



BWAB INCORPORATED

October 30, 1987

State of Utah  
Natural Resources  
Oil, Gas & Mining  
355 W. North Temple  
3 Triad Center, Suite 350  
Salt Lake City, UT 84180-1203

RE: Sandia Federal #9-44  
SESE Sec. 9-T39S-R26E  
San Juan Co., UT

Gentlemen:

Enclosed herewith is the following information necessary to permit the above captioned well.

1. State of Utah's Application For Permit To Drill (1 original & 2 copies)
2. Copy of our approved Federal Application For Permit To Drill

BWAB Incorporated plans to spud this well the later part of November. If you have any questions in this regard, please direct them to the undersigned or Mr. John Keller at the letterhead address or telephone number.

Very truly yours,

BWAB Incorporated

*Carrie M. Sullivan*

Carrie M. Sullivan

:CMS

Enclosures (9)

**RECEIVED**  
NOV 16 1987

DIVISION OF  
OIL, GAS & MINING

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS, AND MINING

(Other instructions on reverse side)

16

5. Lease Designation and Serial No.  
U-50439

6. If Indian, Allottee or Tribe Name

7. Unit Agreement Name

8. Farm or Lease Name

9. Well No.

10. Field and Pool, or Wildcat

11. Sec., T., R., M., or Blk. and Survey or Area

12. County or Parrish 13. State

San Juan Co., UT

16. No. of acres in lease 4886.38  
17. No. of acres assigned to this well 40

20. Rotary or cable tools  
Rotary

22. Approx. date work will start\*  
November 15, 1987

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work  
DRILL  DEEPEN  PLUG BACK

b. Type of Well  
Oil Well  Gas Well  Other  Single Zone  Multiple Zone

2. Name of Operator  
BWAB Incorporated

3. Address of Operator  
1801 California St., Suite 1000, Denver, CO 80202

4. Location of Well (Report location clearly and in accordance with any State requirements.\*)  
At surface 1300' FSL & 1000' FEL SESE  
At proposed prod. zone

14. Distance in miles and direction from nearest town or post office\*  
23 miles SE of Blanding UT

15. Distance from proposed\* location to nearest property or lease line, ft. (Also to nearest drlg. line, if any) 1000'

18. Distance from proposed location\* to nearest well, drilling, completed, or applied for, on this lease, ft. N/A

21. Elevations (Show whether DF, RT, GR, etc.)  
5408' GL

23. PROPOSED CASING AND CEMENTING PROGRAM

Size of Hole	Size of Casing	Weight per Foot	Setting Depth	Quantity of Cement
12-1/4"	8-5/8"	24# or 32#	1950'	950 SXS - Circ. to surf.
7-7/8"	5-1/2"	15.5# or 17#	6330'	250 SXS

1. Drill to 1950'. Set 8-5/8", 24#/32# surface casing & cement to surface.
2. Pressure test BOP and surface casing.
3. Drill to 6330' TD and test the productivity of the Ismay & Desert Creek.
4. Plug as per BLM instructions or run production csg. as appropriate to 6330'.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

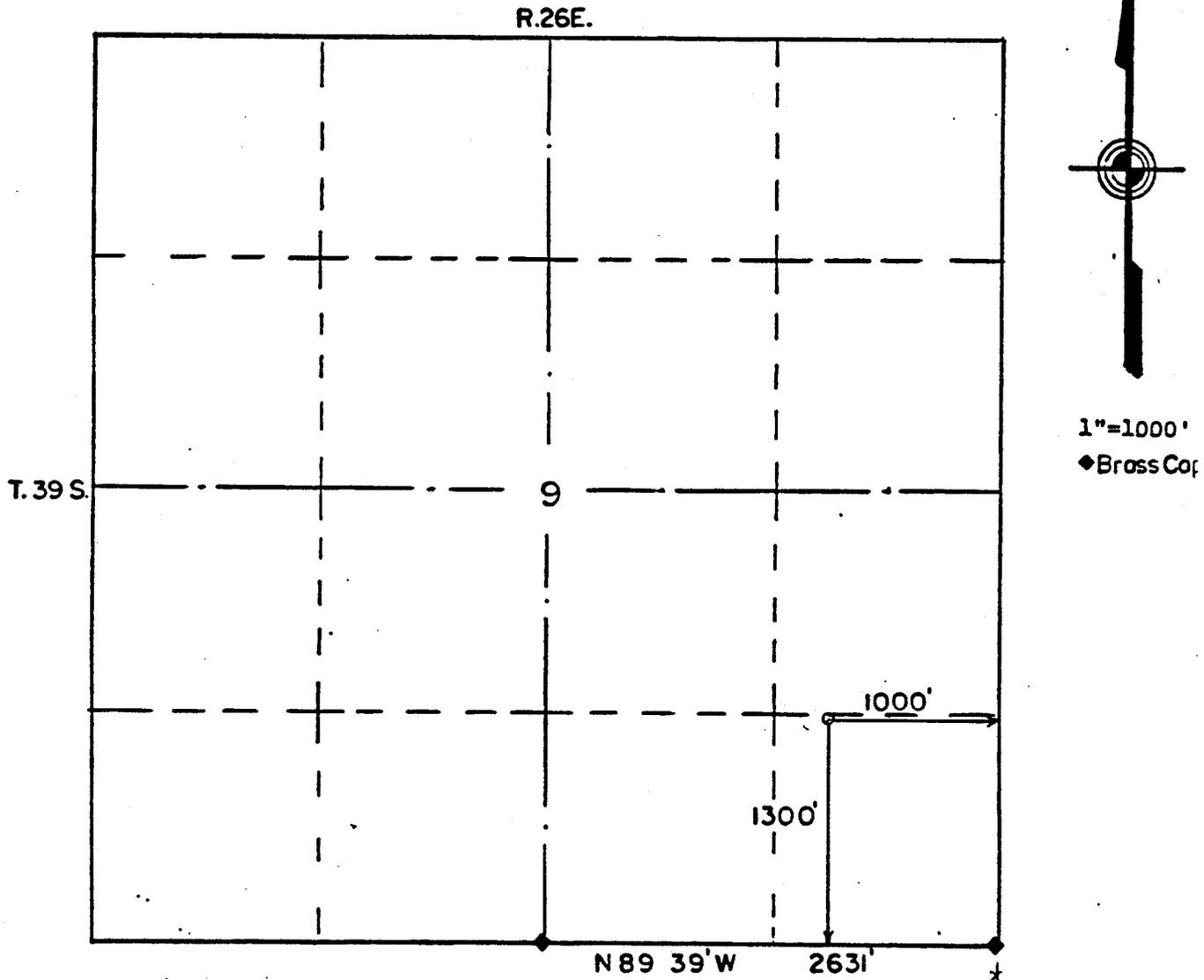
24. Signed John R. Keller Title Drilling & Production Manager Date 11/10/87  
(This space for Federal or State office use)

Permit No. 43-037-31371 Approval Date APPROVED BY THE STATE

Approved by \_\_\_\_\_ Title \_\_\_\_\_ OF UTAH DIVISION OF OIL, GAS, AND MINING

Conditions of approval, if any: \_\_\_\_\_ DATE 12-11-87 BY John R. Baya  
\*See Instructions On Reverse Side WELL SPACING: R615-3-3

WELL LOCATION AND ACREAGE DEDICATION PLAT



WELL LOCATION DESCRIPTION:

BWAB, Inc., Sandia Federal #9-44  
 1300' FSL & 1000' FEL  
 Section 9, T.39 S., R.26 E., SLM  
 San Juan County, Utah  
 5408' ground elevation  
 Reference: N.31 E., 502', 5431' grd. elev.

South assumed  
 16 ♦ 15

The above plat is true and correct to my knowledge and belief.

