

MARSHALL & WINSTON, INC.

UNIVERSITY 7 #1

LOCATION: 660' FSL & 1980' FWL of Sec. 7, Blk. 17, University Lands Svy, Ward Co., TX.

CONTRACTOR: American Drilling Rig #2

PTD: 7400' – Brushy Canyon

EL: 2681' GL

M&W: 94.90% BCP, 83.0375% ACP WI

08/07/08 Day 1. C&CH to run 13 3/8" csg. Depth 234' (194' in 5 1/2 hrs). Bit #1 – 17 1/2" S11, SN B73481, in @ 40' (194' in 5 1/2 hrs). WOB all @ 80 RPM. PP 350# @ 54 SPM. MI & RU. **Spudded 17 1/2" hole @ 9:30 a.m., 08/06/08.** Drl to 125'. Work stuck drl string & cond mud. TOH f/ plugged bit. TIH. Work on pmps (sd & gravel). Drl to 234'. C&CH to run csg. DC: \$114,028. CC: \$114,028.

08/08/08 Day 2. NU BOP stack. Depth 234' (0'). MW 8.4, Vis 38-40, Chl 5300, Sol 0.40%, pH 9.5, FL 14, PV 9, YP 7 & Gel 4,8,11. Bit #1, in @ 40', out @ 234' (194' in 5 1/2 hrs). WOB all @ 80 RPM. PP 350# @ 54 SPM. Svy 1/4° @ 187'. Circ – WO csg crew. TOH to run 13 3/8" csg. RU csg crew & run 5 jts 13 3/8" 48#, H-40, R-3, ST&C csg (234.81'). Csg set @ 230'. Circ & WO cmtrs. RU cmtrs & cmt csg w/ 285 sx Class C + 2% CaCl2. Circ 121 sx cmt to surf. PD @ 6:00 p.m., 08/07/08. WOC. Cut off conductor pipe & csg, weld on hd. NU BOP stack. DC: \$72,996. CC: \$187,024.

08/09/08 Day 3. Drlg @ 781' (547' in 13 1/2 hrs) Sd & Lm. MW 8.4, Vis 38-40, Chl 5300, Sol .40%, pH 9.5, FL 14, PV 9, YP 7 & Gel 4,8,11. Bit #2 – 11" HP53, SN JT0867, in @ 234' (547' in 13 1/2 hrs). WOB all @ 80 RPM. PP 800# @ 60 SPM. Svy 1/2° @ 459' & 1/2° @ 709'. NU BOP. PU BHA & TIH. Drl cmt & plug. Resume drlg. DC: \$39,177. CC: \$226,201.

08/10/08 Day 4. Drlg @ 1145' (364' in 9 1/2 hrs) Sd, Lm & Anhy. MW 10.5, Vis 36, Chl 2200, Sol 7.90%, pH 12, FL 25, PV 13, YP 9 & Gel 4,8,12. Bit #2 (911' in 23 hrs). WOB 30/35K @ 60/65 RPM. PP 800# @ 55 SPM. Svy 1/2° @ 930' & 1/2° @ 1119'. DC: \$20,555. CC: \$246,756.

08/11/08 Day 5. Drlg @ 1560' (415' in 23 hrs) Lm & Anhy. MW 9.9, Vis 38, Chl 98000, Sol 11.90%, pH 11, FL 30, PV 14, YP 11 & Gel 5,8,14. Bit #2 (1326' in 46 hrs). WOB 30/35K @ 60/65 RPM. Svy 1/2° @ 1119' & 1/2° @ 1373'. DC: \$18,552. CC: \$265,308.

08/12/08 Day 6. Drlg @ 2076' (516' in 22 ½ hrs) Anhy & Lm. MW 9.8, Vis 35, Chl 99K, Sol 4.60%, pH 9, FL 18, PV 10 & YP 6. Bit #2 (1842' in 68 ½ hrs). WOB 20/40K @ 60/65 RPM. PP 800# @ 55 SPM. Svy 1/2° @ 1623' & 1° @ 1877'. DC: \$53,700. CC: \$319,008.

