

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED
BLM

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals.

5. Lease Designation and Serial No.

1. NM 33017

6. Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

West Draw #1

9. API Well No.

30-045-23766

10. Field and Pool, or Exploratory Area

Farmington

11. County or Parish, State

San Juan, NM

SUBMIT IN TRIPLICATE

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

Robert L. Bayless

3. Address and Telephone No.

P.O. Box 168, Farmington, NM 87499

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

800' FSL & 800' FEL
Section 18, T27N, R12W

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

TYPE OF SUBMISSION

- ☐ Notice of Intent
☐ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

- ☐ Abandonment
☐ Recompletion
☐ Plugging Back
☐ Casing Repair
☐ Altering Casing
☒ Other Status Report

- ☐ Change of Plans
☐ New Construction
☐ Non-Routine Fracturing
☐ Water Shut-Off
☐ Conversion to Injection
☐ Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Please refer to your letter dated March 25, 1994.

Permission is requested for continued long term shut in status. There is no pipeline to this vicinity and to our knowledge there are no pipeline companies anticipating such installation. Considering current market conditions, it is highly unlikely to be considered an economic venture. We, therefore, anticipate shut in status to continue indefinitely. We request the casing integrity test be waived on this well due to the fact cement was circulated to surface on the longstring cementing of this well. This means there is cement coverage top to bottom on this well. This well is still capable of producing in paying quantities. There have been no gas sales on the well since its completion.

THIS APPROVAL EXPIRES JUL 01 1995

14. I hereby certify that the foregoing is true and correct

Signed

Robert L. Bayless

Title

Petroleum Engineer

Date

4/18/94

(This space for Federal or State office use)

Approved by

Title

Conditions of approval, if any:

APPROVED

JUL 01 1994

Title 18 U.S.C. Section 1001, makes 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.

*See Instruction on Reverse Side

AMOOD

ROBERT L. BAYLESS

P. O. BOX 168
FARMINGTON, NM 87499

FAX NO
(505) 326-6911

RECEIVED
JUN 29 1994
2

OFFICE NO
(505) 326-2659
GEO. FARMINGTON, NM

June 29, 1994

Bureau of Land Management
Farmington District Office
1235 La Plata Highway
Farmington, NM 87401

Attn: Mr. Ken Townsend
Chief, Branch of Drilling and Production

RE: Long Term Shut In
Robert L. Bayless
Blackhills #1 790 FSL & 790 FWL, Sec 25, T26N R13W
West Draw #1 800 FSL & 800 FEL, Sec 18, T27N R12W
San Juan County, New Mexico

Dear Ken:

Please reference your letter to Robert L. Bayless dated June 17, 1994 concerning the long term shut in status of the above referenced wells. In your letter you stated "our maps indicate that there are pipelines within 1/4 to 3/4 of a mile from the wells". You also requested Bayless provide an economic analysis on each well as to when they would be profitable to connect, and provide an explanation of why the existing lines were not suitable.

Enclosed with this letter are copies of El Paso Natural Gas Company's maps of their gathering system in the vicinity of these two wells. To our knowledge, there are no other pipeline companies with gathering lines in this area. You will note that the closest pipeline connection to the West Draw #1 well is approximately 3540 feet away. The closest pipeline connection to the Blackhills #1 well is approximately 2780 feet away. The pipeline to the south of the Blackhills #1 well is abandoned in place. The gathering lines near these two wells gather gas from Dakota formation wells in the vicinity. This means the shallow Farmington formation gas from these wells would need to be compressed to sell into this system.

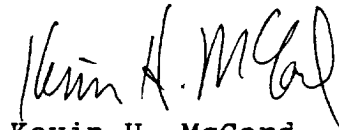
A good approximate cost to construct low pressure 2" gathering lines (aluminum) is \$5.50 per foot of pipeline. Using this value, the approximate cost to lay a pipeline to the West Draw #1 well would be \$19,500, while the Blackhills #1 would be \$15,300. On top of this cost, a compressor rental charge of approximately \$1600 per month would need to be considered to enable gas to enter the high pressure Dakota gathering system. The low production rates expected from these wells would not justify these expenditures.

However, the reason Bayless holds on to these types of wells is evidenced by the current activity in this area. Many Fruitland Coal wells have been drilled in the vicinity of these two wells. To sell the gas from these new wells, operators must lay new gathering lines that may possibly provide new opportunities for marginal wells like the Blackhills #1 and the West Draw #1.