5 October 1987

REGISTERED LAND SURVEYOR  
 No. 5705  
 GERALD G. HIDDLESTON  
*Gerald G. Hiddleston*  
 Gerald G. Hiddleston, LS  
 STATE OF UTAH



NORMAN H. BANGERTER  
GOVERNOR



STATE OF UTAH  
DEPARTMENT OF COMMUNITY AND  
ECONOMIC DEVELOPMENT

1 December 1987

Chairperson  
Resource Development Coordinating Committee  
State Planning Office  
118 State Capitol  
Salt Lake City, Utah 84114

Division of  
State History  
(UTAH STATE HISTORICAL SOCIETY)

MAX J. EVANS, DIRECTOR  
300 RIO GRANDE  
SALT LAKE CITY, UTAH 84101-1182  
TELEPHONE 801/533-5755

RE: BWAB, Inc. Sandia Federal #9-44 Wildcat Well, Federal Lease No. U-50439,  
San Juan County (SAI #UT871119-030)

*Sec. 9, T39S, R26E  
San Juan Co.*

In Reply Please Refer to Case No. K621

Dear Chairperson:

The staff of the Utah State Historic Preservation Office has reviewed the State Actions form for the above referenced proposed project. We understand that the Bureau of Land Management is the lead agency and approval must be solicited from the BLM as well as DOGM prior to the drilling of this well. We have also received from La Plata Archeological Consultants an archeological survey report for this proposed well and access road. From our review of the report, we are able to concur with the following findings and recommendations of the archeological consultant.

First, we concur that sites 42Sa18692 and 42Sa18698 are not eligible for the National Register. We note that this determination of ineligibility could change if additional subsurface remains are located. Second, we are able to concur with the findings that site 42Sa1939 and 42Sa2993 are potentially eligible for the National Register. Finally, we concur with the archeological consultant's recommendation that an archeological monitor be present during road construction activities to insure that sites are avoided and to check for any buried cultural resources.

We understand that all four sites are located at least 100 feet from the project, and if they are adequately protected and avoided during construction, we would be able to concur with a finding of no effect for this project.

The above is provided on request as outlined by 36 CFR 800 or Utah Code, Title 63-18-37. If you have questions or need additional assistance, please contact Charles Shepherd at (801) 533-7039.

Sincerely,

A. Kent Powell  
Deputy State Historic Preservation Officer

CMS:jrc:K621/4940V SCR/DOEx2/NE

cc: Dale Davidson, Area Archeologist, BLM, P.O. Box 7, Monticello, UT 84535  
John Baza, DOGM

BWAB, Inc.  
Well No. Sandia Federal 9-44  
Sec. 9, T. 39 S., R. 26 E.  
San Juan County, Utah  
Lease U-50439

CONDITIONS OF APPROVAL

Approval of this application does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

BWAB, Inc., is the the bonded entity on this application. Liability well remain with the bonded party named above until we are formally notified by letter of the new bonded entity in reference to this Application for Permit to Drill.

**B. THIRTEEN POINT SURFACE USE PLAN**

1. Clyde Benally of Mobil Oil Corporation (303-565-2205) will be notified 48 hours prior to working around the CO<sub>2</sub> pipeline.
2. For the protection of archaeological resources, an archaeologist will monitor initial blading of the access route.
3. Bureau of Land Management (BLM) (San Juan Resource Area, 801-587-2141) will be notified prior to doing any blasting during construction.
4. BLM (San Juan Resource Area, 801-587-2141) will be notified during plugging to determine if a regulation dry hole marker will be utilized.

NOTIFICATIONS

Notify the San Juan Resource Area, at (801) 587-2141 for the following:

2 days prior to commencement of dirt work, construction or reclamation;

1 day prior to spudding;

1 day prior to running and cementing surface casing;

1 day prior to pressure testing of BOPE and/or surface casing.

Notify the Moab District Office, Branch of Fluid Minerals at (801) 259-6111 for the following:

No well abandonment operations will be commenced without the prior approval of the District Manager. In the case of newly drilled dry holes, and in emergency situations, verbal approval can be obtained by calling the following individuals, in the order listed.

Steven Jones, Petroleum Engineer                      Office Phone: (801) 259-6111

Home Phone: (801) 259-7404

Lynn Jackson, Chief, Branch of Fluid Minerals

Office Phone: (801) 259-6111

Home Phone: (801) 259-7990

Paul Brown, I&E Coordinator

Office Phone: (801) 259-6111

Home Phone: (801) 259-7018

24 hours advance notice is required for all abandonments.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

**DESIGNATION OF OPERATOR**

The undersigned is, on the records of the Bureau of Land Management, holder of lease

STATE OFFICE: Utah  
SERIAL NO.: U-50439

and hereby designates

NAME: BWAB Incorporated  
ADDRESS: 1801 California St., Suite 1000, Denver, CO 80202

as his operator and local agent, with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the authorized officer may serve written or oral instructions in securing compliance with the Operating Regulations (43 CFR 3160) with respect to (describe acreage to which this designation is applicable):

TOWNSHIP 39 SOUTH, RANGE 26 EAST, S.L.M.  
Section 9: SE/4  
San Juan County, UT

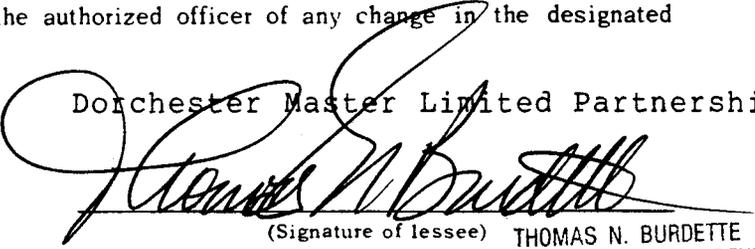
Bond coverage under 43 CFR 3104 for lease activities conducted by the above named designated operator is under Bond Number 803F0254.

It is understood that this designation of operator does not relieve the lessee of responsibility for compliance with the terms of the lease and the Operating Regulations. It is also understood that this designation of operator does not constitute an assignment of any interest in the lease.

In case of default on the part of the designated operator, the lessee will make full and prompt compliance with all regulations, lease terms, stipulations, or orders of the Secretary of the Interior or his representative.

The lessee agrees promptly to notify the authorized officer of any change in the designated operator.

Dorchester Master Limited Partnership

  
(Signature of lessee)  
P.O. Box 4391  
396 W. Greens Road  
Houston, TX 77210

THOMAS N. BURDETTE  
ASSISTANT VICE PRESIDENT

October 23, 1987  
(Date)

(Address)

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DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

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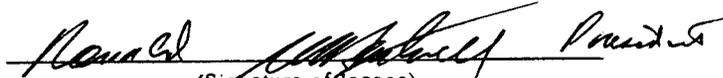
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HARTWELL CORPORATION '83  
Ron Hartwell

  
(Signature of Lessee)

5941 South Middlefield Road, #103  
Littleton, CO 80123

10-22-87  
(Date)

\_\_\_\_\_  
(Address)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

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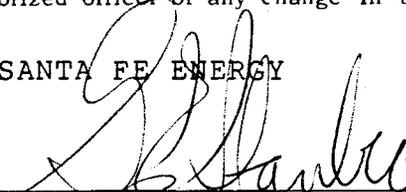
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SANTA FE ENERGY

  
\_\_\_\_\_  
(Signature of lessee) *Deetz*

1616 Glenarm, Suite 2600  
Denver, CO 80202

10-21-87  
\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Address)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

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Wintershall Corporation  
C.A. Wilson

  
\_\_\_\_\_  
(Signature of lessee)

5251 DTC Parkway, Suite 500  
Englewood, CO 80111

\_\_\_\_\_  
(Address)

Oct 22, 1987  
\_\_\_\_\_  
(Date)

PROPOSED DRILLING PLAN AND CONDITIONS  
FOR DRILLING PERMIT APPROVAL

OPERATOR: BWAB Incorporated

WELL NAME: Sandia Federal 9-44

LOCATION: 1000 FEL and 1300 FSL  
SESE, Section 9, T39S-R26E  
Lease No. U-50439

All lease and well operations will be conducted in such a manner that full compliance is made with applicable laws, regulations (43 CFR 3100), Onshore Oil and Gas Order No. 1, and the approved plan of operations. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions will be furnished to the field representative to ensure compliance.

