

8-24-98

Ernie Busch
NMOCD
1000 Rio Brazos Road
Aztec, NM 87410

m-12-26N-2W

RE: Bear Canyon #5 and #9 P&A's back to Landowner's Water Wells

Ernie,

Enclosed are the P&A procedures revised per our conversation on both of these wells. I believe that these were the only changes that were needed to fullfill both the NMOCD's and the State Engineer's Office.

Also enclosed are letters from Apache Corporation to Steve Stevenson (Bear #5) and to Jeff Davis (Bear #9) telling them about the changes.

Thank you for your attention in this matter and if further actions are needed, please call me at 325-0318.

Respectfully,
Apache Corporation



Stan Phillips
Farmington District

RECEIVED
AUG 25 1998
OIL CON. DIV.
DIST. 3



[505] 325-0318

8-24-98

Steve Stevenson
HCR 74, Box 80
Lindrith, NM 87029

RE: Bear Canyon #5 P&A

Steve,

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AUG 25 1998
OIL CON. DIV.
DIST. 3

Apache Corporation has received approvals to complete the P&A, leaving the wellbore for your use as a water well, from the NMOCD and the State Engineer's Office. There have been a few changes since Apache first submitted the procedures:

- The Nacimiento formation at 1702' has to be perforated and cemented on both the inside and outside of the production (7-5/8") casing. The cement top inside the casing will be left at 1636'.
- The Surface Pipe shoe has to be cemented through perforations at 423'. Apache would leave the cement top inside the casing at approximately 400'. You would then have to drill out the cement plug from +/- 400' to 423'.

I am enclosing the revised procedures for this part. The procedures are being re-submitted to Ernie Busch, with the NMOCD, for their written approval. These enclosed procedures were gone over with Ernie and will also meet the State Engineer's office's requirements.

Should you choose to keep the wellbore for a water well, you can work out a deal with the rig company on doing #11A through #11C of the procedures. Apache Corporation would turn over the operations, costs, and liabilities, etc. to you for those. Apache would pick back up after the casing is perforated.

This is an approximation of your cost to drill out the cement plug at 400' and perforate the casing:

- | | |
|--|------------|
| 1. Rig time. +/- 1 day at \$2000/ day. | \$2000 |
| 2. One 6-3/4" mill tooth bit. Used. | +/- \$400 |
| 3. Possible rental of drill collars and x-overs. | +/- \$800 |
| 4. Perforating the casing. (depending on # of shots) | +/- \$1500 |

I would suggest that you contact Glenn Davis with Big A, or any other person familiar with drilling out the shallow cement plug, and discuss the drilling out of the cement plug. How many collars and size will be needed, where to rent them and the x-overs, an approx. time that the operations would take, etc.

Apache Corporation is still in the process of obtaining bids on the P&A. Apache will most likely go with either Big A (Nathan Crawford – Supervisor of Big A's P&A rigs) or A-Plus Well Service (Bill Clark – Owner). Either company will most likely be close to the same on what they would charge you to do your part. They can give you an estimate on the rig charges, perforating, and how much time it will take.

Apache is requesting that you look over these procedures and determine if you still want to keep the wellbore for a water well and get back with me on your decision. Apache would hope to get started on this by the end of September of this year.

If I can be of assistance, please call me at 505-325-0318.

Respectfully,
Apache Corporation

A handwritten signature in cursive script, appearing to read "Stan Phillips".

Stan Phillips
Farmington District

Cc: Ernie Busch - NMOCD