

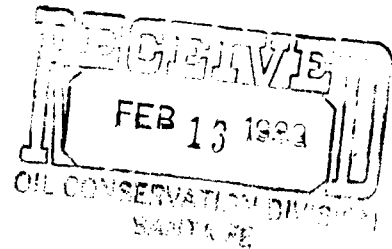
*Catanach - Your portion of this
filing.*

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING
P. O. BOX 168
FARMINGTON, NEW MEXICO 87499
(505) 326-2659

February 10, 1989

Mr. William J. LeMay
NM Oil Conservation Division
310 Old Santa Fe Trail, Room 206
Santa Fe, New Mexico 87503



RE: Inez #1
790' FNL & 1850' FEL
Section 33, T26N, R12W
San Juan County, NM

Dear Mr. LeMay:

We hereby request approval of an unorthodox proration unit and downhole commingling of the Fruitland Coal and Pictured Cliffs formations in the above-referenced well. This request is necessitated by Order No. R-8768 regarding the Basin Fruitland Coal Gas Pool.

The Inez #1 is currently completed in the Pictured Cliffs formation, perforated from 1102-1109 ft. There are 160 acres dedicated to this well as per the WAW Fruitland/Pictured Cliffs pool rules. We would like to re-perforate this well from 1092-1100 ft. in the Fruitland Coal formation, and fracture stimulate the well if necessary to enhance production. With Order No. R-8768 now in effect, it is our understanding that a 320 acre proration unit is required to complete the Fruitland Coal in this well. In lieu of this, we request an unorthodox proration unit of 160 acres for the Basin Fruitland Coal pool in this well. A proposed C-102, an offset lease ownership plat, and proof of notification to all offset operators of the Inez #1 are provided with this letter for your review.

The Inez #1 is an offset well in close proximity to the Ruby #1 well (see plat), also operated by Robert L. Bayless. Similar work was performed in the Ruby #1 well as is proposed in the Inez #1.

The Inez #1 meets the conditions of downhole commingling rule 303 (C)(1)(b) as follows:

- (1) The downhole commingling of the Fruitland Coal and Pictured Cliffs formations in this well is necessary to produce the Pictured Cliffs zone that otherwise would not be economically producible. The Inez #1 is currently perforated in the Pictured Cliffs interval which is capable of making approximately 1 MCFGPD, which is uneconomical. If the Fruitland Coal interval is perforated and commingled with the Pictured Cliffs, the well should be capable of producing approximately 15-30 MCFGPD. This well could possibly produce even greater volumes of natural gas if fracture stimulated. We would propose to allocate production to each of these zones by testing the well both before and after it is perforated, and allocate proportionately based on these production tests.

Mr. William LeMay
February 10, 1989
Page 2

- (2) There should not be any crossflow between the commingled zones. The Ruby #1 offset well had a surface shut-in pressure of 50 psi with only the Pictured Cliffs zone open. After the Fruitland Coal was perforated, the shut-in pressure recorded was 75 psi. The downhole pressures were similar for these zones with no crossflow occurring in the Ruby #1. The Inez #1 should have very similar results.
- (3) The Pictured Cliffs zone in this area is not a fluid-sensitive sand. A cement bond log was run on this well and indicated good cement bond from TD to surface. All non-producing formations encountered in this well are isolated from the wellbore by cement. It should be noted that this well should make very little water (less than 1 BWPD) from both the Fruitland Coal and the Pictured Cliffs formations. This small amount of water should not hurt any producing formation.
- (4) The fluids from each zone in this well are compatible with each other. As stated in (3), the volume of water that should be produced by this well is too small to cause any damage to either formation. In this area, there is little difference between Fruitland Coal gas and Pictured Cliffs gas. Therefore, gases should not cause damage to either formation. The information indicating the similarity of Fruitland Coal gas and Pictured Cliffs formation gas was presented as testimony in NMOCD Case No. 9420, the basis for Order No. R-8768.
- (5) The Inez #1 has common working interest, royalty interest, and overriding royalty interest in both the Fruitland Coal and the Pictured Cliffs formations, for the existing 160 acre proration unit.
- (6) As stated in (2) above, the bottom-hole pressures in the Fruitland Coal and Pictured Cliffs formations in the Ruby #1 offset well are very similar. The bottom-hole pressure of the lower pressure zone (Pictured Cliffs - approximately 50 psi) is not less than 50 percent of the bottom-hole pressure of the higher pressure zone (Fruitland Coal - approximately 75 psi). This should be a common occurrence in this area and the same for the Inez #1.