1. Surface Formation and Estimated Formation Tops:

<u>Formation</u>	<u>Depth</u>
Bluff	874
Entrada	1,140
Navajo	1,288
Chinle	1,900
De Chelly	2,912
Cutler	3,006
Hermosa	4,385
Upper Ismay	5,220
Desert Creek	5,980
Akah	6,180
Total Depth	6,330

2. Estimated Depth at Which Oil, Gas, Water or Other Mineral Bearing Zones Are Expected to be Encountered:

	<u>Formation</u>	<u>Anticipated Depth</u>
Expected oil and associated gas zones:	Upper Ismay	5,220'
	Desert Creek	5,980'
Expected gas zones:	None	----
Expected mineral zones:	None	----
Expected fresh water zones:	Entrada	1,140'
	Navajo	1,288'
Possible salt water flows:	De Chelly	2,912'-3,006'
	Cutler	3,006'-4,385'

All fresh water intervals will be cased off and cemented in a manner that will protect all fresh water aquifers.

3. Pressure Control Equipment:

The BOP stack will consist of a double ram hydraulically actuated BOP with a working pressure rating of 3,000 or 5,000 psi. An annular BOP or rotating head will probably not be used.

BOP systems will be consistent with API RP 53. Pressure tests will be conducted using the rig pump before drilling out from under all casing strings which are set and cemented in place. Blowout preventor controls will be installed prior to drilling the surface casing plug and will remain in use until the well is completed or abandoned. Preventers will be inspected and pipe rams operated, at least daily, to ensure good mechanical working order. This inspection will be recorded on the daily drilling report. Function of blind rams will be tested on trips. The San Juan Resource Area will be notified one (1) day before pressure testing of the surface shoe and BOP. The BOP stack will be tested using a test packer prior to drilling the Ismay Formation.

4. Casing Program and Auxiliary Equipment:

<u>Casing Size</u>	<u>Weight</u>	<u>Type</u>	<u>Setting Depths</u>	<u>TOC</u>
8-5/8"	24# or 32#	JorK-55	0 - 1,950'	Surface
5-1/2"	15.5# or 17#	JorK-55	0 - 6,330'	4250'

No special drilling equipment is expected to be necessary.

5. Mud Program and Circulating Medium:

<u>Hole Size</u>	<u>Interval</u>	<u>Type</u>	<u>Additives</u>	<u>Weight</u>	<u>Vis.</u>	<u>WL</u>
12-1/4"	0 - 1950	FWG	Lime/ASP700 Sweeps	10.0	35-40	NC
7-7/8"	1950-4135	FW	Polymer/Salt	8.4- 8.6*	---	NC
7-7/8"	4135-4970	LSND	Staflor/Drispac	8.9-10.0*	34-40	20 cc or less
7-7/8"	4970-6330	LSND	Caustic/Desco	9.3*	36-40**	8-12 cc

\* Throughout interval water flows requiring weighting of the mud with barite for control of entry may be possible.

\*\* Logging Vis: 60+; DST Vis: 50-55

6. Coring, Logging and Testing Program:

No coring is anticipated.

Standard mechanical packer drill stem tests may be run in the Ismay and Desert Creek if warranted.

A full GR-CNL-FDC and GR-DLL will be run across the Ismay-Desert Creek intervals. A GR-DILL will be run from the base of the surface casing.

Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log" (Form 3160-4) will be submitted not later than thirty (30) days after completion of the well or after completion of operations being performed, in accordance with 43 CFR 3164. Two copies of all logs, core descriptions, core analysis, well-test data, geologic summaries, sample description, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations, will be filed with Form 3160-4. If requested, prior to the commencement of drilling operations, samples (cuttings, fluids, and/or gases) will be submitted to the District Manager.

7. Abnormal Conditions, Bottom Hole Pressures and Potential Hazards:

Abnormal pressure is not expected in the prospective pay intervals; however, water flows in the De Chelly and Cutler Sands at 2,912' and 3,006' are possible, and may require mud weight to be increased to 11.1 lbs/gallons. Past experience has shown the flows to be sporadic in the area, and has shown these water flows can be readily controlled by weighting up the drilling fluid to control or eliminate the flow.

Lost circulation and other drilling problems are not anticipated.

Hydrogen sulfide gas is not anticipated.

8. Anticipated Starting Dates and Notifications of Operations:

The operator will contact the San Juan Resource Area at 801-587-2141, forty-eight (48) hours before beginning any dirt work.

No location will be constructed or moved, no well will be plugged, and no drilling or workover equipment will be removed from a well to be placed in a suspended status without prior approval of the District Manager. If operations are to be suspended, prior approval of the District Manager will be obtained and notification given before resumption of operations.

The spud date will be reported orally to the San Juan Area Manager, a minimum of twenty-four (24) hours before spudding. A Sundry Notice (Form 3160-5) will be sent within twenty-four (24) hours after spudding, reporting the spud date and time. The Sundry will be sent to the District Manager. If the spudding is on a weekend or holiday, the Sundry will be submitted on the following regular work day.

In accordance with Onshore Oil and Gas Order No. 1, this well will be reported on Form 9-329 "Monthly Report of Operations", starting with the month in which operations begin and continue each month until the well is physically plugged and abandoned. This report will be sent to the BLM District Office, P.O. Box 970, Moab, Utah 84532.

Immediate Report: Spills, blowouts, fires, leaks, accidents, or any other unusual occurrences shall be promptly reported to the Resource Area in accordance with requirements of NTL-3A.

If a rig of a type uncommon to the area is utilized for drilling or completion, a Sundry Notice (Form 3160-5) to that effect will be filed, for prior approval of the District Manager. All conditions of this approved plan are applicable during all operations conducted with the replacement rig. In emergencies, verbal approval can be given by the District Petroleum Engineer.

If the well is successfully completed for production, the the District Manager will be notified when the well is placed in a producing status. Such notification will be through the filing of a Completion Report following the date on which the well is placed on production.

No well abandonment operations will begin without the prior approval of the District Manager. In the case of newly drilled dry holes or failures, and in emergencies, oral approval will be obtained from the District Petroleum Engineer. A "Subsequent Report of Abandonment" (Form 3160-5) will be filed with the District Manager, within thirty (30) days following completion of the well for abandonment. This report will indicate where plugs were placed and the current status of surface restoration.

Final abandonment will not be approved until the surface reclamation work required by the approved APD or approved abandonment notice has been completed to the satisfaction of the San Juan Area Manager, or the appropriate surface manager.

Approval to vent/flare gas during initial well evaluation will be obtained from the District Office. This preliminary approval will not exceed thirty (30) days or 50 MMCF gas. Approval to vent/flare beyond this initial test period will require District Office approval pursuant to guidelines in NTL-4A.

