

Miller Service 410/
Farmington, New Mexico 87401

AUG 18 1986

Arco Oil and Gas Company
Attn: Mr. Mike Smith
P.O. Box 1010
Midland, TX 79701

Gentlemen:

Reference is made to your well 13-23-1 WCCO Mill, located 1410' F&L and 340' F&L sec. 20, T. 12 N., R. 3 E., Rio Arriba County, New Mexico. A meeting was held with Mike Smith of your office on August 6, 1986, regarding the setting and cementing of the 5 1/2" production casing. The evidence provided by Mr. Smith was a temperature survey which indicated a top of cement at approximately 3040', and a written statement with engineering data by Mr. Clay Perry of the Eastern Company which supported the indicated top of cement.

The Gjo Alamo Formation present from 3370'-3412', however, was still not covered by cement but essentially isolated from the hydrocarbon bearing zones below. Mr. Smith felt that any remedial repair requiring perforating and squeezing would damage casing integrity and thus possibly lead to early abandonment.

Based on the information provided the following conditions were developed:

1. Monitor 5 1/2" x 5 1/2" casing annulus for pressure variations and supply this office with sequential bradshaw tests.
2. Upon abandonment of the well, place a cement plug both inside and outside the 5 1/2" casing string from 3412'-3442'.

Should you have any questions regarding the above, contact Jim Lovato at (505) 220-4574.

Sincerely,

[Signature]
For the following
Area Manager

RECEIVED
AUG 20 1986
OIL & GAS DIV.
DIST. 3

cc:
WNOGD (2)

3901 81 00A

DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir.
 Use "APPLICATION FOR PERMIT" for such proposals.)

RECEIVED

OIL WELL ☒ GAS WELL ☐ OTHER ☐

2. NAME OF OPERATOR

ARCO Oil and Gas Company

3. ADDRESS OF OPERATOR

P.O. Box 1610, Midland, Texas 79702

BUREAU OF LAND MANAGEMENT
 FARMINGTON RESOURCE AREA

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*

See also space 17 below
 At surface

1810' FNL & 345' FWL

14. PERMIT NO

15. ELEVATIONS (Show whether DF, RT, GR, etc.)

7310 GR

NM-04075

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME

ARCO Hill

9. WELL NO.

23-1

10. FIELD AND POOL OR WILDCAT

W. Lindrith-Gallup/Dakota

11. SEC., T., R., N., OR BLK. AND SURVEY OR AREA

23-25N-3W

12. COUNTY OR PARISH

Rio Arriba

13. STATE

NM

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

TEST WATER SHUT-OFF ☐

FRACTURE TREAT ☐

SHOOT OR ACIDIZE ☐

REPAIR WELL ☐

(Other) ☐

PULL OR ALTER CASING ☒

MULTIPLE COMPLETE ☐

ABANDON* ☐

CHANGE PLANS ☐

SUBSEQUENT REPORT OF:

WATER SHUT-OFF ☐

FRACTURE TREATMENT ☐

SHOOTING OR ACIDIZING ☐

(Other) ☐

REPAIRING WELL ☐

ALTERING CASING ☐

ABANDONMENT* ☐

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

17. 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.)*

Propose to alter csq program from:

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4	9 5/8	36	500	± 320 CF, Cmt to surface
8 3/4	5 1/2	17	8245	± 2220 CF, Cmt to 200'

above Ojo.

To:

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
Same	8 5/8	24	771	Same
7 7/8	Same	Same	Same	Same

Also please find attached, fully executed Surface Use Agreement with landowner Marjorie A. Mosler.

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

915 688-5672

SIGNED

Ken W. Sosnell

TITLE

Engr. Tech. Spec.

(This space for Federal or State office use)

APPROVED BY

TITLE

DATE FEB 23 1987

CONDITIONS OF APPROVAL, IF ANY:

FARMINGTON RESOURCE AREA

BY

*See Instructions on Reverse Side

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.