As stated above we have attached to this letter an offset lease ownership plat as well as copies of letters of notification of this application to all offset operators of the Inez #1 well. A copy of this application is also being sent to the BLM to inform them of our plans to commingle production from the Fruitland Coal and Pictured Cliffs formations in this well.

The rule changes brought about by Division Order No. R-8768 changed the Fruitland Coal proration unit to 320 acres, but the existing Pictured Cliffs proration unit is only 160 acres. Please note from the enclosed plat that this well is offset in every direction by wells drilled and completed on 160 acre spacing. To change the spacing to 320 acres for the Fruitland Coal zone in this well would be inappropriate.

Mr. William LeMay
February 10, 1989
Page 3

We trust you have sufficient information to process and approve this application. Your prompt attention to this matter would be appreciated.

Sincerely,

A handwritten signature in dark 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

KHM/lmo

Enclosures

cc: BLM - Farmington

GALLEGO S

State

SF 080384

NM 33015

N00-C-3625

NM0560222

NM12027

NM12028

US

NM12028

N00-C-3626

T26N R12W

NM0560223

NM0558240

N00-C-5339

NM622

NM 55113

TEXACO
29

DUGAN

ALEXANDER
ENERGY

DUGAN

McHUGH

DUGAN

N00-C-8376

N00-C-5340

NM0558240

ALEXANDER
ENERGY

SRM-1299
NM0557296A

SRM-1531 PC

OPEN

CELSIUS
ENERGY

N00-C-8377

NM 26354

NM0557296-A

N00-C

US

SCR-139 PC

CHEVRON

DUGAN

BAYLESS
INEZ

BAYLESS
RUBY

N00-C-7469

N00-C-7470

HIXON

CHEVRON

DUGAN

DUGAN

NM61

NM61

State

N00C 7464

NM0557296-A

NM61

NM61

N00-C-8455

P-R-O
MANAGEMENT

HIXON

DUGAN

SF 078056

603-1448

N00-C-5369

NM 25444

HIXON

603-1292

603-323

603-321

603-1424

603-1423

NM25443

State

AL BISTI LOWER GALLUP

UNIT

SF 078056

NM036254A

603-1449

T25N R12W

603-324

603-325

603-326

603-1228

70322A

NM070322

SF 078067

Submit to Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-182
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

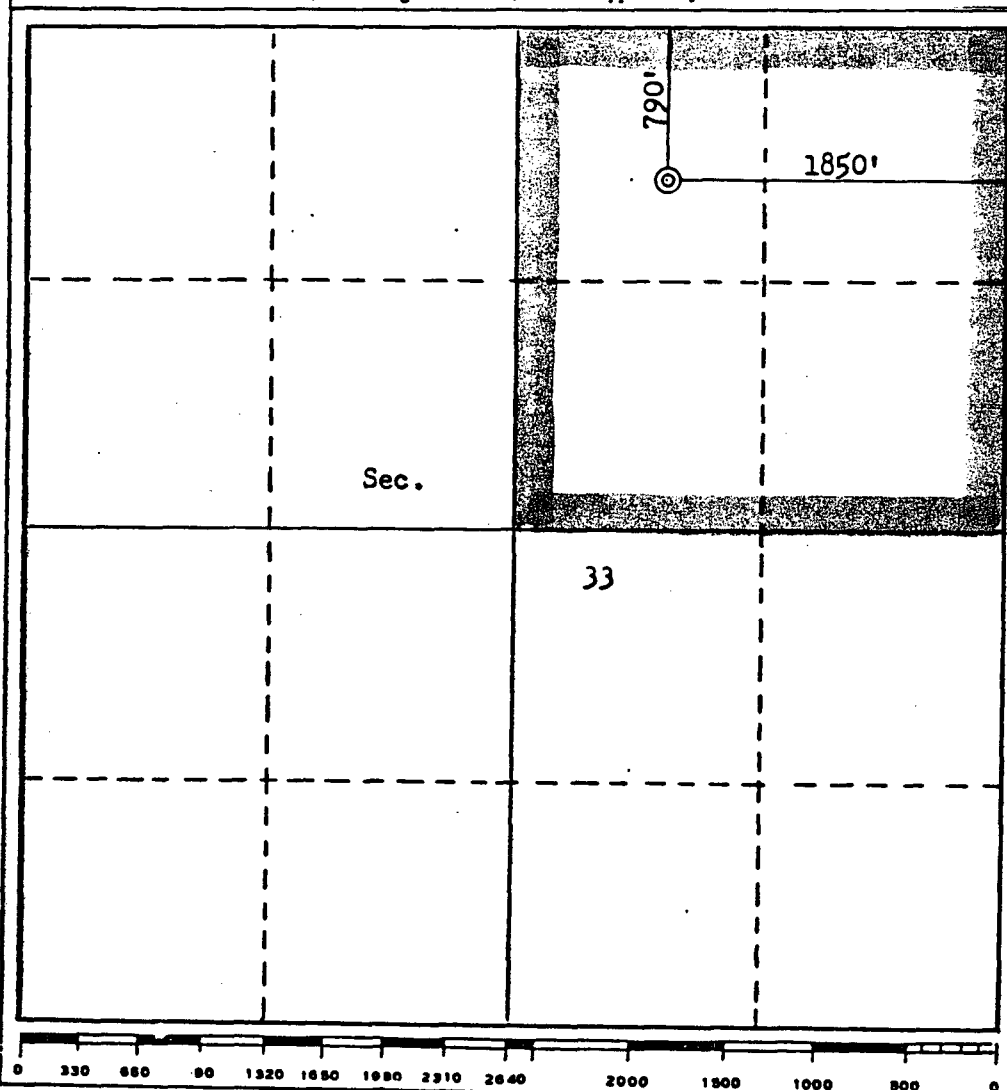
DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator Robert L. Bayless			Lease Inez		Well No. 1
Unit Letter B	Section 33	Township 26N	Range 12W	County NMPM San Juan	
Actual Footage Location of Well: 790 feet from the North line and 1850 feet from the East line					
Ground level Elev. 6126	Producing Formation Fruitland Coal		Pool Basin Fruitland Coal		Dedicated Acreage: 160 Acres
<p>1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.</p> <p>2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).</p> <p>3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.? <input type="checkbox"/> Yes <input type="checkbox"/> No If answer is "yes" type of consolidation _____ If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____ No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.</p>					