Bayless recently entered into an agreement with Texakoma Oil & Gas Corporation where Texakoma will drill a Fruitland Coal formation test very close to the Blackhills #1 well location. If this new well is successful, Bayless has the right to hook the Blackhills #1 well into the compressed gathering line Texakoma will construct to sell gas from their well. The economics for this type of project are very good. The West Draw #1 has similar potential for future economic gain. It is extremely possible that new well developments in the vicinity of the West Draw #1 will enable this well to be hooked up also.

The Blackhills #1 well situation is a good example of why long term shut in of wells can make good operational sense. Bayless and the Federal Government may receive economic benefit from a well that has been uneconomic for a long period of time. For these reasons, Bayless once again requests the Blackhills #1 and the West Draw #1 wells be approved for long term shut in until economic conditions exist to produce these wells.

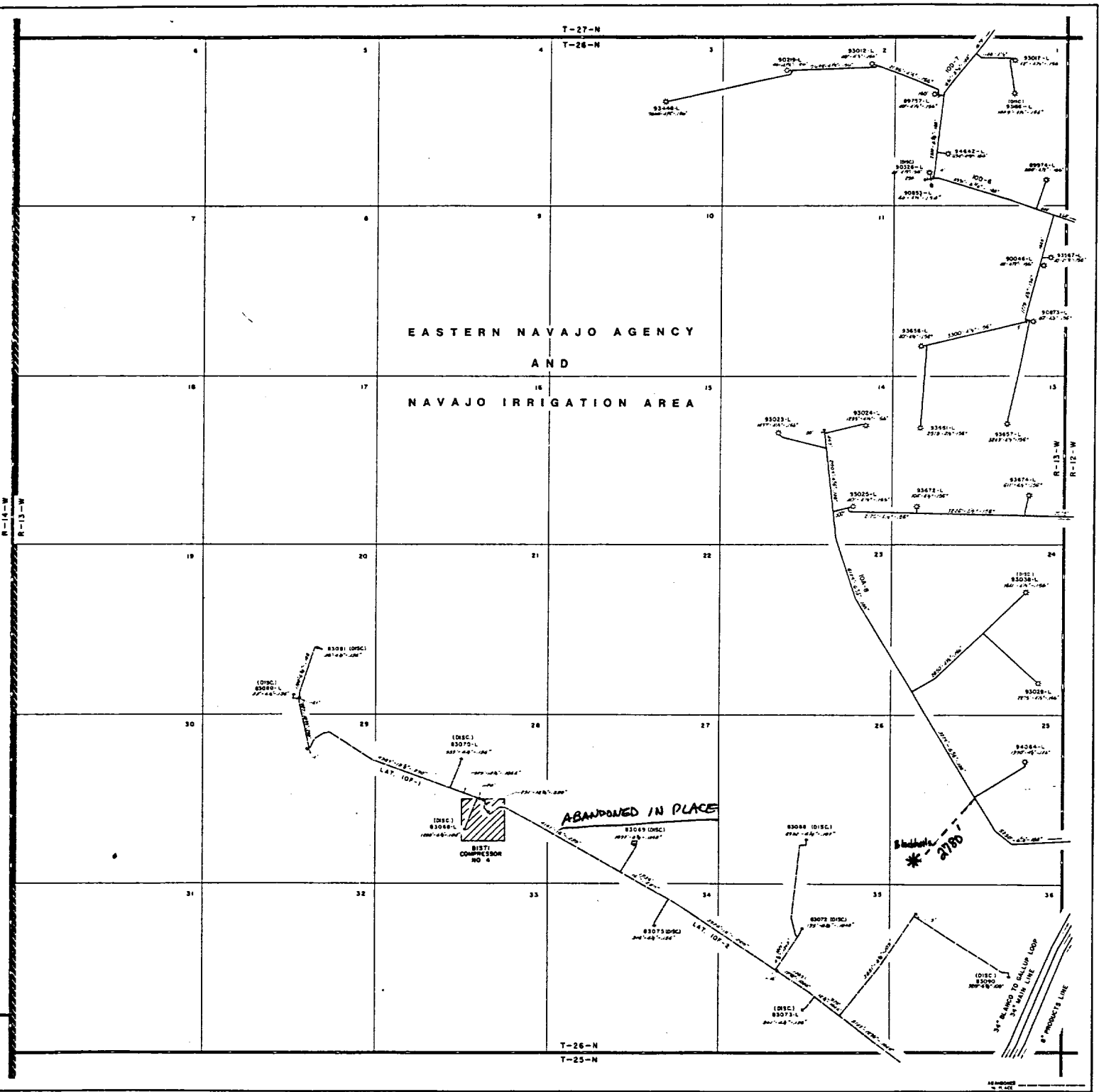
Sincerely,

A handwritten signature in black ink, appearing to read "Kevin H. McCord". The signature is fluid and cursive, with the first name "Kevin" and last name "McCord" clearly distinguishable.