SURFACE USE AGREEMENT

For and in consideration of the payments and covenants provided for herein, Majorie A. Mosler, ("Grantor") and Atlantic Richfield Company ("Grantee") enter into this Surface Use Agreement ("Agreement") as of the first day of May, 1986.

WHEREAS, Grantor and Grantee desire to execute an agreement providing for the use of the surface by Grantee on certain of Grantor's properties for the specific purposes herein listed, and subject to the limitations herein contained:

NOW, THEREFORE, Grantor and Grantee agree as follows:

1. GRANTING CLAUSE AND TERM.

Grantee desires to drill and operate an oil and gas well on its Lease 079449 to be located 1810 feet from the North line and 345 feet from the West line, Section 23, Township 25 North, Range 3 West, N.M.P.M., Rio Arriba County, New Mexico. Grantee desires to reach an agreement with Grantor for said wellsite and for the right of way to and use of a private road crossing lands of the Grantor, approximately 532 rods in length, more or less, to be built from Grantor's existing road. This right of way includes all existing roads in the north half (N/2) of Section 23, Township 25 North, range 3 West, N.M.P.O., with the exception of the service road to the ENG PC well in the Section's Northwest quarter (NW/4 section 23).

2. This agreement shall continue for as long as Grantee, its successors and assigns, are producing minerals from the above well are engaged in activities reasonably required by Grantee for exploration, development, drilling, transportation, extraction and removal of the minerals from said well.

3. CONSIDERATION. Grantee agrees to pay the following sums and tender the following considerations:

a. Road Access. Prior to Grantee's preparation of the initial wellsite, but after roads have been established, Grantee shall pay Grantor the sum of Five Dollars (\$5.00) per rod for damages resulting from access roads, whether existing or new. Thereafter, Grantee shall pay Grantor the sum of Three Dollars (\$3.00) per rod per year for all roads used by Grantor's property, whether new or existing. Such sum shall be payable annually on the anniversary date of this Agreement. In the event that Atlantic Richfield Company chooses not to continue its use of any access road, all rentals for unused access will be discontinued.

b. Wellsite Payment. Grantee agrees to pay the sum of Four Thousand Dollars (\$4,000.00) per wellsite as location damages prior to preparation of the wellsite pad for the drilling operation. Said payment is for the full loss of use and damage to the land, pasture, and trees located within the designated wellsite only.

c. Limitation. Except as herein specifically provided, it is understood by both parties that the consideration set forth herein does not include compensation for damages or injury directly or proximately caused by Grantee's operations on the surface estate to Grantor's personal or real property or to Grantor, his family, employees, agents or invitees. Surface casing is to be set at sufficient depth to protect fresh water zones.

4. USE OF LANDS.

a. Plan of Operations. A true copy of Grantee's Application for Permit to Drill shall be furnished to Grantor prior to BLM approval. Grantor shall have thirty (30) days in which to review said document.

b. Roads and Surface Disturbance. New access roads shall be constructed with necessary ditching, drainage, culverts, and cattleguards. Grantee shall install 24 inch culverts and cattleguards at locations agreed to by Grantee and Grantor as needed on the access road. Grantor will give thirty (30) days written notice if additional cattleguards are needed on Grants property. Said cattleguards shall meet the specifications attached hereto.

for her agent mam

and her agent mam

Existing access roads shall be upgraded with necessary ditching, drainage, culverts, and cattleguards in order to accommodate heavy oil field vehicles and equipment. Grantee agrees to perform reasonably regular maintenance on all roads used by Grantee whether existing or new. Said roads shall be kept free of snow accumulations, ruts, mud holes, cave-ins, or other conditions rendering the road impassable by ranch vehicles.

c. Trees. If is necessary to remove or clear trees from the wellsite, site of new access road, or any other roads; all pinion, two inches or larger in diameter, will be cut into lengths not longer than twenty-two inches, and cedar of any size will be cut into lengths to be specified by Grantor and all wood will be hauled and piled at the location at the Lesson Ranch Headquarters specified by Grantor. All stumps and slash are to be buried.

d. Fences, Gates and Cattleguards, etc. Grantee shall preserve so far as practical the integrity of the surface estate by maintaining gates and cattleguards, which shall be equipped with swinging bars, and by fencing work areas and pits for protection of livestock. All pits and equipment will be fenced as soon as reasonably practicable with hog wire in a manner adequate to prevent stock from having access to the pits, and said fences shall be maintained during Grantee's entire operation. Said pits shall be filled, leveled and reseeded within one (1) year of the completion of the well as a producer or as a dry hole.