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name
Kevin H. McCord
Position
Petroleum Engineer
Company
Robert L. Bayless
Date
2/10/89

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
June 5, 1979
Registered Professional Engineer
and/or Land Surveyor
Fred E. Kehr Jr.

Certificate No.
3950

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING
P. O. BOX 168
FARMINGTON, NEW MEXICO 87499
(505) 326-2659

February 10, 1989

Alexander Energy
501 NW Expressway, Suite 600
Oklahoma City, Oklahoma 73118

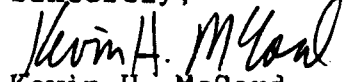
RE: Administrative Approval of an
Unorthodox Proration Unit and
Downhole Commingling of the
Fruitland Coal and Pictured Cliffs
Formations
Inez #1
790' FNL & 1850' FEL
Section 33, T26N, R12W
San Juan County, NM

Gentlemen:

Robert L. Bayless has applied to the New Mexico Oil Conservation Division for administrative approval of an unorthodox proration unit and downhole commingling of the Fruitland Coal and Pictured Cliffs formations in the Inez #1 well located in the NE/4 of Section 33, T26N, R12W, San Juan County, New Mexico. A copy of this application has been enclosed for your information.

Bayless has determined that you are an operator of offset acreage that could possibly be affected by the granting of this application by the NMOCD. We request your support and approval of this application. Please indicate this by signing and dating this letter and mailing one copy to NMOCD and one copy to our office in the envelopes provided. The original may be retained for your files.

Sincerely,


Kevin H. McCord
Petroleum Engineer

Enclosures

The undersigned has no
objection to the above
application.

ALEXANDER ENERGY

By: _____

Date: _____

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING
P. O. BOX 168
FARMINGTON, NEW MEXICO 87499
(505) 326-2659

February 10, 1989

Celsius Energy Company
P.O. Box 11070
Salt Lake City, Utah 84147

RE: Administrative Approval of an
Unorthodox Proration Unit and
Downhole Commingling of the
Fruitland Coal and Pictured Cliffs
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Sincerely,

Kevin H. McCord
Kevin H. McCord
Petroleum Engineer

Enclosures

The undersigned has no
objection to the above
application.

CELSIUS ENERGY COMPANY

By: _____

Date: _____

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING
P. O. BOX 168
FARMINGTON, NEW MEXICO 87499
(505) 326-2659

February 10, 1989

Chevron U.S.A. Inc.
60001 Bollinger Canyon Rd.
San Ramon, California 94583

RE: Administrative Approval of an
Unorthodox Proration Unit and
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Sincerely,

Kevin H. McCord
Kevin H. McCord
Petroleum Engineer

Enclosures

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CHEVRON U.S.A. INC.

