

OSBORN & UHL, Inc.

Petroleum Consultants

P.O. BOX 8007

MIDLAND, TEXAS 79708-1007

AC 915 / 682-0243

C. KEN OSBORN
RONDAL D. UHL (1929-1986)
RHETT GIST
R.R. STATTON

March 27, 1989

BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
Sell	EXHIBIT NO. 9
CASE NO.	9635

89-257.01

Mr. Steve Sell
300 West Texas, Suite 525
Midland, TX 79701

Dear Steve:

In accordance with your authorization, Osborn & Uhl, Inc. has assessed the geologic and engineering risks of drilling the Band Aid Federal No. 1 prospect, Indian Basin (Cisco) Pool, Eddy County, New Mexico. Specifically, we were to consider the effects of water-coning and drainage on the proposed location (approximately 2050 feet FWL and 1300 feet FNL, Section 5-22S-24E). We analyzed the porosity, electric and mud logs and the pressure-production histories of wells in the immediate area to assist us in our evaluation.

Based on our analysis of these data and other information obtained from Mr. Kurt Boley, we believe that there is a 70.0 percent chance of achieving essentially water free gas production from a test of the uppermost six to ten feet of the Cisco porosity. However, we believe there is a 30.0 percent chance that such a test will result in a dry hole or low gas production rates associated with large volumes of water.

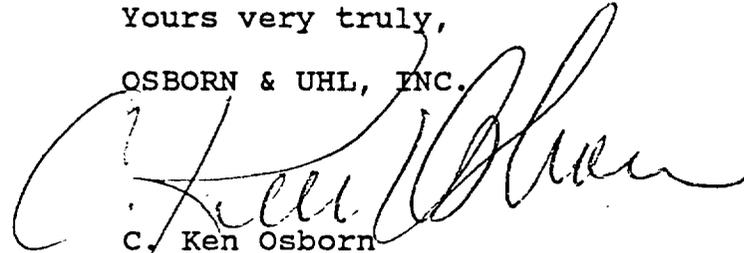
To optimize the chances of encountering water free production, it is imperative that Steve Sell encounter the Cisco as structurally high as possible. Based on the geologic and water production data available, we believe that a gas-water contact exists as high as -3560. The proposed Steve Sell location might encounter the top of the porosity at -3490 and complete the section down to -3500. This would leave only 60 feet of vertical relief between the lowest most perforation and the gas-water contact. Observation of producing characteristics of surrounding wells indicates that water coning is a significant problem. It appears that the proposed location would make Steve Sell competitive, at least from a structural position, with any other operator in the adjacent leases. However, if Steve Sell cannot drill the well in the desired location, other operators drilling infill wells in the adjacent acreage will deplete some if not most of the reserves from the Band Aid Federal lease.

Mr. Steve Sell
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Thank you for the opportunity to be of service to you. If you have any questions, please do not hesitate to contact us.

Yours very truly,

OSBORN & UHL, INC.

A large, stylized handwritten signature in cursive script, appearing to read "C. Ken Osborn". The signature is written in dark ink and is positioned over the typed name and title.

C. Ken Osborn
President

RRS/wp