

ROBERT L. BAYLESS

REGIONAL MANAGER
BUREAU OF LAND MANAGEMENT
FARMINGTON, NEW MEXICO 87499
(505) 326-2659

RECEIVED

JAN 10 1984

BUREAU OF LAND MANAGEMENT
FARMINGTON, NEW MEXICO 87499

December 30, 1983

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Bureau of Land Management
Caller Service 4104
Farmington, NM 87499

RE: Jicarilla Contract 363
B #5 Well

Gentlemen:

The above referred to Pictured Cliffs formation gas well is located directly offsetting the B #4 well as shown on the attached plat. This acreage is dedicated to Northwest Pipeline Corporation, however, because of the current national gas supply market they have refused to connect the B #5 well. The B #4 well is connected to their pipeline system.

I propose to lay 2-3/8" OD flowline from the B #5 well to the B #4 well and tie the two wells together ahead of the purchase meter. This will enable us to produce either well by itself or if the demand for gas should increase both wells could be produced simultaneously and production allocated between the wells based on their respective deliverabilities.

It should be pointed out that both wells are on the same base lease with the same operator so the Jicarilla Tribe cannot be adversely affected by this action, rather this will enable a shut-in well to be placed on production.

We hope this request, if allowed, will be a short term matter until the natural gas market improves so that the purchasing pipeline system will resume tying-in this type of well.

Yours truly,

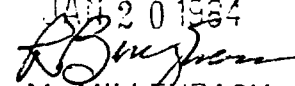
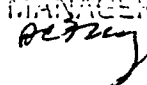

Robert L. Bayless

APPROVED
AS AMENDED

RLB/lb

Enc: Well Plat

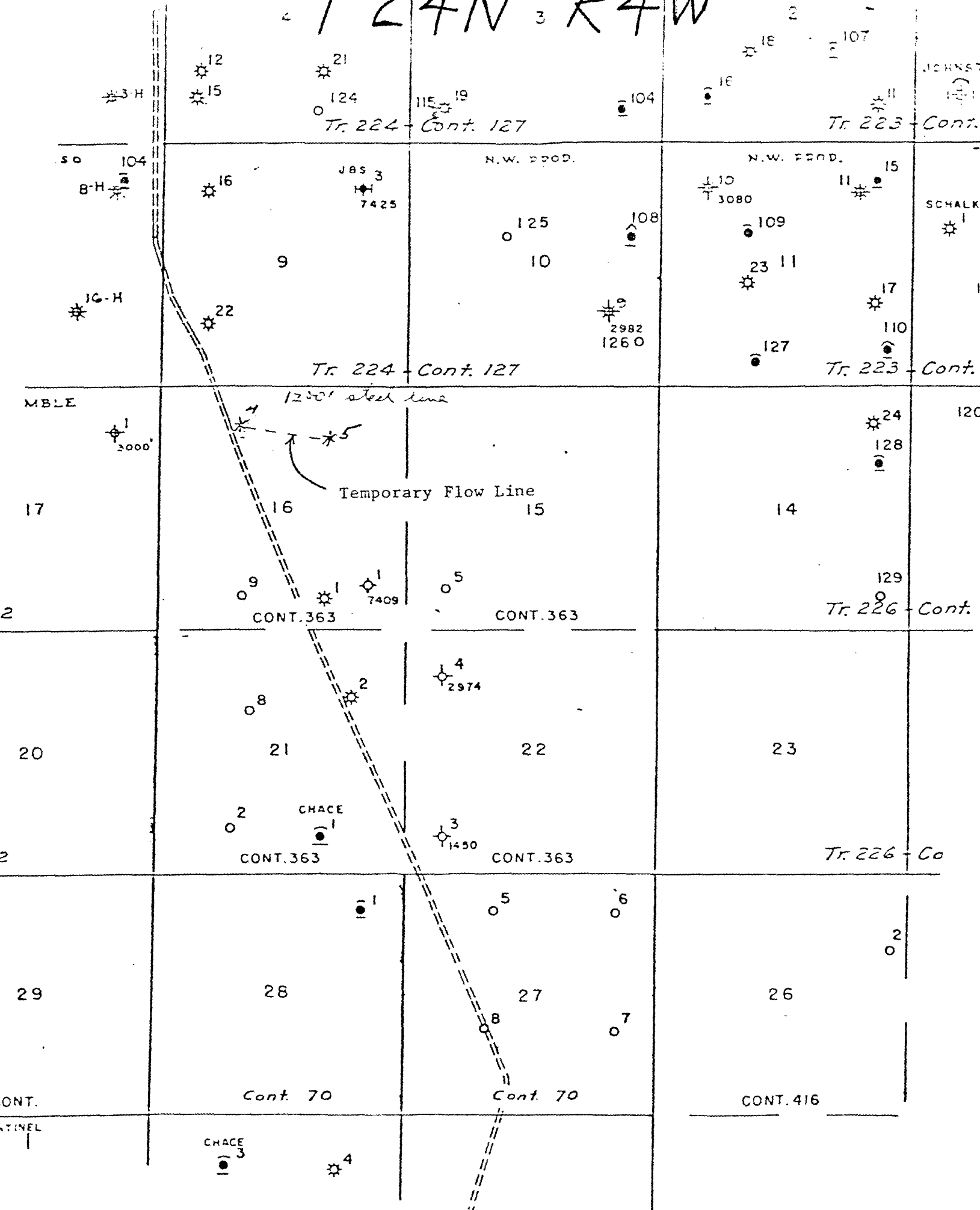
cc: Jicarilla Apache Tribe, Dulce, NM
New Mexico Oil Conservation Commission, Aztec, NM

JAN 20 1984

M. MILLENBACH
AREA MANAGER


This approval expires December 31, 1984. On or before that date the Bureau of Indian Affairs will review the need for a temporary versus buried line.