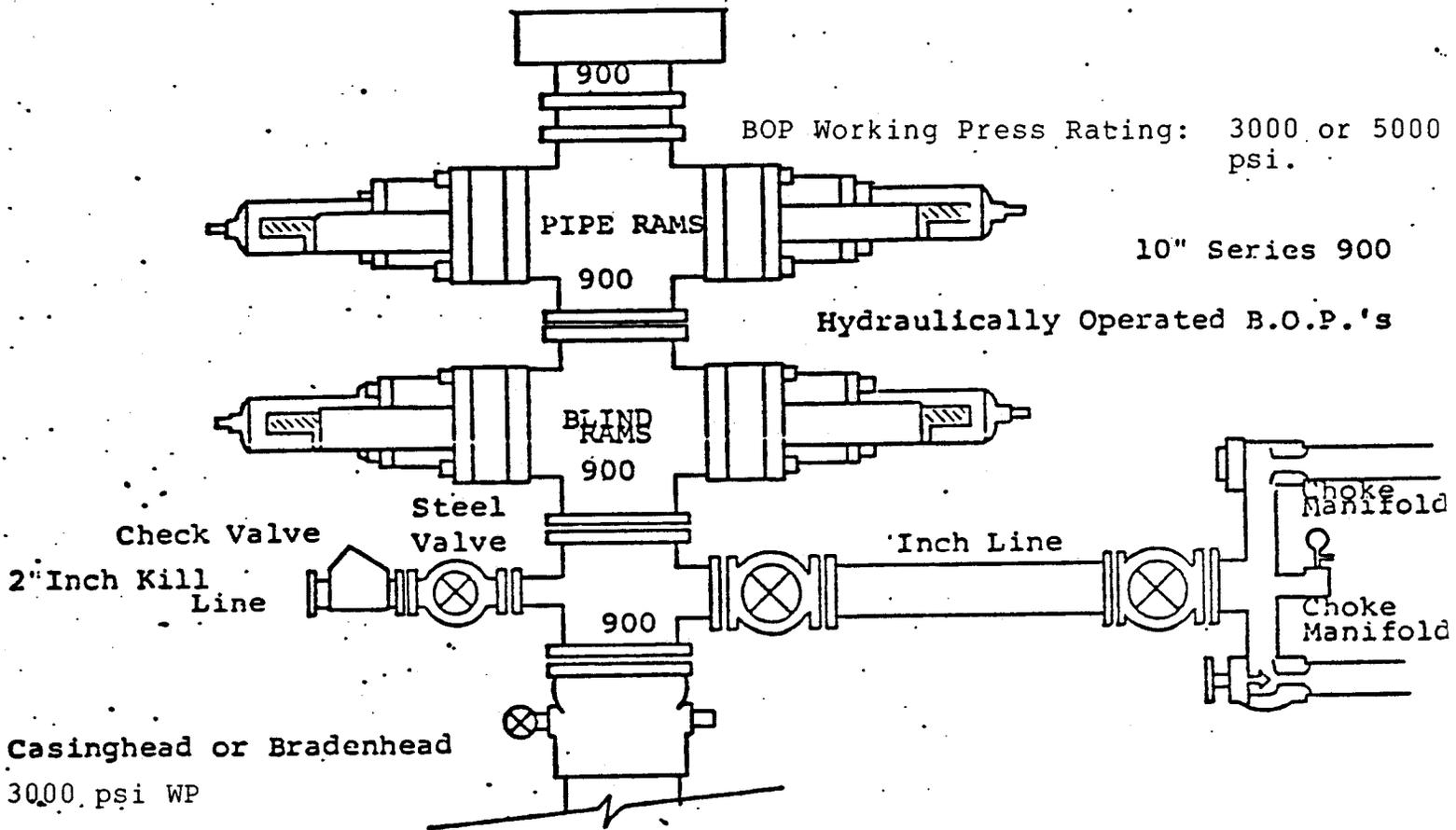
Upon completion of approved plugging, a regulation marker will be erected in accordance with 43 CFR 3162.6. The following information will be permanently beaded-on with a welding torch: Fed, Well number, location by 1/4 1/4 section, township and range, Lease number. The type of marker to be utilized will be selected by the BLM after abandonment.

The BLM will be contacted prior to performing the following actions so they may witness them if they so desire.

1. The cementing and testing of surface casing, testing BOP's.
2. (Dry Hole) Setting and testing of surface casing shoe plug.

Notify the San Juan Resource area (Mike Wade) one day or on dry hole as soon as possible prior to the above at (801) 587-2141 (Home) (801) 587-2026 or if unable to reach Mike call Moab District office Steve Jones at (801) 259-6111.

Blowout Preventor Layout



THE FOLLOWING CONSTITUTE MINIMUM BLOWOUT PREVENTER REQUIREMENTS

1. All preventers to be hydraulically operated with secondary manual controls installed prior to drilling out from under casing.
2. Choke outlet to be a minimum of 2" diameter.
3. Kill line to be of all steel construction of 2" minimum diameter.
4. All connections from operating manifolds to preventers to be all steel, hole or tube a minimum of one inch in diameter.
5. The available closing pressure shall be at least 15% in excess of that required with sufficient volume to operate the B.O.P.'s.
6. All connections to and from preventer to have a pressure rating of 2000 psi or more. Max surface shut-in press in the area is 1000 psi.
7. BOP will be tested in accordance with APD stipulations.
8. Operating controls located a safe distance from the rig floor.
9. Hole must be kept filled on trips below intermediate casing.

## **1. EXISTING ROAD**

See attached Regional Map Exhibit "A" and Topographic Map Exhibit "B".

To reach the BWAB Incorporated Sandia Federal 9-44 drilling location in the SESE of Section 9, T39S-R26E, San Juan County, Utah, follow the directions below.

The location is approximately 23 miles southeast of Blanding, Utah. Proceed northwest out of Arriola, Colorado on U.S. Highway 666 approximately 11.1 miles to its junction with Montezuma County Road BB, just south of Pleasant View, Colorado. At Road BB intersection with U.S. Highway 666 is a BLM sign giving mileage to Hovenweep, McLean Basin, Negro Canyon and Pedro Point. From the intersection, turn west on Road BB and go west 5.9 miles to intersection with Montezuma County Road 10. At the intersection there is another BLM sign with an arrow pointing south saying "Hovenweep 20 Miles". Turn south onto Road 10. Follow County Road 10 south-southwest to Colorado/Utah state line, approximately 16.2 miles. Proceed west an additional 0.5 miles. Turn south on flat bladed road and follow southwesterly approximately 1 mile to the location.

The U.S. highways mentioned above are bituminous surfaced roads and are maintained by the Colorado State road crews. The country roads are upgraded dirt roads maintained by Montezuma County. The exploration roads mentioned above will be maintained by BWAB Incorporated.

The roads that are required for access during the drilling, completion and production phases of this well will be maintained to insure proper travel both entering and leaving the area. This will require some minor grader work and watering for maintaining of the road bed and dust control. Any work involving the county road will be coordinated with the Montezuma County Road Department.

## **2. PLANNED ACCESS ROAD**

See Topographic Map "B" for routing of access over federal lands near wellsite.

The access road over federal lands will be a 20' crown road (10' either side of the centerline) after improvement. All but 1 mile of the road is existing improved road. The 1 mile entry road utilizes existing disturbances, either pipeline right-of-ways, existing roads or seismic trails to gain entry to the location, except where it skirts cultural resource sites. Most of the road is Montezuma County maintained. Only 1 mile falls on Federal surface. Maximum width of the construction area of disturbance will be 30'. Initial road construction will be limited to flat blading. Where the road crosses the Mobil Gas Pipeline, the road

will be padded over the crossing point. Access to the pipeline right-of-way will be blocked with fencing. Where the road parallels the pipeline on the pipeline right-of-way working easement, the road will be separated from the pipeline by a fence. Prior to construction of the road, the fence will be installed after the pipeline is flagged by Mobil. The pipeline company will be asked to inspect the work to assure the line is protected prior to road construction.

The grade along this new road varies but is less than 2% over all.

Only 1 mile of this road is on Federal surfaces; the majority of the road into the location is county or state maintained public roadway.

Culverts will be placed where necessary when the road is improved after production is established. The BLM will be consulted on the proper placement of water bars, turnouts and culverts. For exploration purposes, only a flat bladed road will be constructed. No grades in excess of 10% are expected on the entry road.

The Operator or his Contractor will contact the Surface Protection Specialist at the San Juan Resource Area Office in Monticello, Utah, phone (801) 587-2141, forty-eight (48) hours prior to beginning any work on public land.

The dirt contractor will be furnished with an approved copy of the surface use plan and any additional BLM stipulations prior to any work.

If subsurface cultural material is exposed during construction, work in that spot will stop immediately and the San Juan Resource Area Office will be contacted. All employees working in the area will be informed by the Operator that they will be subject to prosecution for disturbing archaeological sites or picking up artifacts. Salvage or excavation of identified archaeological sites will only be done if damage occurs.

If the Archaeological Study shows it necessary, a contract archeologist will be present when the dirt work on the access road commences to monitor the site for uncovered archeological material.

Improvement to the existing road on federal lands will be necessary if production is established. The upgrading will conform to the Class III road standards and will be completed within sixty (60) days after production is established and flowline and battery installation is complete. Upgrading is to be delayed so that the finally upgraded road and battery area will not be disturbed or damaged by facility installation.

New road construction on federal lands will be in conformance to the Class III road standards after production is established. All roads on federal lands will be upgraded with drainage dips (water bars) and tail ditches as specified by the BLM representative from the Resource Area. The centerline of the road is currently flagged.

Trees will be piled along the side of the access road and topsoil will not be saved along the route.

Surface disturbance and vehicular travel will be limited to the approved location and approved access route. Any additional area needed will be approved in advance.

Surfacing material will not be placed on the access road or location without prior BLM approval as to the type of material used.

### **3. EXISTING WELLS**

There are three dry holes located within a one-mile radius of the subject drilling location. The locations of the dry holes are detailed in the paragraph below. They are also noted on Topographic Map "A".

### **4. LOCATION OF EXISTING AND PROPOSED FACILITIES**

There are no producing wells within a one-mile radius of the proposed location.