Kevin H. McCord
Petroleum Engineer

VICINITY OF BLACKHILLS #1

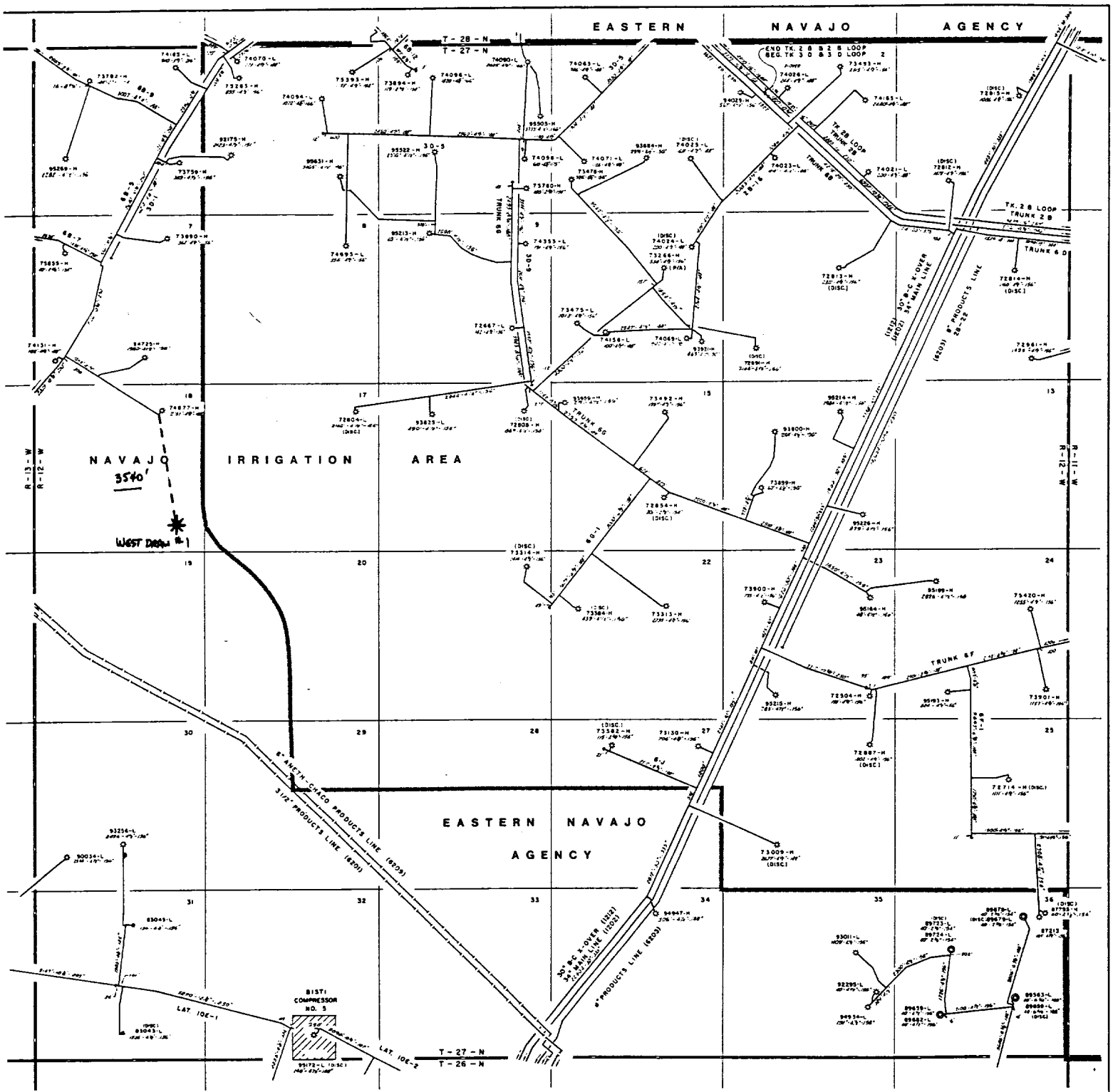
T26NR13W



T-26-N, R-13-W N. MEX.

REV. TO 7.92

T27N R 12W



T-27-N , R-12-W N. MEX.

24 10-2-92