08/13/08 Day 7. Running 8 5/8" csg. Depth 2382' (306' in 12 hrs). MW 10.1, Vis 34, Chl 103K, Sol 6.70%, pH 10, FL 16, PV 10 & YP 5. Bit #2, in @ 234', out @ 2382' (2148' in 80 ½ hrs). WOB 20/40K @ 60/65 RPM. Bit #3 – 7 7/8" R27P, SN K42248, in @ 2382'. PP 800# @ 55 SPM. Svy 1° @ 2130' & 2° @ 2362'. Drld to 2382'. Circ & pmp sweep. TOH to run csg. LD BHA. RU LD machine & RU csg crew to run 8 5/8" csg. DC: \$21,731. CC: \$340,739.

08/14/08 Day 8. C&CH to run csg. Depth 2382' (0'). Ran 8 jts of 8 5/8" csg. TOH, std back csg. Chg shoe to Tex Pat. TIH w/ csg. Work csg dwn. TOH w/ 8 5/8" csg. RD casers, LD machine & cmtrs, release. PU bit & reamer, TIH & tag @ 285'. W&R f/ 285-392', unloading sd & gravel. TIH tag @ 413'. W&R f/ 413-583', unloading sd & gravel. TIH tag @ 613'. W&R f/ 613-808', unloading sd & gravel. TIH tag @ 2230'. W&R to btm. C&CH to run csg. DC: \$63,698. CC: \$404,437.

08/15/08 Day 9. RU LD machine & csg crew. Depth 2382' (0'). C&CH to run csg. Move csg in derrick. TOH f/ plugged bit. TIH, wash 30' to btm, no fill. Circ to cond hole. Pmp sweep. Hole was clean. TOH to run 8 5/8" csg. LD BHA. PU csg in derrick. RU LD machine & csg crew. DC: \$26,584. CC: \$431,021.

08/16/08 Day 10. TIH w/ bit #3. Depth 2382' (0'). RU csg crew & run 53 jts of 8 5/8" 32#, J-55, R-3, LT&C csg (2386.51'). Set csg @ 2382'. Circ. RU cmtrs & cmt csg w/ 415 sx Class C 35/65 + .25# Celloflake + 3% Salt as lead cmt, followed w/ 320 sx Class C + 2% CaCl. PD & holding @ 1:00 p.m., 08/15/08. RD cmtrs. ND BOP & set slips. Install B section of WH. NU & tst BOP to 1500#, holding. Jet pits & move lines to outside reserve. PU bit #3, make up BHA & TIH. DC: \$101,619. CC: \$532,640.

08/17/08 Day 11. Drlg @ 2985' (603' in 19 ½ hrs) Anhy & Lm. MW 9.8, Vis 28, Chl 160K, Sol .40% & pH 7. Bit #3 (603' in 19 ½ hrs). WOB 20/35K @ 60/65 RPM. PP 995# @ 52 SPM. Svy 1/2° @ 2641' & 2° @ 2860'. TIH LD 4 jts DP & tst csg to 700#. Chase plugged bit. Drld float & cmt. Resume drlg. DC: \$18,295. CC: \$550,935.

08/18/08 Day 12. Drlg @ 3463' (478' in 22 ½ hrs) Anhy & Salt. MW 9.9, Vis 29, Chl 170K, Sol 10.00% & pH 9. Bit #3 (1081' in 42 hrs). WOB 20/35K @ 60/65 RPM. PP 1100# @ 52 SPM. Svy 2 1/2° @ 3116' & 2 1/2° @ 3400'. DC: \$20,528. CC: \$571,463.

