>

☒ 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 1/4	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

see BHM require ments

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

Set _____ sacks in rat hole

Dry-Hole Marker: ☐ Yes ☒ No

Set _____ sacks in mouse hole

Additional Plugging Information for Subsequent Report Only

Casing Recovered: _____ ft. of _____ in. casing

*Wireline Contractor: _____

Type of Cement and Additives Used: _____

*Attach job summaries.

Plugging date: _____

*Cementing Contractor: _____

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:

Form 3160-5
(August 1999)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.

RECEIVED

JUN 23 2010

COGCC

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

1. Lease Serial No.
C-0121348

2. If Indian, Allottee or Tribe Name

3. If Unit or CA/Agreement, Name and/or No.

4. Well Name and No.
Federal 24-2

5. API Well No.
05-103-07814

6. Field and Pool, or Exploratory Area
Cathedral

7. County or Parish, State
Rio Blanco, Colorado

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well
☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator
Argali Exploration Company

3a. Address
138 Pinyon 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

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 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 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
☒ PE B/L 5/1/10
☒ PET B/L 5/1/10
☐ GEO
☐ NRS

AT MSS IN ☒ OUT ☒

*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

Date 5/1/2010

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

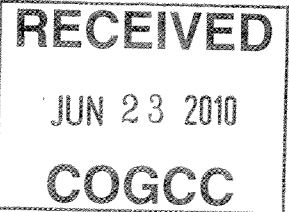
ASSOCIATE FIELD MANAGER

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.

Office Wellbore Diagram, Original Mancos B completion report, Castlegate completion report

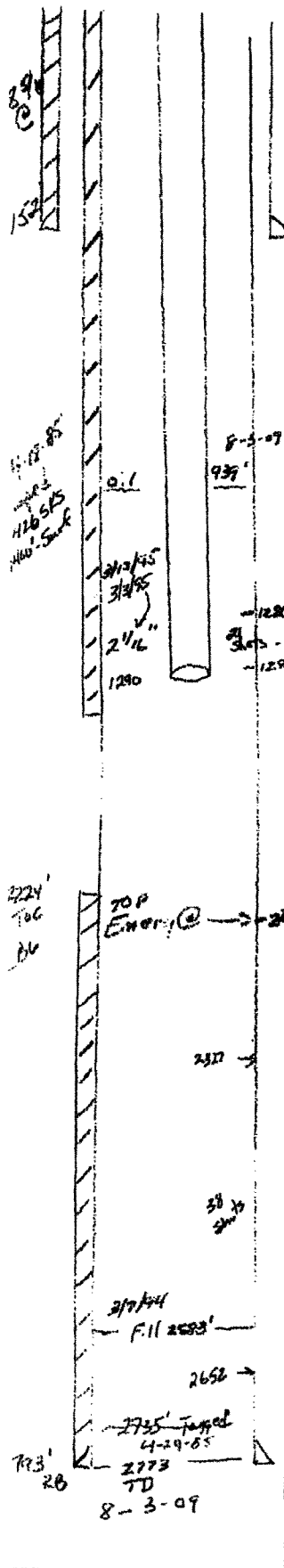
Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

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 426 sacks 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.

WELL PROFILE



SW 36 Sec. 24 T3S R102W 983' FSL 1380' FSL

API # 05-103-07814

OPERATOR Argali Expl. Co.

WELL # Fed 24-2

FIELD Cathedral

COUNTY Rio Blanco

STATE Colorado

DATE 7-30-09

☐ NEW COMPLETION ☐ WORKOVER

Casing

12 1/4" hole

Prod 7 3/8"

Tubing

SIZE

8 3/4"

4 1/2"

WEIGHT

24#

10.50"

GRADE

THREAD

DEPTH

152'

2773'

RECEIVED

JUN 23 2010

COGCC

ITEM NO.	KB 6354	EQUIPMENT AND SERVICES	ESTIMATE OR DEPTH
	6396'		
	Ref. B' w/ ave. 58 shot @ 2327.41, 51.61, 74.80		
	2439, 52.46, 73.81, 73.2501, 09, 21, 24, 27, 29, 31, 32		
	47, 54, 55, 56.65, 69, 71, 75, 80, 91, 2600, 08, 23, 3, 39, 41		
	52 TOI-1 38 shots		
	Free'd 2327-2652 110,000# p. 20 Mod Surf		
	20,000# 100" "		
	12 BBLs HCl 15%		
	CMTL Long String w/ 100' Class 4-2% CaCl ₂		
	1/2" flocc / 5X		
	125 SHS Class 4		
	Removed 40 JTS 2 1/2" Tab 1245' 2257'		
	3/3/95 - Pinned Collar, 2-8' 2 3/4" Pop Surbs		
	39 JTS 2 1/2" Tab @ 1288' Scrubbed Dry - Tbg 398'		
	3/12/95 TJS 40' - 1280'		
	4-27-83 1-2 1/2" Htg, Pop X 200' 4.5'		
	79 JTS 2 1/2" Tab w/ 2571.02		
	1 Pinned Collar		
	2582.72 KB 2572.72		
	4/7/94 Scrubbed - Tbg Fill @ 2583'		
	Fluid 2450'		
	4-18-85 Htg. 200' Pop 1265' Htg. light cmt w/		
	flocck mixed 1/2" per 5X for 1400' to Surface		
	2/22/09 STIP 46 SJCP 0		

COMMENTS

Tested 9-23-76 11.200' - 2 1/2" CE, 1600' CP 312, TR 3

4/1/85 Perf Casing

5/18/85 2100' (22' or 5 1/2')

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

PREPARED BY

OFFICE

PHONE

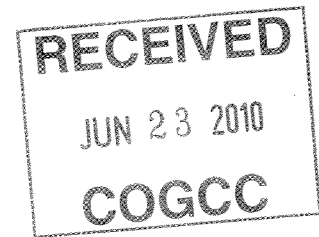
MILLER

PACKERS

SERVICE TOOLS
PRODUCTION TOOLS
COMPLETION SYSTEMS
REPAIRVERNAL, TEXAS
HANGER, COLORADO
180' 20' 100'

Elder

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.

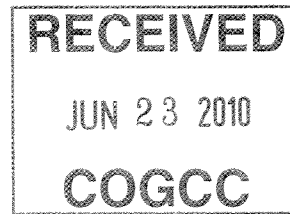
1. All Plugging and Abandonment operations shall be conducted per OO#2.III.G. and 43 CFR 3160 and completed by August 1, 2010.
2. This office should be notified sufficiently in advance, 48 hour minimum of actual plugging work, so that a representative may have an opportunity to witness the operation.
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'.

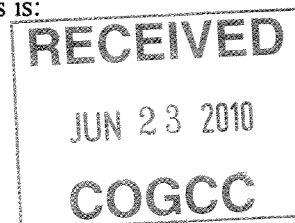
Per the submitted procedure, the annulus appears to have cement to the top. If the BLM representative at the site agrees, the annulus will be considered filled.

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

Bill Kraft

Work Phone (970) 878-3817
Cell Phone (970) 942-8043

Bud Thompson

Work Phone (970) 878-3828
Cell Phone (970) 942-7040

Erika Miller

Work Phone (970) 878-3808

Steve Halcomb

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

Joe Beck

Work Phone (970) 878-3826