YATES DRILLING COMPANY

FACSIMILE TRANSMITTAL SHEET

To:	From:
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FAX NUMBER:	**Date:**
+1 (505) 748-9720	March 16, 2005
COMPANY:	**TOTAL NO. OF PAGES INCLUDING COVER:**
NMOCD - Artesia	2
PHONE NUMBER:	**SENDER'S REFERENCE NUMBER:**
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Re:	**API Number**
Spurck 16 State #4 660' FNL & 330' FWL Sec 16-17S-28E Eddy County, NM	30-015-33702

☐ URGENT ☐ FOR REVIEW ☐ PLEASE COMMENT ☐ PLEASE REPLY ☐ PLEASE RECYCLE

Bryan,

Per our discussion on the telephone this morning, I am faxing you this brief summary of events on the subject well.

This well was recently drilled by Yates Drilling Company. The spud date is 01-21-05. Conductor pipe (14") was set at 40' and cemented in place with 4 cubic yards of ready mix cement. Surface casing (8 5/8", 24#, J55) was set at 490' in a 12 ¼" hole and cemented with 350 sacks of cement. Approximately 117 sacks circulated to the surface. A 7 7/8" hole was drilled to a TD of 4050'. Production casing (5 ½", 15.5 #, J55) was run to 4047' and cemented in place with 980 sacks of cement. Approximately 10 sacks were circulated to the surface. A cement bond log was recorded. The bond log indicated that the cement behind the production casing had fallen back to 400 or 500 feet, with some stringers above. The upper part of the hole (below 500') appeared to have very good bond.

The well was perforated with 29 holes between 3378' and 3600'. We then went in with a packer and broke perforations down individually with 2.5 bbls of 15% HCL acid pumped into each perforation. After breaking down 11 perforations it was noticed that there was fluid slowly seeping into the cellar. Further operations were ceased. Greg Boans called and talked to Brian at the OCD and informed him of the situation.

We then tested the 8 5/8" by 5 ½" annulus by pressuring up with fresh water to 500 psi. The pressure leaked off to 250 psi in 15 minutes. We set the packer above the perforations and pressured up on the 5 ½" by 2 3/8" annulus to 1000 psi. The pressure held. Approximately 240 barrels of fresh water was pumped down the tubing and out of the perforations at a rate of 3 BPM and 1400 psi. There was no indication that the well was communicating back to the surface. We then pumped in a tracer material and pulled tracer logs to look for the tracer above the perforations. There was no indication form the tracer logs that the well was communicating upward. We then pumped another 100 bbls of fresh water into the perfs with no evidence of upward communication.

We then broke down the remaining perforations with 15% HCL acid. Approximately 2.5 barrels were pumped into each perforation. Again, fluid which appeared to be spent acid began to seep into the cellar. We swabbed the well down and hung the well on a pumping unit to see what type of fluid entry we had. The well will produce approximately 5 BOPD and 25 BWOPD.

What I propose to do is perforate the 5 ½" casing just below the 8 5/8" shoe (approximately @ 500') and pump fresh water until we see it at the surface and then switch to a thin slurry of cement and pump a couple hundred sacks of cement or until we see cement returning to the surface.

Please call with any question you may have. I will be glad to come over to you office to discuss this well at your convenience.

Toby Rhodes

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