All of Grantee's vehicular traffic shall be confined to the ingress and egress roads and wellsite locations.

The wellsite and access roads shall be kept free of all trash, debris, and waste materials or supplies.

Grantee shall not permit firearms to be carried on the Grantor's property by Grantee's employees or contractors. The carrying of firearms on to the property shall constitute a trespass and Grantor has the right to ask the person(s) so trespassing to leave the premises. Should Grantee or its subcontractors be found and proven to have been hunting on Grantor's property, Grantor shall assess Grantee one thousand dollars (\$1,000.00) for hunting on said property.

e. Reclamation. Grantee agrees that all disturbed lands, including well pads, and new access roads, once their use is no longer necessary, will be revegetated and recontoured. Grantee agrees to restore all lands damaged during operations including burrow ditches, grasslands, and areas around pads to their former condition as near as practicable and as is reasonable to terrain and climate by revegetation of the areas. If necessary, revegetation shall be repeated a second time. Said reclamation efforts shall be commenced in a timely manner as weather conditions permit and shall be completed within one (1) year from abandonment.

5. ADDITIONAL PROVISIONS.

a. Cooperation. Grantor agrees that she will cooperate with Grantee in satisfying necessary permitting requirements. This Agreement shall be deemed to satisfy local, state and federal statutory and regulatory surface owner consent provisions, subject to the terms hereof.

b. Indemnity. Grantee agrees to indemnify and hold Grantor harmless against any loss, liability, expense, or damage incurred by third persons or corporations for injury to or death of persons or damage to real or personal property arising out of or resulting from Grantee's actions on the surface estate, including violation of law, order, rule or regulation. It is understood and agreed by the parties that future damages not specifically addressed herein shall be discussed and mutually negotiated by the parties, provided that such damages and claims arise directly from the operations conducted by the Grantee or its subcontractors.

c. Opportunity to Correct. Grantor shall give Grantee phone notice followed by written notice and a reasonable opportunity to correct any occurrence which Grantor believes to be a deficiency in Grantee's performance hereunder. In some cases of emergency, immediate action will be necessary. Refusal of Grantee to agree to arbitration, which causes Grantor to resort to legal action, should constitute liability on the part of the Grantee to pay all legal costs, if Grantee is found to be in the wrong.

or her agent, *man*

d. Assignment. The terms, provisions and conditions of this Agreement shall run with the Lease and Surface Estate and shall inure to the benefit of and be binding upon the heirs, successors and assigns of each party.

e. Speed Limits. Operator and its assigns shall be subject to a maximum speed limit of 25 miles per hour on all roads subject to this Agreement and a maximum speed limit of 5 miles per hour in proximity to the Lesson Ranch Headquarters, and Grantor's future home during and after construction.

f. Agreement. This Agreement if executed by both parties, shall supersede any previous Agreement for Surface Use.

g. Noise. Grantee will install Carson type "A" Model "12" or equivalent noise suppression equipment on wells when necessary to reduce noise in the proximity of the Grantors future home.

EXECUTED THIS 28 day of May, 1986.

GRANTORS

GRANTEE

ATLANTIC RICHFIELD COMPANY

Mrs Marjorie A Mosler
551-38-9144
Social Security Number

By: *J. K. Kuehler* *emp-2*
Attorney-In-Fact

May 28, 1986

I Marjorie A Mosler as "Grantor" designate and assign C. Ray Leeson of Lindrith, New Mexico as my agent for all issues arising out of and pertaining to ARCO's (grantees) operations on my property & leased lands in Sections 23 + 14, Township 25 North, Range 3 West, N.M.P.P.

Mrs Marjorie A Mosler

Exhibit "B"