By: _____

Date: _____

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING
P. O. BOX 168
FARMINGTON, NEW MEXICO 87499
(505) 326-2659

February 10, 1989

Dugan Production Corporation
P.O. Box 5820
Farmington, New Mexico 87499

RE: Administrative Approval of an
Unorthodox Proration Unit and
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Kevin H. McCord
Kevin H. McCord
Petroleum Engineer

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DUGAN PRODUCTION CORPORATION

By: _____

Date: _____

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING
P. O. BOX 168
FARMINGTON, NEW MEXICO 87499
(505) 326-2659

February 10, 1989

Hixon Development Co.
P.O. Box 2810
Farmington, New Mexico 87499

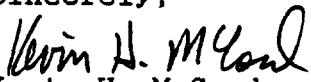
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Kevin H. McCord
Petroleum Engineer

Enclosures

The undersigned has no
objection to the above
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HIXON DEVELOPMENT COMPANY

By: _____

Date: _____

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING
P. O. BOX 168
FARMINGTON, NEW MEXICO 87499
(505) 326-2659

February 10, 1989

Jerome McHugh
650 S. Cherry St., Suite 1225
Denver, Colorado 80222

RE: Administrative Approval of an
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Downhole Commingling of the
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Kevin H. McCord
Petroleum Engineer

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By: _____

Date: _____

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING
P. O. BOX 168
FARMINGTON, NEW MEXICO 87499
(505) 326-2659

February 10, 1989

P-R-O Management
Glen Lakes Tower 1313
Box 158
Dallas, Texas 75231

RE: Administrative Approval of an
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Kevin H. McCord
Kevin H. McCord
Petroleum Engineer

Enclosures

The undersigned has no
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P-R-O Management

By: _____

Date: _____

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING
P. O. BOX 168
FARMINGTON, NEW MEXICO 87499
(505) 326-2659

February 10, 1989

Texaco
P.O. Box EE
Cortez, Colorado 81321

RE: Administrative Approval of an
Unorthodox Proration Unit and
Downhole Commingling of the
Fruitland Coal and Pictured Cliffs
Formations
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San Juan County, NM

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Sincerely,

Kevin H. McCord
Kevin H. McCord
Petroleum Engineer

Enclosures

The undersigned has no
objection to the above
application.

TEXACO

By: _____

Date: _____

P 294 981 921

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED

NOT FOR INTERNATIONAL MAIL

(See Reverse)

* U.S.G.P.O. 1985-480-794

PS Form 3800, June 1985

Sent to	
Alexander Energy	
Street and No.	
501 NW Expressway, Ste. 600	
P.O. State and ZIP Code	
Oklahoma City, OK 73118	
Postage	.65
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.40
Postmark or Date	
2/10/89 LMO	

P 294 981 922

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED

NOT FOR INTERNATIONAL MAIL

(See Reverse)

* U.S.G.P.O. 1985-480-794

PS Form 3800, June 1985

Sent to	
Celsius Energy Co.	
Street and No.	
P.O. Box 11070	
P.O. State and ZIP Code	
Salt Lake City, UT 84147	
Postage	.65
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.40
Postmark or Date	
2/10/89 LMO	

P 294 981 923

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED

NOT FOR INTERNATIONAL MAIL

(See Reverse)

* U.S.G.P.O. 1985-480-794

PS Form 3800, June 1985

Sent to	
Chevron U.S.A. Inc.	
Street and No.	
60001 Bollinger Canyon Rd.	
P.O. State and ZIP Code	
San Ramon, CA 94583	
Postage	\$.65
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.40
Postmark or Date	
2/10/89 LMO	

P 294 981 924

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED

NOT FOR INTERNATIONAL MAIL

(See Reverse)

* U.S.G.P.O. 1985-480-794

PS Form 3800, June 1985

Sent to	
Dugan Production Corp.	
Street and No.	
P.O. Box 5820	
P.O. State and ZIP Code	
Farmington, NM 87499	
Postage	\$.65
Certified Fee	.86
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.40
Postmark or Date	
2/10/89 LMO	

P 294 981 925

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

PS Form 3800, June 1985

* U.S.G.P.O. 1985-480-794

Sent to	
Hixon Development Co.	
Street and No.	
P.O. Box 2810	
P.O. State and ZIP Code	
Farmington, NM 87499	
Postage	\$.65
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	\$ 2.40
Postmark or Date	
2/10/89 LMO	

P 294 981 926

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

PS Form 3800, June 1985

* U.S.G.P.O. 1985-480-794

Sent to	
Jerome McHugh	
Street and No.	
650 S. Cherry St., Ste. 1225	
P.O. State and ZIP Code	
Denver, CO 80222	
Postage	\$.65
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	\$ 2.40
Postmark or Date	
2/10/89 LMO	

