



Texaco Exploration and Production Inc
Western E&P Region

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NM/OCD

October 21, 1997

1997 NOV -5 A 9:51

Bureau of Land Management
Roswell District Office
P. O. Box 1397
Roswell, New Mexico 88202-1397
Attn: Armando Lopez

ROSWELL OFFICE

Commissioner of Public Lands
P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Attn: Pete Martinez

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



All Working Interest Owners
(Address List Attached)

RE: **FORTY NINER RIDGE UNIT**
Eddy County, New Mexico

Gentlemen:

In accordance with Section 10 of the Unit Agreement for the Development and Operations of the Forty Niner Ridge Unit, Eddy County, New Mexico, Texaco Exploration and Production Inc. submits, for your approval, a report of past operations and a plan of development for 1998. Enclosed is a map of the area and production plots for the three wells within the unit.

PAST OPERATIONS

The original unit operator, Skelly Oil Company, completed the Forty Niner Ridge Unit No. 1 (SE Sec. 16 T23S-R30E) November 10, 1973, in the Morrow for an initial CAOF of 3,703 MCFPD. Cumulative Morrow production at abandonment on October 1, 1981, was 870,011 MCF. A Wolfcamp completion attempt in the Forty Niner Ridge Unit Well No. 1 during June 1982, proved to be non-productive. A subsequent workover in the Bone Spring was successful. The Bone Spring initially produced 37 BOPD and 250 MCF on June 27, 1982, from perforations at 7,564 feet - 7,589 feet. The Bone Spring pay was plugged back in August 1984. Cumulative production from the Bone Spring in Forty Niner Ridge Unit Well No. 1 was 2,744 barrels of oil.

Forty Niner Ridge Unit Well No. 1 was recompleted in the Delaware Cherry Canyon in August 1984. Initial production was 128 BOPD, 267 BWPD, and 19 MCF. A March 1990 workover opened additional Delaware pay. Cumulative production from the Delaware through September 30, 1997, is 69 MBO and 58 MMCFG. This well is currently shut in. Additional workover potential in the Bone Spring and Delaware Mountain Group is being evaluated.

MMOCD

Skelly Oil Company completed a second well, the Forty Niner Ridge Unit No. 2 (NE Sec. 21 T23S-R30E) in November 1974, as a Morrow producer. The initial CAOF was 2,492 MCFPD. Cumulative production from the Morrow zone was 42,696 MCF prior to abandonment in August 1977. An October 1977 Bone Spring recompletion resulted in an initial potential of 11 BOPD, 46 MCFPD, and 8 BWPD from perforations at 7,415 feet - 7,568 feet. Cumulative production from this zone was 16,920 BO.

Texaco recompleted Forty Niner Ridge Unit No. 2 in the Delaware in November 1987. The well potentialed for 270 BOPD, 69 BWPD, GOR 370 from perforations at 6,043 feet - 6,048 feet. Through September 30, 1997, the Delaware produced 80 MBO and 69 MMCFG. Current production is 10 BOPD, 17 MCFD, and 12 BWPD.

Texaco completed Forty Niner Ridge Unit No. 3 (NW Sec. 16 T23S-R30E) January 31, 1988, from Delaware sand perforations at 5,952 feet - 5,980 feet. It potentialed for 112 BOPD, 442 BWPD, and 143 MCFD. The well currently produces 4 BOPD, 0 MCFD, and 44 BWPD. Cumulative Delaware production through September 30, 1997 is 18 MBO and 48 MMCFG.

PLANS FOR DEVELOPMENT FOR 1998

In May of 1996, Texaco began shooting a 40+ square mile 3-D seismic survey covering all of the Forty Niner Ridge Unit and including surrounding areas. The 100% cost of the survey was in excess of \$1,000,000. Processing of the survey continued into 1997, with final tapes being delivered for interpretation in June of 1997. Texaco is presently interpreting the survey, with emphasis being placed on defining potential production trends in the Delaware sands, Wolfcamp, Atoka and Morrow formations. The remainder of 1997 will be a continuation of the seismic interpretation phase. Depending upon the outcome of our seismic interpretation, and taking into account Potash restrictions, we hope to commence a drilling phase in 1998 whereby we would drill at least one Delaware and one Morrow test in the unit.

Texaco plans to continue producing the Forty Niner Ridge Unit wells in an efficient manner. We will perform equipment modifications and well workovers as necessary to maintain commercial production. Texaco has been an active developer in adjacent Nash Draw Brushy Canyon field. We also continue to monitor activity in the Delaware Mountain Group and Bone Spring Formations in adjacent Los Medanos, Sand Dunes West, and Nash Draw fields so as to develop trends as they approach our unit boundaries.

Very truly yours,

Mark E. Schneider

Mark E. Schneider
Permian West - Hobbs South
Area Manager
ATTACHMENTS

APPROVED

NOV 6 1997
[Signature]
AUTHORIZED OFFICER, MINERALS
BUREAU OF LAND MANAGEMENT
[Signature]
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Goulet
RDC
BLL