At the present time, there is one carbon dioxide pipeline operated by Mobil Oil, located within a one-mile radius of the location. The location of the pipeline right-of-way is noted on Topographic Map "A".

There are three dry holes within a one-mile radius of the location. They are the Carter Oil No. 2 Aztec Federal located in the SWSW of Section 9, the Wintershall Oil & Gas Wintershall Federal 10-31 located in the NENE of Section 10, and the Mobil No. 1 Federal-GG located in the SWNW of Section 15. All wells are located in T39S-R26E, San Juan County, Utah.

The area used to contain the proposed production facilities will be built using native materials. If these materials are not available or acceptable, then other arrangements will be made to acquire them from private sources. These facilities will be constructed using bulldozers, graders and workman crews to construct and place the proposed facilities.

The exact site of the tank battery will be determined after the well is drilled, but current plans call for placing the tank battery facility on location. If an alternative site is proposed, it will be located on the same federal lease at a remote site which would be on federal surface. Any battery constructed will be built and operated in compliance with federal regulations. If the location of the battery is off the drillsite, approval will be obtained from BLM prior to any battery construction activity.

All permanent (on site for 6 months or longer) above ground facilities (including pump jacks) will be painted a flat, nonreflective, earthtone color to match the standard environmental colors, as determined by the Rocky Mountain 5-State Interagency committee. All facilities will be painted within 6 months of installation if weather permits. Facilities required to comply with the Occupational Safety and Health Act (OSHA) will be excluded. The color will be desert beige.

If a tank battery is constructed on this lease, it will be surrounded by a dike of sufficient capacity to contain 1-1/2 times the storage capacity of the battery.

All loading lines will be placed inside the berm surrounding the tank battery.

All site security guidelines identified in 43 CFR 3162.7 regulations will be adhered to. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed.

All off-lease storage, off-lease measurements, or commingling on-lease or off-lease will have prior written approval from the District Manager.

If the battery is located on the wellsite, the gas meter runs for the well will be located within 500 feet of the wellhead. The gas flowline will be buried from the wellhead to the meter and 500 feet downstream of the meter run or any production facilities. Meter runs will be housed and/or fenced. If the battery is located at a remote site, the gas meter will be located within 500 feet of the battery.

The oil and gas measurement facilities will be installed on the well location or at a remote site on federal land previously stated. The gas meters will be calibrated in place before any deliveries. Tests for meter accuracy will be conducted in accordance with contract provisions. The San Juan Area Manager will be provided with a date and time for the initial meter calibration and all future meter proving schedules. A copy of the meter calibration reports will be submitted to the San Juan Area Manager. All meter measurement facilities will conform with the API standards for liquid hydrocarbons and the AGA standard for natural gas measurement.

Rehabilitation of disturbed areas no longer needed for operations after construction is completed will meet the requirements of Item #10.

#### **5. LOCATION AND TYPE OF WATER SUPPLY**

Drilling water will be obtained from private sources located on private lands. The water will be purchased from landowners.

There will be no water well drilled at this location site.

All concerned agencies will be notified to obtain appropriate water purchase or use approvals.

Use of water from sources such as wells, springs, streams, or stock ponds for activities associated with this well will be approved, prior to use, by the agency or individual holding the water right.

#### **6. SOURCE OF CONSTRUCTION MATERIALS**

All construction material for this location site shall be borrow material accumulated during construction of the location site and access road. No additional road gravels or pit lining material from other sources are anticipated at this time, but if they are required, the appropriate actions will be taken to acquire them from private sources. The drillsite and part of the entry road is on BLM administered lands. The balance of the entry road is on county and state owned public right-of-ways across state, private and federal lands.

#### **7. METHODS OF HANDLING WASTE DISPOSAL**

See the attached Location Layout Sheet.

A reserve pit will be constructed to contain drilling cuttings, drilling water and drilling mud.

The reserve pit will be approximately 8' deep and at least one half of this depth shall be below the surface of the existing ground. The pit will be located, as shown on the attached plat, on the west side of the drilling location.

The reserve pit will be used during the drilling of this well to store non-flammable materials such as cuttings, drilling fluids if needed, chemicals and produced fluids, etc.

If deemed necessary by the agencies concerned to prevent contamination to surrounding areas, the reserve pits will be lined with native clay or other suitable liner material. At this time, it is not expected a liner will be necessary. The BLM will be contacted prior to pit utilization to determine if a liner is necessary.

The pits will be surrounded by a three-strand barbed wire fence and over-head flagging will be installed to protect water fowl, wildlife and domestic animals if there is oil on the pits.

As stated in the aforementioned paragraphs, non-flammable materials such as cuttings and drilling fluids will be contained in the reserve pits.

After drilling rig move out, the reserve pit will be fenced on all sides at the time drilling activities are completed. It will be allowed to dry completely prior to backfilling and other reclamation activities.

When the reserve pit dries and reclamation activities commence, the pits will be covered with as much soil as is practical and all requirements in Item #10 will be followed.

All produced water, if any, will be disposed of according to NTL-2B requirements.

All garbage and other waste material will be contained in a trash basket made of small mesh wire, or a pit covered with wire mesh. If it is not burned, all trash will be taken to the nearest sanitary landfill for disposal upon completion of the well. A burn permit will be obtained from the San Juan County Sheriff (801) 587-2236 if burning occurs prior to October 31, 1987.

A portable chemical toilet will be provided for human waste.

## **8. ANCILLARY FACILITIES**

There are no ancillary facilities planned for at the present time and none foreseen in the near future.

## **9. WELL SITE LAYOUT**

See the attached Location Layout Sheet.

As previously mentioned in Item #7, the pits will be unlined unless it is determined by the representatives of the agencies involved that the materials are too porous and would cause contamination to the surrounding area; then the pits will be lined with native clay and any other type of material necessary to make them safe and tight.

When drilling activities commence, all work shall proceed in a neat and orderly sequence.

#### 10. PLANS FOR RESTORATION OF SURFACE

The reserve pit and that portion of the location and access road not needed for production or production facilities will be reclaimed in the methods described in the rehabilitation section. Adequate topsoil will be retained for final reclamation of the location where such topsoil exists. Any remaining stockpile of topsoil will be seeded in place using the prescribed seed mixture.

All above-ground production facilities will be painted with a flat, non-contrasting color harmonious with the adjacent landscape.

There is little topsoil on the location site, due to its nature, and all top soil not necessary for location construction shall be stripped and stockpiled on the side of the location where sufficient top soil is available to salvage. (See location layout sheet). When all drilling and production activities have been completed, the location site will be reshaped to the original contour and stockpiled topsoil spread over the disturbed area.

Any drainages re-routed during construction activities shall be restored to their original line of flow as near as possible. Fences around trash pits are to be removed upon completion of drilling activities and all waste being contained in the pits shall be buried with a minimum of 4' of cover where practical.

As mentioned in Item #7, the reserve pits will be completely fenced with wire after the completion of drilling activity and overhead flagging installed if there is oil in the pits. The pits will be allowed to dry completely before covering. All items mentioned above will be completed within 90 days after commencement of restoration procedures if weather conditions permit.

When restoration activities have been completed, the location site and access ramp shall be reseeded with a seed mixture recommended by the BLM District Office when the moisture content of the soil is adequate for germination. The Lessee further agrees that all said clean-up and restoration activities shall be done and performed in a diligent and workman-like manner and in strict conformity with the above mentioned Items #7 and #10, and the Oil and Gas Surface Operating Standards Manual.

Immediately upon completion of drilling, the location and surrounding area will be cleared of all debris resulting from the operations. All trash will be burned or hauled to a local sanitary landfill.

The Operator or his Contractor will contact the Surface Protection Specialist at the San Juan Resource Area BLM office in Monticello, Utah, phone (801) 587-2141, 48 hours prior to starting rehabilitation work that involves earthmoving equipment and upon completion of restoration measures.

Before any dirt work to restore the location takes place, the reserve pit must be completely dry and any trash (barrels, metal, etc.) it contains must be removed from public lands.

All disturbed areas will be recontoured to blend as nearly as possible with the surrounding area. The stockpiled topsoil will be evenly distributed over the disturbed area.

All disturbed areas will be scarified with the contour to a depth of 12". Do not smooth pads, leave a roughened surface.

