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September 5, 2001

Mr. Frank Chavez
Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410

RE: Navajo Tribal N No. 8
NE/4, Section 17, T26N, R18W
San Juan County, NM



Gentlemen,

Please refer to your letter, dated June 21, 2001, concerning the subject well. In that letter you stated that the subject well had defective casing, and that Bayless is required to repair it. We believe that we will have a rig available in the next two to three weeks to work on this and other wells. However, we wish to defer this work for the reasons discussed below.

The MIT on the well recorded an increase in pressure. This indicates communication of gas from the Pennsylvanian reservoir below the packer into the casing above the packer. When the packer was set at 2056', there was no meaningful change in pressure. We were able to get a good packer setting at this level and the casing was apparently good from 2056' to the surface. We are currently able to produce this well at a 9 MCFD rate. This is economic for us since there are several wells in the field that bear the operating cost. However, it will not support the cost of a workover. This well has intermediate casing at 1510' that is cemented to surface, as well as surface casing at 94', also cemented to surface. Any fresh water zones that do occur in the area should be protected.

The alternatives here are either to plug the well or produce it. If the well is plugged 9 MCFD will be wasted. If the well is producing against a 90 PSI surface pressure, the gas should preferentially flow to the surface, rather than into a virgin pressured water zone.

We request that you reconsider your request that the well be repaired. Please call me if you wish to discuss this matter.

Sincerely,

Tom McCarthy
Petroleum Engineer