P 294 981 927

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

PS Form 3800, June 1985

* U.S.G.P.O. 1985-480-794

Sent to	
P-R-O Management	
Street and No.	
Box 158	
P.O. State and ZIP Code	
Dallas, TX 75231	
Postage	\$.65
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	\$ 2.40
Postmark or Date	
2/10/89 LMO	

P 294 981 928

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

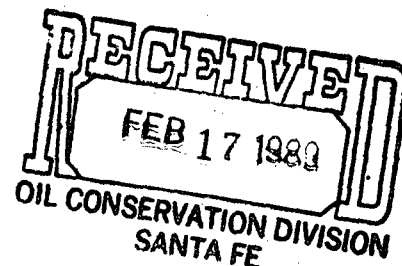
PS Form 3800, June 1985

* U.S.G.P.O. 1985-480-794

Sent to	
Texaco	
Street and No.	
P.O. Box EE	
P.O. State and ZIP Code	
Cortez, CO 81321	
Postage	\$.65
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	\$ 2.40
Postmark or Date	
2/10/89 LMO	

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING
P. O. BOX 168
FARMINGTON, NEW MEXICO 87499
(505) 326-2659



February 10, 1989

Dugan Production Corporation
P.O. Box 5820
Farmington, New Mexico 87499

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Downhole Commingling of the
~~Fruitland Coal and Pictured Cliffs~~
Formations
Inez #1
790' FNL & 1850' FEL
Section 33, T26N, R12W
San Juan County, NM

Gentlemen:

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Bayless has determined that you are an operator of offset acreage that could possibly be affected by the granting of this application by the NMOCD. We request your support and approval of this application. Please indicate this by signing and dating this letter and mailing one copy to NMOCD and one copy to our office in the envelopes provided. The original may be retained for your files.

Sincerely,

Kevin H. McCord
Kevin H. McCord
Petroleum Engineer

Enclosures

The undersigned has no
objection to the above
application.

DUGAN PRODUCTION CORPORATION

By

Thomas A. Dugan

Date:

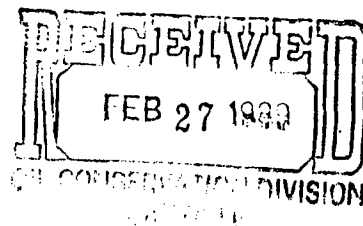
2-13-89

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING
P. O. BOX 168
FARMINGTON, NEW MEXICO 87499
(505) 326-2659

February 10, 1989

P-R-O Management
Glen Lakes Tower 1313
Box 158
Dallas, Texas 75231



RE: Administrative Approval of an
Unorthodox Proration Unit and
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Kevin H. McCord
Petroleum Engineer

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P-R-O Management

By: *Thomas R. Savory*

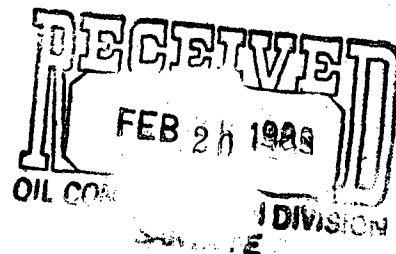
Date: 2-17-89

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING
P. O. BOX 168
FARMINGTON, NEW MEXICO 87499
(505) 326-2659

February 10, 1989

Hixon Development Co.
P.O. Box 2810
Farmington, New Mexico 87499



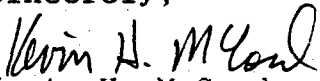
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Kevin H. McCord
Petroleum Engineer

Enclosures

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application.

HIXON DEVELOPMENT COMPANY

By: 

Aldrich L. Kuchera
President

Date: February 14, 1989

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING
P. O. BOX 168
FARMINGTON, NEW MEXICO 87499
(505) 326-2659

February 10, 1989

Alexander Energy
501 NW Expressway, Suite 600
Oklahoma City, Oklahoma 73118



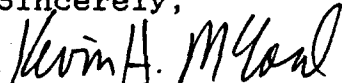
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Sincerely,


Kevin H. McCord
Petroleum Engineer

Enclosures

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application.

ALEXANDER ENERGY

By: 

Date: 2/24/89



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

OIL CONSERVATION DIVISION
BOX 2088
SANTA FE, NEW MEXICO 87501

DATE 3-28-87

RE: Proposed MC
Proposed DJC X
Proposed NSL
Proposed SWD
Proposed WFX
Proposed PMX

NSP X

OIL CONSERVATION DIVISION

Gentlemen:

I have examined the application dated 3-9-87

for the Robert L. Bayless INEE # 1 18-33-26N-12W
Operator Lease and Well No. Unit, S-T-R

and my recommendations are as follows:

Approve

Yours truly,

Sam Bush