Southwestern Region
1111 W. Loop 289
P.O. Box 16200
Lubbock, Texas 79490
806/793-8181

PETRO-LEWIS CORPORATION

Oil and Gas Producers

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SEP 19 1983
BUREAU OF LAND MANAGEMENT
FARMINGTON RESOURCE AREA

September 9, 1983

James F. Sims
Oil and Gas Supervisor
Minerals Management Service
P. O. Drawer 600
Farmington, New Mexico 87401

Re: Federal 27-43

Dear Sir:

Petro-Lewis Corporation acquired the Federal 27-43 from Kenai Corporation. The well is located in Section 27, Township 24 North, Range 9 West. This well was completed on April 1, 1982.

An application for a Special Well Test of the Federal 27-43 was filed on December 31, 1982 and was approved on January 10, 1983. The Federal 27-43 is presently producing 29 MCFPD.

As stated in the original application there are two gas pipelines in the area of the Federal 27-43. The first is an El Paso Natural Gas low-pressure line located to the north of the subject well. A sales line of approximately 10,000' would be needed to tie into this line. El Paso Natural Gas is not accepting new gas contracts of any type at the present time. The second gas pipeline is a Gas Company of New Mexico high-pressure line located to the southwest of the subject well. A sales line of approximately 7500' and a gas compressor would be needed to tie into this line.

Present production does not justify the excessive costs involved in tying into the Gas Company of New Mexico high-pressure line. The economics to build and maintain the necessary facilities are attached. The following economic criteria is common to all economic evaluations presented:

Oil Price	$29.50/BBL
Gas Price	$ 3.61/MCF($2.78/MMBTU)
Working Interest	100%
Revenue Interest	78.01562%

Jolly Jubilee #2
O-29-24-9
Dugan Prod. Corp.

Called BLM, Keller, 9-29-83
and approved flow of gas line

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SEP 26 1983
OIL CON.

NMOCD

The base case presents total reserves and present value of the well if a gas sales line is not installed. The following criteria was used in the base case economics:

Initial Oil Production	260 BOPM
Hyperbolic Decline - Oil	30%
Direct Operating Expense	$1000

The following are calculated results of the base case economics:

Oil Reserves	6990 BO
Present value discounted at 10%	$77,182

The investment case presents total reserves and present value of the well if a gas sales line is installed. The following criteria was used in the investment case economics:

Initial Oil Production	260 BOPM
Initial Gas Production	880 MCFPM
Hyperbolic Decline - Oil	30%
Hyperbolic Decline - Gas	30%
Capital Expenditure	$60,000
Direct Operating Expense	$3,500

The following is a breakdown of the capital expenditure:

7500' Sales Line	$15,000
3 - Stage Compressor	$40,000
Miscellaneous	$ 5,000
Total	$60,000

The following are calculated results of the investment case economics:

Oil Reserves	4461 BO
Gas Reserves	15,168 MCF
Present value discounted at 10%	- $21,566

The incremental summary presents the investment case economics less the base case economics. The following are calculated results of the incremental summary:

Oil Reserves	- 2529 BO
Gas Reserves	15,168 MCF
Present value discounted at 10%	- $98,748

To install the sales line and compressor will cost $60,000 and will increase the well's direct operating expense $2500/month. These costs will result in a loss of 2,529 BO and an increase of 15,168 MCF. The present value of the well, discounted at 10%, would be reduced $98,748 from $77,182 to a negative $21,566. The increase of 15,168 MCF at $3.61/MCF is equivalent to 1,856 BO at $29.50/BBL. The installation of the sales line and compressor will result in an equivalent loss of 673 BO.

The Federal 27-43 is currently on beam pump with gas flowing up the casing. Producing fluid level shots indicate that the well is pumped off. From an engineering standpoint, there is nothing that can be done to increase production. All productive zones appear to be presently open in the Federal 27-43. From a geologic standpoint, there is nothing that can be done to increase production.

It should be noted that the 29 MCFPD that this well presently produces is to the atmosphere. If this well was connected to a sales line, the compressor would be set at Gas Company of New Mexico's line. A sales line pressure of 15 to 20 psi would be experienced at the wellhead, and the well would produce less than 29 MCFPD.

Petro-Lewis Corporation could be forced to plug and abandon the Federal 27-43 if required to install a gas sales line. This is because the present value of the well, discounted at 10%, with the installation of a gas sales line and compressor is a negative $21,566.

Petro-Lewis Corporation respectfully requests approval for permanent venting of gas from the Federal 27-43 according to NTL-4A Section 4B#1.

If you have any questions regarding this matter, I can be contacted at (806) 793-7573.

Sincerely,

PETRO-LEWIS CORPORATION

Steven M King

Steven M. King
Petroleum Engineer

SMK:mt
dd8937.44

Not to exceed 30 MCFD

This Approval [redacted]
[redacted] Expires 9/22/84

R Brumfield
Asst Atty