08/19/08 Day 13. TIH. Depth 3711' (248' in 12 ½ hrs). MW 10, Vis 28, Chl 170K, Sol 10.00% & pH 10. Bit #3 (1329' in 54 ½ hrs). Svy 2 1/2° @ 3680'. Circ &

pmp soft line f/ hole in pipe. TOH. Chained out 26 stds & a double, hole in pipe @ ±2480'. Fin TOH. TIH. DC: \$45,656. CC: \$617,119.

08/20/08 Day 14. TOH. Depth 4154' (443' in 17 hrs). MW 10, Vis 28, Chl 183K, Sol .50% and pH 9. Bit #3 (1772' in 71 ½ hrs). Svy 2° @ 3930'. TIH. W&R to btm. CO 4" hose. Lost prime on pmp. Circ. Lost 500# PP. Pmp soft line, check f/ hole in pipe. TOH. DC: \$21,008. CC: \$638,127.

08/21/08 Day 15. TIH w/ overshot. Depth 4154' (0'). TOH check drl string. Left bit, tri-collar, teledrift, 2 IBS's & 2 DC's in hole. Pin broke on DC. WO fishing tools. Sent wrong overshot connections two times. TIH w/ fishing tools. Wash over fish & attempt to latch on. Could get onto fish but would slip off when PU on string. TOH f/ smaller grappel. Brk dwn overshot & chg grappel f/ 6 ½" to 6 3/8". TIH w/ fishing tools. DC: \$24,090. CC: \$662,217.

08/22/08 Day 16. Fishing. Depth 4154' (0'). TIH w/ 6 3/8" grappel in overshot. Wash over fish. TOH. No fish. WO fishing tools. Dropped blocks while cutting drlg line. Restrung blocks. Cut drlg line (90'). PU overshot, bumper sub & TIH. PU Kelly & ream tite spot (2910'+-). TIH w/ 6 3/8" grappel in overshot. Fishing (set dwn on fish & PP went f/ 150# to 875#). DC: \$19,175. CC: \$681,392.

08/23/08 Day 17. Drlg @ 4195' (41' in 2 hrs) Salt & Anhy. MW 10, Vis 28, Chl 184K, Sol .40% & pH 10. Bit #3, in @ 2382', out @ 4154' (1772' in 71 ½ hrs). Bit #4 – 7 7/8" R30P, SN WD4261, in @ 4154' (41' in 2 hrs). WOB 20/35K @ 60/65 RPM. PP 950# @ 58 SPM. Latched onto fish. TOH w/ fish (chain out). Trip check DC's, teledrift, reamers & tri-collar. Brk dwn OS & load out same. Brk circ. TIH w/ bit #4 & tagged @ 4100'. W&R to btm. Resume drlg. DC: \$36,328. CC: \$717,720.

08/24/08 Day 18. Drlg @ 4477' (282' in 16 hrs) Anhy & Salt. MW 10, Vis 28, Chl 184K, Sol .40% & pH 9.5. Bit #4 (323' in 18 hrs). WOB 20/35K @ 60/65 RPM. PP 950# @ 58 SPM. Svy 3° @ 4193'. Drl to 4268'. Work tite hole, LD 3 jts DP & mix mud. W&R to btm 10' of fill. Resume drlg. DC: \$20,130. CC: \$737,850.

08/25/08 Day 19. Drlg @ 4525' (48' in 5 ½ hrs) Anhy & Salt. MW 10, Vis 37, Chl 184K, Sol .40%, pH 10, FL 15, PV 11 & YP 16. Bit #4 (371' in 23 ½ hrs). WOB 20/35K @ 60/65 RPM. PP 1050# @ 50 SPM. Svy 3° @ 4480' & 3 3/4° @ 4467'. Drl to 4490'. Pmp softline to chk f/ hole in drl string, TOH & found hole 40 stds & a single. TIH, left teledrift out of string. W&R 100' to btm, 30' of fill. Drl to 4514'. Pmp softline to check f/ hole in drl string, TOH, found hole 39 stds & a single. TIH. W&R 77' to btm. Resume drlg. DC: \$22,550. CC: \$760,400.

