

ROBERT L. BAYLESS, PRODUCER LLC

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January 21, 2000

SENT BY FAX TRANSMISSION: (505) 827-1389

Mr. David Catanach
New Mexico Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

RE: Application for Downhole Commingling
Robert L. Bayless Producer, LLC
Krause #1
1190' FNL and 1450' FWL
Section 2, T26N R11W
San Juan County, New Mexico

Gentlemen:

Robert L. Bayless, Producer LLC submitted the above referenced Application for Downhole Commingling for our Krause #1 well on January 12, 2000. Since that time, Bayless has further researched items #5 (dealing with bottomhole pressure) and #11 (dealing with cross-flow) of the application. Bayless has located original bottomhole pressure data for the Pictured Cliffs formation from the Benson-Montin-Greer Winger State #1 well, located in the NE ¼ of Section 2, T26N R11W. The records from this well indicate an initial pressure of 450 psi for the Pictured Cliffs interval from 1920 to 2007 feet in this wellbore. Bayless has also located original bottomhole pressure data for the Fruitland Coal formation from the Burlington Douthit Federal #352 well, located in the SW ¼ of Section 35, T27N R11W. The records from this well indicate an initial pressure of 438 psi for the Fruitland Coal interval from 1734 to 1874 feet in this wellbore. These wells are the closest Pictured Cliffs and Fruitland Coal wells to the Bayless Krause #1 well.

In Bayless' application, current and original bottomhole pressures were estimated to be 450 psi for the Pictured Cliffs formation and 325 psi for the Fruitland Coal formation for the Krause #1 well. These estimates were made using pressure averages from information reported on offset wells on in house PI cards. The data shown from the closest offset wells was not available using this source and was not used in these averages.

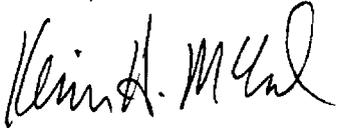
Correction of the closest offset well pressure data to a common datum of 1806 ft (average Fruitland Coal perforation depth in the Krause #1 well) yields a Pictured Cliffs bottomhole pressure of 448 psi and a Fruitland Coal bottomhole pressure of 437 psi. This difference of 11 psi is not significant considering these pressures came from different wells. The original bottomhole pressure from the Pictured Cliffs formation and the Fruitland Coal formation should be considered to be identical in this area.

The current and original bottomhole pressure for both the Pictured Cliffs formation and the Fruitland Coal formation is estimated to be 443 psi in the Krause #1 well. This value represents

the average of the pressures shown above. Because the bottomhole pressure from these formations is identical, no cross-flow is expected to occur with the downhole commingling of these two formations in the Krause #1 wellbore.

Bayless requests that the data presented with this letter be appropriately substituted for information submitted with our original application. Please call with any questions you may have concerning this matter.

Sincerely,



Kevin H. McCord
Petroleum Engineer