



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

August 20, 1987

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

CERTIFIED - RETURN
RECEIPT REQUESTED

Perma Energy Management Corp.
102 North Cascade
Suite 500
Colorado Springs, Colorado 80903

Attention: Mr. Charlie McNeil

Re: Eustace Well No. 1,
I-35-32N-19E
Colfax County, New Mexico

Dear Mr. McNeil:

This letter is to inform you that this agency has several problems with your operations on the above-referenced well. The first of these is the matter of delinquent filing of forms as outlined by our rules and regulations. It is our understanding that approximately one year ago this well had the following remedial work performed and has yet to be officially reported to this office.

- 1) Casing perforated and cement squeezed.
Depth of perforation, amount of cement squeezed, and date of work must be reported (Form C-103).
- 2) Perforations of potential gas formations.
Intervals of perforations, type and volume of completion treatments, date work was completed, formation tops, and results of all tests (Form C-105).

It is also our understanding that a cast iron bridge plug has been set above the perforations in your potential pay zone. Not only has this not been reported to this agency, but we fail to understand the logic behind it. If this is an attempt to permanently plug and abandon this well, it is completely unacceptable to this office. If it is for the purpose of temporarily abandoning the well, then Form C-103 must be submitted requesting this status. Please note that the

temporary abandonment status will not be approved unless the above-mentioned reports have been received and approved by this office.

Another concern of this agency is the lack of any API approved well head on this well. This office will not accept a ball valve as a well head on a well capable of producing methane gas. We will expect that this matter will be taken care of immediately and that you will notify this office (Form C-103) when this task is completed.

In other matters, please note that our authorization for maintenance in shut in or temporary abandonment status on the Kaiser #1-Y, Rushton #1, and Edson #1 wells has expired and that you will have to re-apply for these using Form C-103.

Should this office not receive the appropriate forms from you within the next two weeks, this matter will be turned over to our legal department and a forced plugging case will be set for the next available examiner hearing.

Sincerely, .



ROY E. JOHNSON,
Sr. Petroleum Geologist

REJ/dr