5. LEASE

Contract 163

LINITED STATES

| UNITE | ED S | STATE | .S |
|------------|------|-------|----------|
| DEPARTMENT | OF | THE | INTERIOR |
| GEOLOG | ICAL | . SUR | RVEY |

| GEOLOGICAL SURVEY | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME Jicarilla Tribe | | |
|--|--|--|--|
| SUNDRY NOTICES AND REPORTS ON WELLS | 7. UNIT AGREEMENT NAME | | |
| Do not use this form for proposals to drill or to deepen or plug back to a different eservoir. Use Form 9–331–C for such proposals.) | 8. FARM OR LEASE NAME Badland Flats | | |
| 1. oil gas Well other | 9. WELL NO. | | |
| 2. NAME OF OPERATOR | 1 | | |
| J. Gregory Merrion & Robert L. Bayless | 10. FIELD OR WILDCAT NAME So. Blanco Pictured Cliffs | | |
| 3. ADDRESS OF OPERATOR P.O. Box 507, FArmington, NM 87401 | 11. SEC., T., R., M., OR BLK. AND SURVEY OR | | |
| 4. LOCATION OF WELL (REPORT LOCATION CLEARLY. See space 17 | AREA | | |
| below.) AT SURFACE: 1650' FSL & 990' FWL | Section 24, T23N, R2W 12. COUNTY OR PARISH 13. STATE | | |
| AT TOP PROD. INTERVAL: same | Sandoval New Mexico | | |
| AT TOTAL DEPTH: same | 14. API NO. | | |
| 16. CHECK APPROPRIATE BOX TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA | TE STEVATIONS (CHOW DE KDD AND WD) | | |
| REPORT, OR OTHER DATA | 15. ELEVATIONS (SHOW DF, KDB, AND WD) 7336 GL | | |
| REQUEST FOR APPROVAL TO: SUBSEQUENT REPORT OF: | | | |
| TEST WATER SHUT-OFF U U FRACTURE TREAT | | | |
| SHOOT OR ACIDIZE | | | |
| REPAIR WELL | (NOTE: Report results of multiple completion or zone change on Form 9-330.) | | |
| MULTIPLE COMPLETE | | | |
| CHANGE ZONES | | | |
| ABANDON* | | | |
| 17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly stat including estimated date of starting any proposed work. If well is dimeasured and true vertical depths for all markers and zones pertined | irectionally drilled, give subsurface locations and | | |
| see attached reports | | | |
| The state of the s | Addis 2 to 19 to 1 | | |
| ÷ | | | |
| | | | |
| Subsurface Safety Valve: Manu. and Type | Set @ Ft | | |
| 18. I hereby certify that the focegoing is true and correct | | | |
| SIGNED TITLE CO-Owner | DATE 1-16-81 | | |
| ACCEPTED FOR RECONÜ | fice use) | | |
| APPROVED BY TITLE CONDITIONS OF APPROVAL, IF ANY: | Unit | | |
| JAN 2 0 1981 NMO | CC | | |
| FARMINGTON DISTRICT See Instructions on Reverse | | | |
| | | | |

MERRION & BAYLESS BADLAND FLATS #1 1650 FSL & 990 FWL Section 24, T23N, R2W Sandoval County, N.M.

DAILY REPORT

- 11-7-80 Moved in, rigged up James Drilling Co. Spudded 9-3/4" hole and set 96 ft. of 7", 23 lbs/ft, J-55 surface casing with 50 sacks. WOC.
- 11-8-80 Drilling at 1250. Water loss 8.0; weight 8.7; viscosity 32.
- 11-9-80 Drilling at 2325.
- 11-10-80 Lost cone and fished out; going back in @ 2725.
- 11-11-80 Reached TD at 3125 ft. Now running logs.
- 11-12-80 Rig up Birdwell. Ran Induction log TD to surface casing. Ran Density log TD to 1700 ft. Ran in hole. Circulated 30 minutes and laid down drill pipe. Prepared to run casing. Ran 3103' 2-7/8", blue band, J-55 used casing. Baffle @ 3071'. Set @ 3107 K.B. Cemented w/ 225 sx Class B 2% D-79 and 50 sx Class H 2% gel. Displaced w/ 250 gal. acetic acid and 12 bbls sugar water. Circulated cement back to surface. Plug latched in @ 5:30 p.m. (JCA)
- 11-20-80 Rig up Blue Jet and Cementers Inc. Pressure tested casing to 3500 PSIG. Held okay. Ran Gamma Ray Correlation tool. Hit plug @ 450 ft. Worked through plugged spot. Hit second plugged spot @ 2530 ft. Pulled logging tool. Ran sinker bars and beat on plug. Moved it down to 2545 ft. Unable to move deeper. Rigged down. Shut in well. (SSD)
- 11-26-80 Rig up C & C Oilfield Services. Ran sinker bar to 2545 ft. Unable to go deeper. Released rig. (SSD)
- 12-02-80 Move in, rig up L & B Speed Drill. Pick up 1-1/4" EUE tubing w/ 2-1/4" tungsten-carbide fishtail drill bit. Drilled out tight spot @ 300 ft., 1650 ft., and 2100 ft. SDON. (SSD)
- 12-03-80 Tag plug at 79 joints in 2512' by tally. Drilled out rubber plug. Unable to drill deeper. Tripped out w/ tubing. Bit worn out, also heavy asphalt coated to last 10 joints. SDON. (SSD)
- 12-04-80 Trip in w/ new 2-1/4" bit, smaller bit sub, & one joint 1-1/4" IJ tubing followed by 1-1/4" EUE. Drilling bright green material, unidentified. SDON. (SSD)
- 12-05-80 Drilling cement to 2800 ft. SDON. (SSD)
- 12-06-80 Drilled cement and baffle, circulated hole clean. SDOWE. (SSD)
- 12-08-80 Rig up Cementers Inc. & Blue Jet. Swept hole w/ gelled water. Spotted 250 gal. 15% HCL on bottom. Trip out w/ 1-1/4" tbg. Ran Gamma Ray Correlation log from 3074 to 2800 ft., tight spot @ 450 ft. Had misrun on first perforating run. Perforated 2994-3006 w/ 2-1/8" glass jets w/ 2 PF on second run. Broke down perfs. Hung up on gun run. Pulled free. Left charges @ 2917 ft. Unable to push to bottom. (SSD)

Badland Flats #1 Daily Report Page 2

- 12-09-80 Picked 1-1/4" tubing and bit and ran in and pushed charges to bottom. Pulled tubing. Perforated 2986-92, 2976-84, with 2 2-1/8" glass jets per foot. (0.43" holes) (JGM)
- 12-10-80 Sand water fracked with 33000 gal. treated with bactericide, friction reducer and Claymaster III clay stabilizer and 35000# 10-20 sand at 25 BPM and 2000 psi. Dropped 2 sets of 16 balls each with 100 psi increase on first drop. ISDP 350 psi, bled to 300 psi in 10 minutes. (JGM)
- 01-06-81 Rig up B & H. Run depthometer to 3016 ft. Perfs clear. Drop soap and shut in. SDON. (JCA)
- 01-07-81 Stir up with sinker bar. Four runs. Kicked off. Making estimated 150 MCF/day, heavy spray water. No sand. Left open. Rig down. (JCA)
- 01-12-81 Shut in casing pressure 631 psig. (SSD)
- 01-14-81 7 day shut in pressure 635 psig. Flowed well 3 hrs. on 3/4" plate. Final rate 963 MCF/day. Shut in waiting on pipeline connection. (JGM)