Seed will be (broadcast/drilled) at a time to be specified by the BLM with the attached seed prescription. When broadcast seeding, a harrow or some such implement will be dragged over the seeded area to assure seed cover.

The seed mixture recommended for location is 4 lbs/acre of Indian Ricegrass (*Oryzopsis hymenades*), 2 lbs/acre of Fourwing Saltbrush (*Atriplex canescens*), 1/2 lb/acre of Sage Brush, and 1/2 lb/acre of Yellow Sweet Clover.

After seeding is complete, the stockpiled trees will be scattered evenly over the disturbed areas and walked down with a dozer. The federal land access will be blocked to prevent any vehicle use.

Waterbars will be used on all sloping surfaces as shown below:

GRADE

SPACING

2%  
2-4%  
4-5%  
+5%

200 feet spacing  
100 feet spacing  
75 feet spacing  
50 feet spacing

**11. SURFACE OWNERSHIP**

Bureau of Land Management administered Federal Lands.

Mineral Ownership: Federal.

## 12. OTHER INFORMATION

The subject drillsite is located on an arid rock plateau used primarily for stock grazing in San Juan County, Utah. There are no unusual plants or endangered animals known to be in the area, and the local ecosystem is not expected to be significantly impacted by this work. The area has experienced drilling and oil and gas exploration activity in the immediate area over the last few years. The proposed activity will not make the area unsuitable for its current use.

There will be no change from the proposed drilling and/or workover program without prior approval from the District Manager. Safe drilling and operating practices must be used. All wells, whether drilling, producing, suspended or abandoned will be identified in accordance with 43 CFR 3162.2.

"Sundry Notice and Report on Wells" (Form 3160-5) will be filed for approval for all changes of plans and other operations in accordance with 43 CFR 3164.

The dirt contractor will be provided with an approved copy of the surface use plan.

The major item of concern in the area is the cultural resources located in the Hovenweep National Monument and the lands surrounding it. BWAB Incorporated will make every reasonable effort to cooperate with the BLM and the National Park Service to protect these resources.

If subsurface cultural materials are exposed during construction, work in that spot will stop immediately and the San Juan Resource Area Office will be contacted. All people who are in the area will be informed by the operator/holder that they are subject to prosecution for disturbing archaeological sites or picking up artifacts. Salvage or excavation of identified archaeological sites will be done by a BLM approved archaeologist only if damage occurs.

This permit will be valid for a period of one year from the date of approval. After permit termination, a new application will be filed for approval for any future operations.

The contact with the BLM District Office is Steve Jones, phone: (801) 259-6111, address: P. O. Box 970, Moab, Utah 84532.

The San Juan Resource Area Manager's address is P. O. Box 7, Monticello, Utah 84532. The contact is Richard McClure, phone: (801) 587-2141.

**13. LESSEE'S OR OPERATOR'S REPRESENTATIVE**

BWAB INCORPORATED  
1801 California Street  
Suite 1000  
Denver, CO 80202

Mr. John R. Keller  
(303) 295-7444  
(303) 755-6181 (Home)

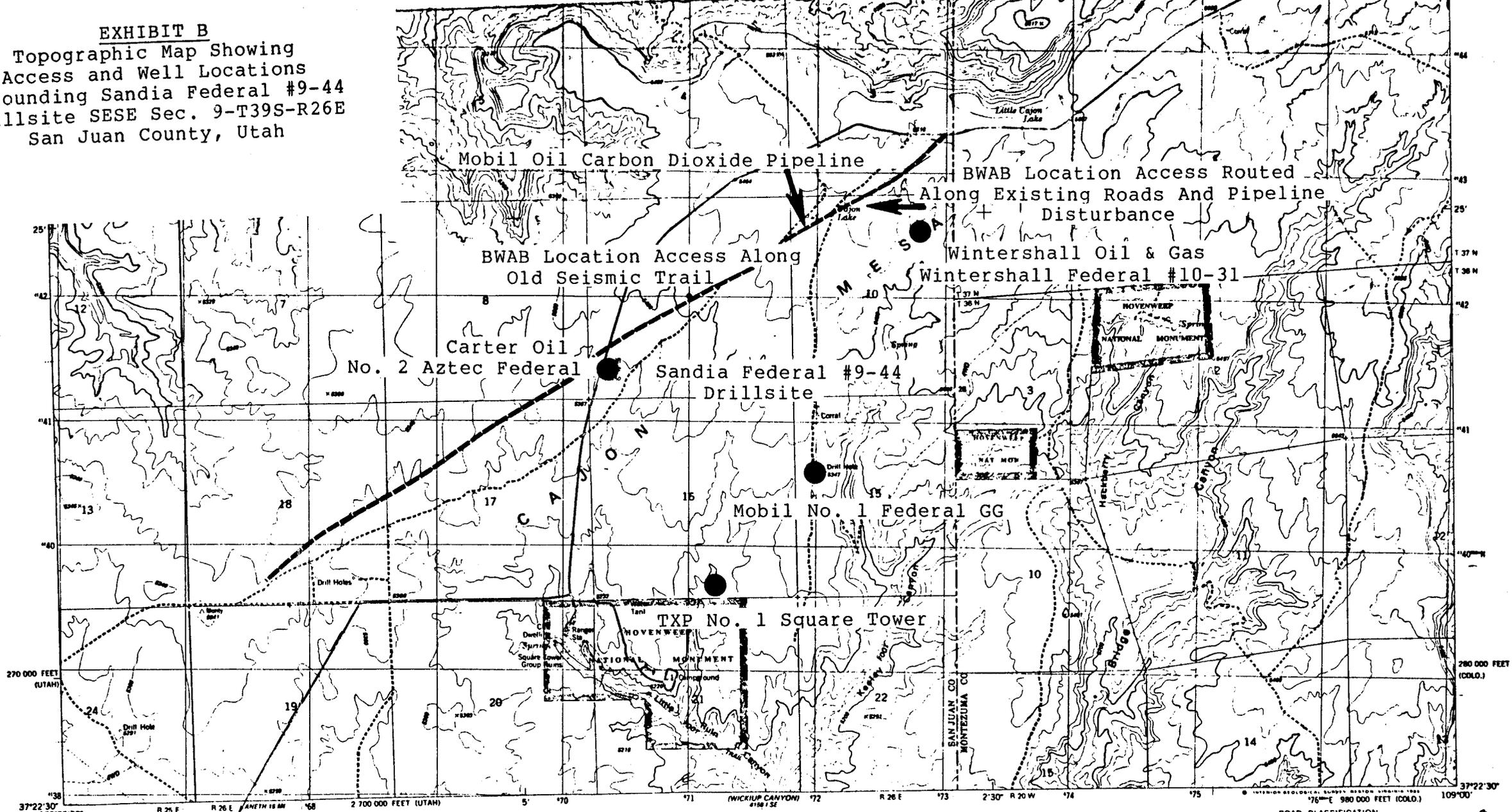
**14. CERTIFICATION**

I hereby certify that I, or persons under my direct supervision have inspected the proposed drillsite and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge true and correct; and that the work associated with the operation proposed herein will be performed by BWAB INCORPORATED and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

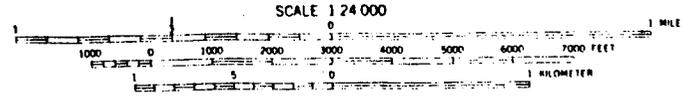
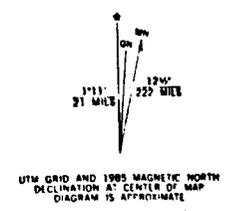
10/20/87  
Date

  
\_\_\_\_\_  
John R. Keller  
Production Superintendent  
BWAB Incorporated

**EXHIBIT B**  
**Topographic Map Showing**  
**Access and Well Locations**  
**Surrounding Sandia Federal #9-44**  
**Drillsite SESE Sec. 9-T39S-R26E**  
**San Juan County, Utah**



Mapped, edited, and published by the Geological Survey  
 Control by USGS and NOS/NOAA  
 Topography by photogrammetric methods from aerial photographs taken 1978. Field checked 1979. Map edited 1985  
 Projection: Utah coordinate system, south zone (Lambert conformal conic)  
 10,000-foot grid ticks based on Utah coordinate system, south zone and Colorado coordinate system, south zone 1000-meter Universal Transverse Mercator grid, zone 12 1927 North American Datum  
 To place on the predicted North American Datum 1983 move the projection lines 3 meters north and 59 meters east as shown by dashed corner ticks  
 Fine red dashed lines indicate selected fence lines  
 Certain land lines are omitted because of insufficient data



