



**KERR-McGEE OIL & GAS ONSHORE LLC**

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August 18, 2000

Re: Attachment to Form 3160-5  
Request for TA status for:  
West Indian Basin Unit #2  
API No. 30-015-10282  
Lease Serial No. NMLC067832A

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Dear Sir or Madam:

We respectfully request authorization to extend the TA of this well for a period of one year. This request is based upon the ability to establish economical volumes of gas in area wells which require the development of infrastructure to handle high volumes of water for disposal. As you may be aware the concept of co producing high volume of water and gas has been occurring throughout the Indian basin field, and has been most successful in the eastern side of this field. It is believed that one of the primary reasons for this success is the higher bottom hole pressures in this area( 1100 to 1700 psi. One of the remaining areas for development of this concept is in the north western portion of this field. Kerr-McGee operates four leases within this area ( Bright Federal, West Indian Basin sec 17 and 20, and the Bunnel Federal leases). ). Low bottom hole pressures are one of the major hurdles to overcome in the northwestern area of the field where bottom hole pressures are expected to approximate 400 psi.

Kerr-McGee initiated development of this area earlier this year with the drilling of the WIBU #1Y followed by the deepening and conversion of the Bunnel Federal #3 to salt water disposal. The 1Y had first gas sales in April, 2000. Although this well has been slow to respond, production rates are starting to improve which gives us hope and confidence to continue development in this area. After the WIBU 1Y was initially brought onto production, it was necessary to increase water handling in this area which required development of a water handling disposal infrastructure, ie Bunnel Federal #3SWD well conversion. Once water disposal capacity was established in June, the 1Y sub pump was upgraded and water volumes were increased to approx. 2900 bwpd from a 1750 bwpd daily rate. Gas volumes associated with this water volume currently average 1.3 MMCFPD. At the lower water production number gas volumes approximated 250 mcfpd.

Although production response has been slow from this well, it has been encouraging enough to move forward with the drilling of the WIBU #5. This well should be completed and placed onto production within 2-3 weeks. A problem exists within the salt water disposal system should water volumes approximating the WIBU #1Y be encountered. Surface facilities will require upgrades which are expected to be completed by late October. Once this is complete the potential of the #5 well will be tested. Based upon the #1Y, it could take approx. 4-6 months of continued water production to establish gas volumes out of the #5 wellbore.

It is the desire of Kerr-McGee to move forward with the WIBU #2s/t workover based upon the success of the #5. The geological location of the #5 is at higher risk than the other wells because of it being closer to the limestone section and its poor production history. It is the belief of Kerr-McGee that the chances of success for a workover in the WIBU #2 wellbore will be improved