08/26/08 Day 20. Drlg @ 4711' (186' in 23 ½ hrs) Anhy. MW 10.3, Vis 34, Chl 184K, Sol .40%, pH 10, FL 14.3, PV 13, YP 13 & Gel 5,7,16. Bit #4 (557' in 47 hrs). WOB 15/45K @ 60/65 RPM. PP 1175# @ 50 SPM. DC: \$25,069. CC: \$785,469.

08/27/08 Day 21. Drlg @ 4880' (169' in 23 ½ hrs) Lm, Salt & Anhy. MW 10.4, Vis 39, Chl 188K, Sol 1%, pH 10, FL 13.3, PV 10, YP 21 & Gel 5,8,15. Bit #4 (726' in 70 ½ hrs). WOB 40/45K @ 60/65 RPM. PP 1150# @ 50 SPM. DC: \$39,347. CC: \$824,816.

08/28/08 Day 22. Drlg @ 4983' (103' in 15 hrs) Anhy & Lm. MW 10.5, Vis 35, Chl 188K, Sol 1%, pH 10, FL 12.2, PV 10, YP 19 & Gel 4,8,14. Bit #4, in @ 4154', out @ 4945' (791' in 81 hrs). WOB 40/45K @ 60/65 RPM. Bit #5 – 7 7/8" R30P, SN WD4259, in @ 4945' (39' in 3 ½ hrs). PP 1250# @ 51 SPM. Svy 3 1/4° @ 4878'. DC: \$31,489. CC: \$856,305.

08/29/08 Day 23. Chg out 4 ½" DP. Depth 5242' (259' in 12 ½ hrs). MW 10.5, Vis 37, Chl 188K, Sol 1.40%, pH 10, FL 15.7, PV 11, YP 19 & Gel 4,8,14. Bit #5 (297' in 16 hrs). WOB 40/45K @ 60/65 RPM. PP 1250# @ 51 SPM. Drl to 5242'. Circ & pmp softline to check f/ hole in drlg string. TOH f/ hole in pipe – found hole 30 stds & a double out. Work on Hydromatic Chain. TIH – 15 stds. RU LD machine. LDDP. Work on cat hd. LDDP. DC: \$20,214. CC: \$876,519.

08/30/08 Day 24. Drlg @ 5400' (158' in 7 ½ hrs) Lm & Sd. MW 10.5, Vis 37, Chl 188K, Sol 1.40%, pH 10, FL 15.7, PV 11, YP 19 & Gel 4,8,14. Bit #5 (455' in 23 ½ hrs). WOB 35/40K @ 60/65 RPM. PP 1175# @ 51 SPM. Svy 2 3/4° @ 5328'. TIH. LDDP. Repair Hydromatic Chain. TIH w/ replacement 4 ½" DP (rented pipe). RD LD machine. W&R 94' to btm. Resume drlg. DC: \$27,132. CC: \$903,651.

08/31/08 Day 25. Drlg @ 5680' (280' in 17 hrs) Lm & Sd. MW 9.8, Vis 38, Chl 188K, Sol 1.40%, pH 10, FL 15.3, PV 13, YP 17, Gel 4,8,14. Bit #5 (735' in 40 ½ hrs). WOB 35/40K @ 60/65 RPM. PP 1050# @ 50 SPM. Drl to 5655'. Work stuck pipe. Resume drlg. DC: \$26,687. CC: \$930,338.

09/01/08 Day 26. Drlg @ 5742' (62' in 9 ½ hrs) Sd & Lm. MW 10.2, Vis 41, Chl 127K, Sol 1.80%, pH 9.5, FL 8, PV 13, YP 15 & Gel 6,9,14. Bit #5 (797' in 50 hrs). WOB 35/40K @ 60/65 RPM. PP 1150# @ 50 SPM. Drl to 5692'. Repair #1 pmp. TOH f/ plugged bit. TIH w/ DC's. Cut drlg line (90'). PU Kelly & pmp thru DC's. TIH. W&R 30' to btm, no fill. Drl to 5739'. Lost 75% of rtns – pmp pill. Resume drlg. DC: \$25,025. CC: \$955,363.