OPERATOR

T24N - R4W





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

EX. 2

TONEY ANAYA
GOVERNOR

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

February 3, 1984

Mr. Robert Bayless
P.O. Box 1541
Farmington, NM 87499

Case 8238

Re: Flowline from Jicarilla Contract 363 B #5
B-16-24N-4W

Dear Bob:

The referenced flowline can be used only temporarily. Due to both the #4 and #5 being in a prorated pool should either or both wells be classified as "non-marginal" only one well at a time may be produced through the meter. You are to make arrangements with the transporter to report the correct volumes from each well on all required reports. If within ninety days the transporter has not laid a line or made a commitment to lay a line to the #5 well, then you will be required to go to a hearing requesting further approval.

If you have any questions, please contact this office.

Sincerely,

Frank T. Chavez
District Supervisor

FTC/dj

EX. 3



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

TONEY ANAYA
GOVERNOR

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

February 29, 1984

Mr. Robert L. Bayless
P.O. Box 1541
Farmington, NM 87499

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Case 8238

Re: Jicarilla Contract 363 B #4 & #5 B-16-24N-4W, C-16-24N-4W

Dear Bob:

Your request to produce both referenced wells through a common meter raises several questions. Regulations require that gas wells be metered individually. As long as production is not commingled prior to measurement and arrangements are made with the pipeline to report the volumes attributable to each well, we will have no objection to a six month operation of this temporary gathering system. If such arrangements cannot be made, you will have to request a hearing for surface commingling approval.

If you have any questions, please contact this office.

Sincerely,

A handwritten signature in ink, appearing to read "Frank T. Chavez".

Frank T. Chavez
District Supervisor

FTC/dj

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING
P. O. BOX 1541
FARMINGTON, NEW MEXICO 87499
(505) 326-2659

May 23, 1984

4

New Mexico Oil Conservation
Division
P.O. Box 2088
Santa Fe, NM 87501

Attn: Mr. Joe Ramey

RE: Request for Surface Commingling
Hearing, Robert L. Bayless
Jicarilla 363 B #4 & #5 Wells
South Blanco Pictured Cliffs
Section 16, T24N, R4W
Rio Arriba County, New Mexico

Gentlemen:

We hereby request a hearing for surface commingling of our Jicarilla 363 B #4 and Jicarilla 363 B #5 South Blanco Pictured Cliffs wells located in Section 16, T24N, R4W, Rio Arriba County, New Mexico.

The Jicarilla 363 B #4 well (790' FNL & 1850' FWL, Section 16, T24N, R4W) was drilled and completed in the Pictured Cliffs formation by Bayless on July 27, 1982 for an AOF of 1013 MCFGPD. Northwest Pipeline evaluated this well and assigned enough reserves to it to justify a pipeline and meter installation. This well was first delivered on February 24, 1983. As of April 1, 1984, this well has produced 8423 MCFG and is now making approximately 25 MCFGPD.

The Jicarilla 363 B #5 well (1000' FNL & 1850' FEL, Section 26, T24N, R4W) was drilled and completed in the Pictured Cliffs formation by Bayless on May 19, 1983 for an AOF of 1263 MCFGPD. Northwest Pipeline evaluated this well and assigned reserves to it that did not justify either a pipeline or a meter installation.

Northwest did agree, however, to have a meter set at the Jicarilla 363 B #4 location if we would pay a non-refundable \$25,000 to them for the meter installation and we would be responsible for laying the pipeline between wells. We felt this proposal was unreasonable because the log quality of the Jicarilla 363 B #5 is much better than the Jicarilla 363 B #4 and the AOF test for the new well indicates it is a better well than the old. However, Northwest assigned fewer reserves to the new well, which they explained

New Mexico Oil Conservation Division
May 23, 1983
Page 2

accounted for their decision not to finance the pipeline and meter installation for the new well.

As an alternate method to sell gas on the Jicarilla 363 B #5 well, we proposed to lay a surface line from the Jicarilla 363 B #5 well approximately 1200 feet to the meter facility at the Jicarilla 363 B #4 well. At this point, the two wells could be produced by alternating production from one well with the other shut-in. This plan was approved by the Bureau of Land Management for a one year period and by the Aztec Office of NMOCD for a six month period. However, the Aztec office stated that each well must be metered individually and arrangements must be made with the pipeline to report the volumes attributable to each well.

We presented this alternate proposal to Northwest Pipeline and they stated that it would be too confusing to their switchers to allocate the production between wells, and therefor did not agree to our proposal.


We feel that the only permanent economic solution to this problem is to have both wells commingled on the surface and metered at the existing facilities on the Jicarilla 363 B #4 location. Periodic well tests can be taken to allocate production between the two wells. Both wells are on the same lease, i.e., Jicarilla Contract 363 and have the same ownership. The Jicarilla 363 B #4 is now receiving Section 103 gas prices and the Jicarilla 363 B #5 is approved to receive Section 103 gas prices.

We feel that surface commingling of these two wells will maximize the economic gas production from these two wells without violating correlative rights. Without this surface commingling, the cost of producing gas from the Jicarilla 363 B #5 will be burdensome.

We have enclosed a plat showing the location of the subject wells along with copies of the approval letters mentioned previously.

Should any questions arise on this matter, please contact me.

Sincerely yours,


Robert L. Bayless

RLB/lb

Enclosures