09/02/08 Day 27. TOH f/ DST #1. Depth 5961' (219' in 14 ½ hrs). MW 9.9, Vis 43, Chl 94K, Sol 1.80%, pH 9.5, FL 10, PV 10, YP 14, Gel 13,17,17. Bit #5 (1016' in 64 ½ hrs). WOB 35/40K @ 60/65 RPM. PP 1050# @ 50 SPM. Svy 1 1/4° @ 5893'. Drl to 5961'. Circ btms up f/ samples & cond mud f/ DST #1. TOH f/ DST #1 5925-5961' (36'). DC: \$25,417. CC: \$980,780.

09/03/08 Day 28. TIH. Depth 5967' (0' – depth correction). TOH f/ DST #1. PU TT, jet pre-mix pit & TIH f/ DST #1 as follows:

DST #1 (09/02/08) 5931-5967' (Cherry Canyon)

Preflow: Open w/ weak blow, 5 min–10" in bucket, 7 min–btm of bucket.

Final Flow: Open to pit on a ¼" chk, 10 min-6 oz, 20 min-4 oz, 30 min-2 oz, 40 min-1.5 oz, 50 min-1.5 oz, 60 min-1" in bucket.

DP Recovery: Pulled to fluid, rev out @ 2665' (32.41 bbls) SW. Top 200' mud cut FW, 2465' FW, Chl 153 MG/L. DC=588' 2.88 bbls, DP= 2077' 29.53 bbls, 90' of SW below circ.

IHP: 3170#

IF: 30 min, 110-745#

ISI: 60 min, 2723#

FF: 60 min, 833-1457#

FSI: 120 min, 2705#

FHP: 3120#

BHT: 106°F

Sample Chamber: 150#, 0.002 cfg, 2000 cc's of FW (Chl 153,000 MG/L), RW .048 @ 85°.

TOH rev out fluid. Fin TOH. Brk dwn DST tools & load out. Cond mud & replace 2" vlv on stack. PU BHA & TIH. DC: \$21,824. CC: \$1,002,604.

09/04/08 Day 29. Drlg @ 6177' (210' in 16 ½ hrs) Sd & Lm. MW 9.8, Vis 37, Chl 97K, Sol 1.80%, pH 8, FL 33, PV 12, YP 9 & Gel 11,16,17. Bit #5 (1232' in 81 hrs). WOB 40/45K @ 60/65 RPM. PP 1100# @ 50 SPM. TIH, circ btms up. Resume drlg. DC: \$29,676. CC: \$1,032,280.

09/05/08 Day 30. Drlg @ 6516' (339' in 23 hrs) Sd & Lm. MW 9.7, Vis 41, Chl 98K, Sol 1.80%, pH 8.5, FL 31, PV 12, YP 11 & Gel 12,15,17. Bit #5 (1571' in 104 hrs). WOB 40/45K @ 60/65 RPM. PP 1000# @ 50 SPM. Svy 1 1/4° @ 6374'. DC: \$45,801. CC: \$1,078,081.

09/06/08 Day 31. Drlg @ 6643' (127' in 14 hrs) Sandstone. MW 9.7, Vis 44, Chl 110K, Sol 1.80%, pH 9, FL 9, PV 11, YP 14 & Gel 15/17/17. Bit #5 (1698' in 118 hrs). WOB 40/45K @ 60/65 RPM. PP 1135# @ 53 SPM. Drl to 6598'. Circ samples up. C&CM f/ DST #2 6560-6598' (38') – lost ~300 bbls of mud. Will not run DST #2. Resume drlg. DC: \$25,916. CC: \$1,103,997.

09/07/08 Day 32. Tripping f/ bit #6. Depth 6724' (81' in 12 hrs). MW 9.8, Vis 42, Chl 110K, Sol 1.80%, pH 8, FL 10.5, PV 13, YP 12 & Gel 9/14/17. Bit #5, in @ 4945', out @ 6724' (1779' in 130 hrs). WOB 40/45K @ 60/65 RPM. Bit #6 (rerun bit #4) – 7 7/8" R30P, SN WD4261, in @ 6724'. PP 1135# @ 53 SPM. Drl to 6724'. TOH f/ bit #6. LD IBS's & Tri-Collar. PU bit #6 & TIH w/ DC's. Cut drlg line (90'). TIH w/ bit #6. DC: \$21,236. CC: \$1,125,233.

09/08/08 Day 33. TIH w/ bit #7. Depth 6822' (98' in 11 ½ hrs). MW 9.8, Vis 37, Chl 105K, Sol 1.80%, pH 8, FL 12.5, PV 13, YP 10 & Gel 10/17/17. Bit #6, in @ 6724', out @ 6822' (98' in 11 ½ hrs). WOB 40/45K @ 60/65 RPM. Bit #7 – 7 7/8" R27P, SN M32634, in @ 6822'. PP 1135# @ 53 SPM. TIH to 5815'. W&R thru bridge. W&R to btn. Drl f/ 6724-6822'. Circ btms up. TOH f/ bit #7. TIH w/ bit #7. DC: \$34,087. CC: \$1,159,320.

09/09/08 Day 34. Drlg @ 7030' (208' in 19 ½ hrs) Lm, Sh & Sd. MW 9.9, Vis 39, Chl 105K, Sol 1.90%, pH 10, FL 13, PV 15, YP 10 & Gel 8/14/19. Bit #7 (208' in 19 ½ hrs). WOB 40/45K @ 60/65 RPM. PP 1115# @ 59 SPM. Svy 1 1/2° @ 6874'. TIH w/ bit #7. PU Kelly & circ to btm, no fill. Resume drlg. DC: \$20,372. CC: \$1,179,692.

09/10/08 Day 35. Cond mud f/ logs. Depth 7200' (170' in 18 hrs). MW 9.8, Vis 44, Chl 105K, Sol 1.90%, pH 10, FL 7, PV 16, YP 13 & Gel 8,15,20. Bit #7, in @ 6822', out @ 7200' (378' in 37 ½ hrs). WOB 40/45K @ 60/65 RPM. Drld to 7200' – reached TD @ 12:30 a.m., 09/10/08. C&CM f/ logs – lost half of pit vol, had to build vol. C&CM f/ logs. DC: \$25,165. CC: \$1,204,857.

09/11/08 Day 36. RU loggers & log well. TD 7200'. C&CH f/ logs. Short trip 20 stds – tagged @ 7110' out & in. W&R to btm. Circ btms up. TOH f/ logs, strapped out, strap = 7197.41'. RU loggers & log well. DC: \$26,952. CC: \$1,231,809.

09/12/08 Day 37. Plugging well. TD 7200'. Log well & RD loggers. TIH w/ DC's & LDDC's. TIH w/ DP OE. RU LD machine, cmtrs, set cmt plugs & LDDP.

1st plug = 50 sx @ 6715-6815' (all cmt is class C).

2nd plug = 50 sx @ 5775-5875'

3rd plug = 50 sx @ 4950-5050'

DC: \$47,857. CC: \$1,279,666.

09/13/08 Day 38. RR. TD 7200'. Chg out slip dies. Stage out while setting cmt plugs. TIH, WOC & tag cmt @ 1150'. LDDP & RD LD machine. Cut off WH's & put 10 sx plug in top of well. Jet pits & **rel rig @ 12:00 midnight, 09/13/08.**

4th plug = 50 sx @ 2332-2432'

5th plug = 35 sx @ 1050-1150'

10 sx plug @ surf.

Well P&A'd. FINAL REPORT.

DC: \$46,228. CC: \$1,325,894.