**ROAD CLASSIFICATION**

Primary highway, hard surface	Light duty road, hard or improved surface
Secondary highway, hard surface	Unimproved road
○ Interstate Route	○ U.S. Route
	○ State Route

**RUIN POINT, UTAH-COLO.**  
 NE4 CAJON MESA 18 QUADRANGLE  
 37109-D1-TF-024

THIS MAP COMPLIES WITH NATIONAL MAP ACCURACY STANDARDS  
 FOR SALE BY U.S. GEOLOGICAL SURVEY, DENVER, COLORADO 80225, OR RESTON, VIRGINIA 22082  
 A FOLDER DESCRIBING TOPOGRAPHIC MAPS AND SYMBOLS IS AVAILABLE ON REQUEST

There may be private inholdings within the boundaries of the National or State reservations shown on this map

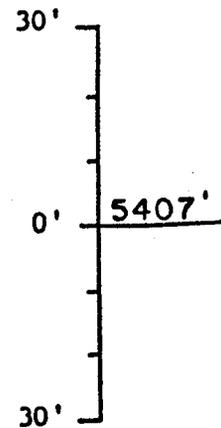
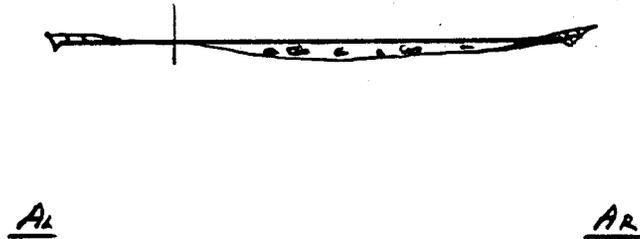
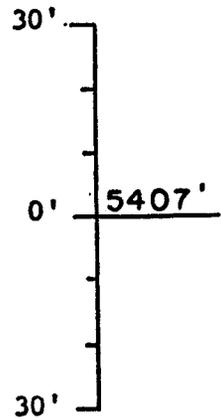
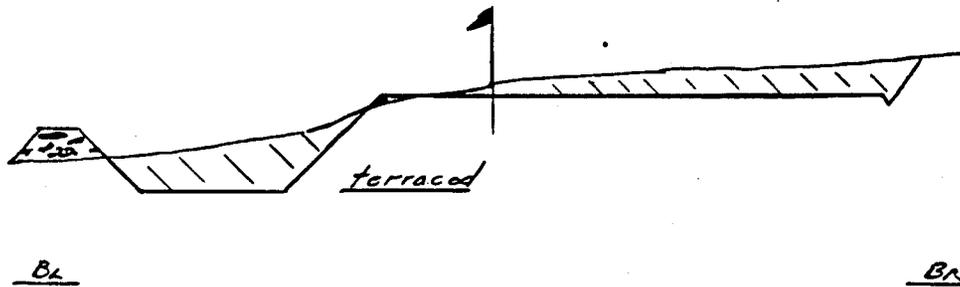
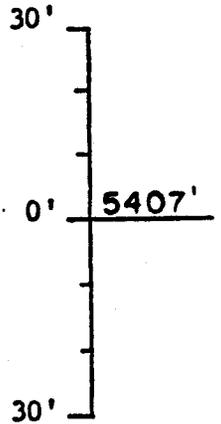
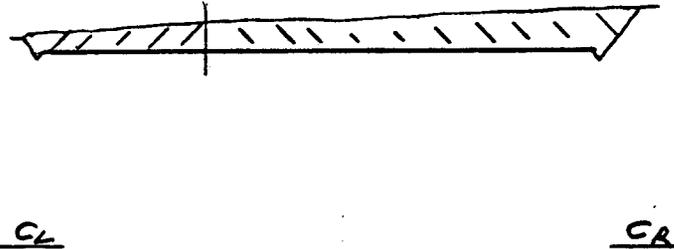
1985  
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Cut   
Fill 

Scales: 1" = 60' H.  
1" = 30' V.



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/>			5. LEASE DESIGNATION AND SERIAL NO. U-50439	
b. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/>			6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
2. NAME OF OPERATOR BWAB Incorporated			7. UNIT AGREEMENT NAME	
3. ADDRESS OF OPERATOR 1801 California St., Suite 1000, Denver, CO. 80202			8. FARM OR LEASE NAME Sandia Federal	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements,*) At surface 1300' FSL and 1000' FEL At proposed prod. zone Same			9. WELL NO. 9-44	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 23 Miles SE of Blanding Utah			10. FIELD AND POOL, OR WILDCAT	
15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drig. unit line, if any) 1000'			11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA Sec. 9, T39S, R26E	
16. NO. OF ACRES IN LEASE 4886.38			12. COUNTY OR PARISH San Juan	
17. NO. OF ACRES ASSIGNED TO THIS WELL 40			13. STATE Utah	
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. NA			20. ROTARY OR CABLE TOOLS Rotary	
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 5408 GL			22. APPROX. DATE WORK WILL START* November 15, 1987	
23. PROPOSED CASING AND CEMENTING PROGRAM				

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED John R. Keller TITLE Drilling/Production Manager DATE 10/13/87  
(This space for Federal or State office use)

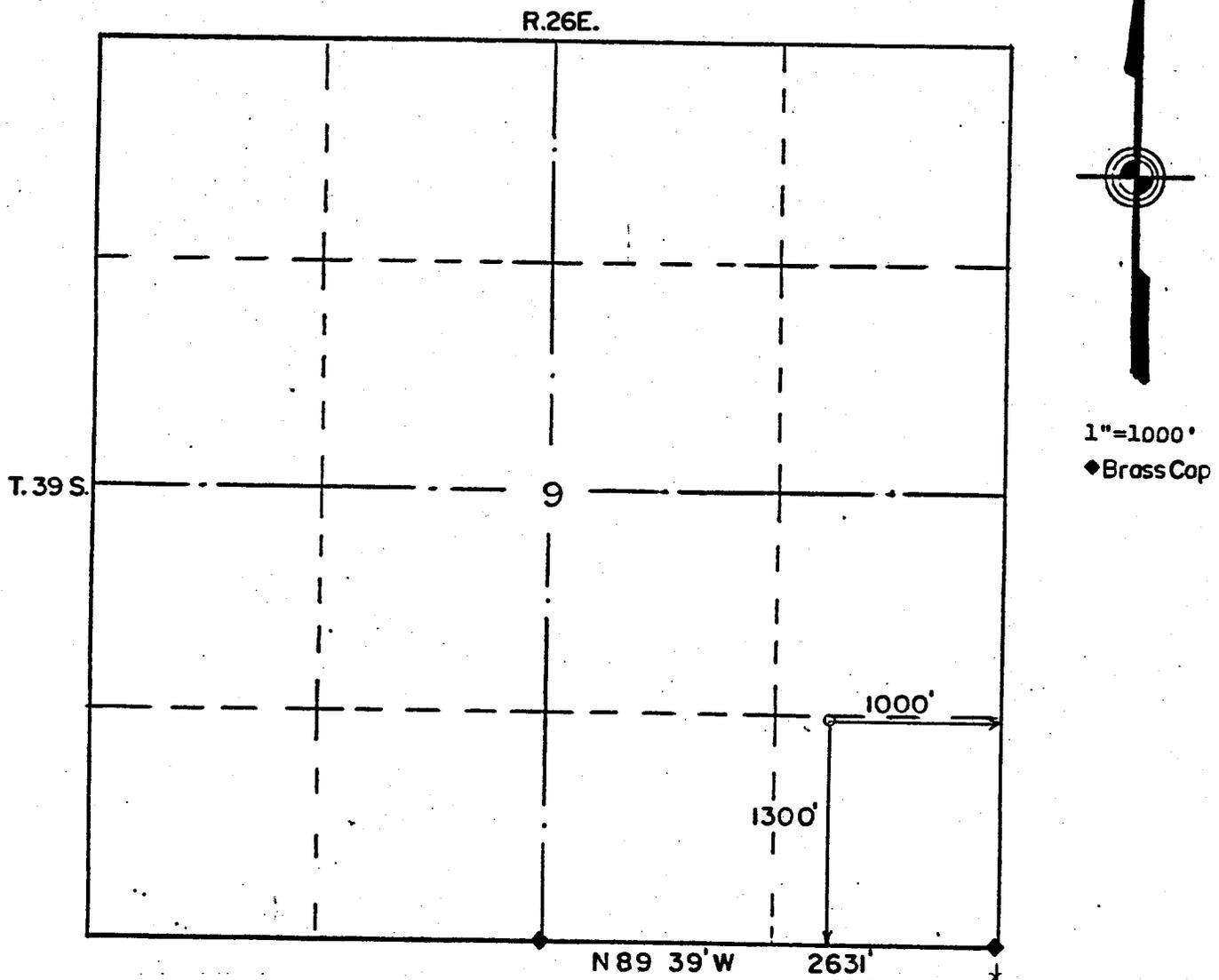
PERMIT NO. \_\_\_\_\_ APPROVAL DATE NOV 10 1987  
APPROVED BY /s/ Kenneth V. Rhea TITLE Acting District Manager DATE \_\_\_\_\_  
CONDITIONS OF APPROVAL, IF ANY:

FLARING OR VENTING OF GAS IS SUBJECT TO NTL 4-A

CONDITIONS OF APPROVAL ATTACHED  
\*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

WELL LOCATION AND ACREAGE DEDICATION PLAT



WELL LOCATION DESCRIPTION:  
 BWAB, Inc., Sandia Federal #9-44  
 1300" FSL & 1000' FEL  
 Section 9, T.39 S., R.26 E., SLM  
 San Juan County, Utah  
 5408' ground elevation  
 Reference: N.31 E., 502', 5431' grd. elev.

The above plat is true and correct to my knowledge and belief.

5 October 1987

Gerald G. Huddleston, LS  
 REGISTERED LAND SURVEYOR  
 No. 5705  
 GERALD G. HUDDLESTON  
 STATE OF UTAH

BWAB, Inc.  
Well No. Sandia Federal 9-44  
Sec. 9, T. 39 S., R. 26 E.  
San Juan County, Utah  
Lease U-50439

CONDITIONS OF APPROVAL

Approval of this application does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

BWAB, Inc., is the the bonded entity on this application. Liability well remain with the bonded party named above until we are formally notified by letter of the new bonded entity in reference to this Application for Permit to Drill.

NOTIFICATIONS

Notify the San Juan Resource Area, at (801) 587-2141 for the following:

2 days prior to commencement of dirt work, construction or reclamation;

1 day prior to spudding;

1 day prior to running and cementing surface casing;

1 day prior to pressure testing of BOPE and/or surface casing.

Notify the Moab District Office, Branch of Fluid Minerals at (801) 259-6111 for the following:

No well abandonment operations will be commenced without the prior approval of the District Manager. In the case of newly drilled dry holes, and in emergency situations, verbal approval can be obtained by calling the following individuals, in the order listed.

Steven Jones, Petroleum Engineer

Office Phone: (801) 259-6111

Home Phone: (801) 259-7404

Lynn Jackson, Chief, Branch of Fluid Minerals

Office Phone: (801) 259-6111

Home Phone: (801) 259-7990

Paul Brown, I&E Coordinator

Office Phone: (801) 259-6111

Home Phone: (801) 259-7018

24 hours advance notice is required for all abandonments.

B. THIRTEEN POINT SURFACE USE PLAN

1. Clyde Benally of Mobil Oil Corporation (303-565-2205) will be notified 48 hours prior to working around the CO<sub>2</sub> pipeline.
2. For the protection of archaeological resources, an archaeologist will monitor initial blading of the access route.
3. Bureau of Land Management (BLM) (San Juan Resource Area, 801-587-2141) will be notified prior to doing any blasting during construction.
4. BLM (San Juan Resource Area, 801-587-2141) will be notified during plugging to determine if a regulation dry hole marker will be utilized.

STATE ACTIONS

Mail to:  
RDCC Coordinator  
116 State Capitol  
Salt Lake City, Utah 84114

1. ADMINISTERING STATE AGENCY  
OIL, GAS AND MINING  
355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, UT 84180-1203
2. STATE APPLICATION IDENTIFIER NUMBER:  
(assigned by State Clearinghouse)
3. APPROXIMATE DATE PROJECT WILL START:  
Upon approval

4. AREAWIDE CLEARING HOUSE(S) RECEIVING STATE ACTIONS:  
(to be sent out by agency in block 1)  
Southeastern Utah Association of Local Governments

5. TYPE OF ACTION: // Lease /X/ Permit // License // Land Aquisition  
/\_/ Land Sale /\_/ Land Exchange /\_/ Other \_\_\_\_\_

6. TITLE OF PROPOSED ACTION:  
Application for Permit to Drill

7. DESCRIPTION:  
BWAB Inc. proposes to drill a wildcat well, the Sandia Federal #9-44, on federal lease number U-50439 in San Juan County, Utah. This action is being presented to RDCC for consideration of resource issues affecting state interests. The U.S. Bureau of Land Management is the primary administrative agency in this case and must issue approval to drill jointly with DOGM before operations can commence.

8. LAND AFFECTED (site location map required) (indicate county)  
SE/4, SE/4, Section 9, Township 39 South, Range 26 East, San Juan County, Utah

9. HAS THE LOCAL GOVERNMENT(S) BEEN CONTACTED?  
Unknown

10. POSSIBLE SIGNIFICANT IMPACTS LIKELY TO OCCUR:  
No significant impacts are likely to occur

11. NAME AND PHONE NUMBER OF DISTRICT REPRESENTATIVE FROM YOUR AGENCY NEAR PROJECT SITE, IF APPLICABLE:  
Chip Hutchinson, Moab, 259-8151

12. FOR FURTHER INFORMATION, CONTACT: 13. SIGNATURE AND TITLE OF AUTHORIZED OFFICIAL  
John Baza  
PHONE: 538-5340  
DATE: 11-17-87 Petroleum Engineer

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS, AND MINING

(Other instructions on reverse side)

**APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK**

1a. Type of Work: DRILL  DEEPEN  PLUG BACK

1b. Type of Well: Oil Well  Gas Well  Other

2. Name of Operator: **BWAB Incorporated**

3. Address of Operator: **1801 California St., Suite 1000, Denver, CO 80202**

4. Location of Well (Report location clearly and in accordance with any State requirements.)\*  
At surface: **1300' FSL & 1000' FEL SESE**  
At proposed prod. zone: \_\_\_\_\_

5. Lease Designation and Serial No.: **U-50439**

6. If Indian, Allottee or Tribe Name: \_\_\_\_\_

7. Unit Agreement Name: \_\_\_\_\_

8. Farm or Lease Name: **Sandia Federal**

9. Well No.: **9-44**

10. Field and Pool, or Wildcat: **WILDCAT**

11. Sec., T., R., M., or Bk. and Survey or Area: **Sec. 9-T39S-R26E**

12. County or Parrish 13. State: **San Juan Co., UT**

14. Distance in miles and direction from nearest town or post office\*: **23 miles SE of Blanding UT**

15. Distance from proposed\* location to nearest property or lease line, ft. (Also to nearest drlg. line, if any): **1000'**

16. No. of acres in lease: **4886.38**

17. No. of acres assigned to this well: **40**

18. Distance from proposed location\* to nearest well, drilling, completed, or applied for, on this lease, ft.: **N/A**

19. Proposed depth: **6330'**

20. Rotary or cable tools: **Rotary**

21. Elevations (Show whether DF, RT, GR, etc.): **5408' GL**

22. Approx. date work will start\*: **November 15, 1987**

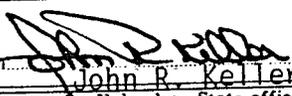
NOV 16 1987  
DIVISION OF OIL, GAS & MINING

**PROPOSED CASING AND CEMENTING PROGRAM**

Size of Hole	Size of Casing	Weight per Foot	Setting Depth	Quantity of Cement
12-1/4"	8-5/8"	24# or 32#	1950'	950 SXS - Circ. to surf.
7-7/8"	5-1/2"	15.5# or 17#	6330'	250 SXS

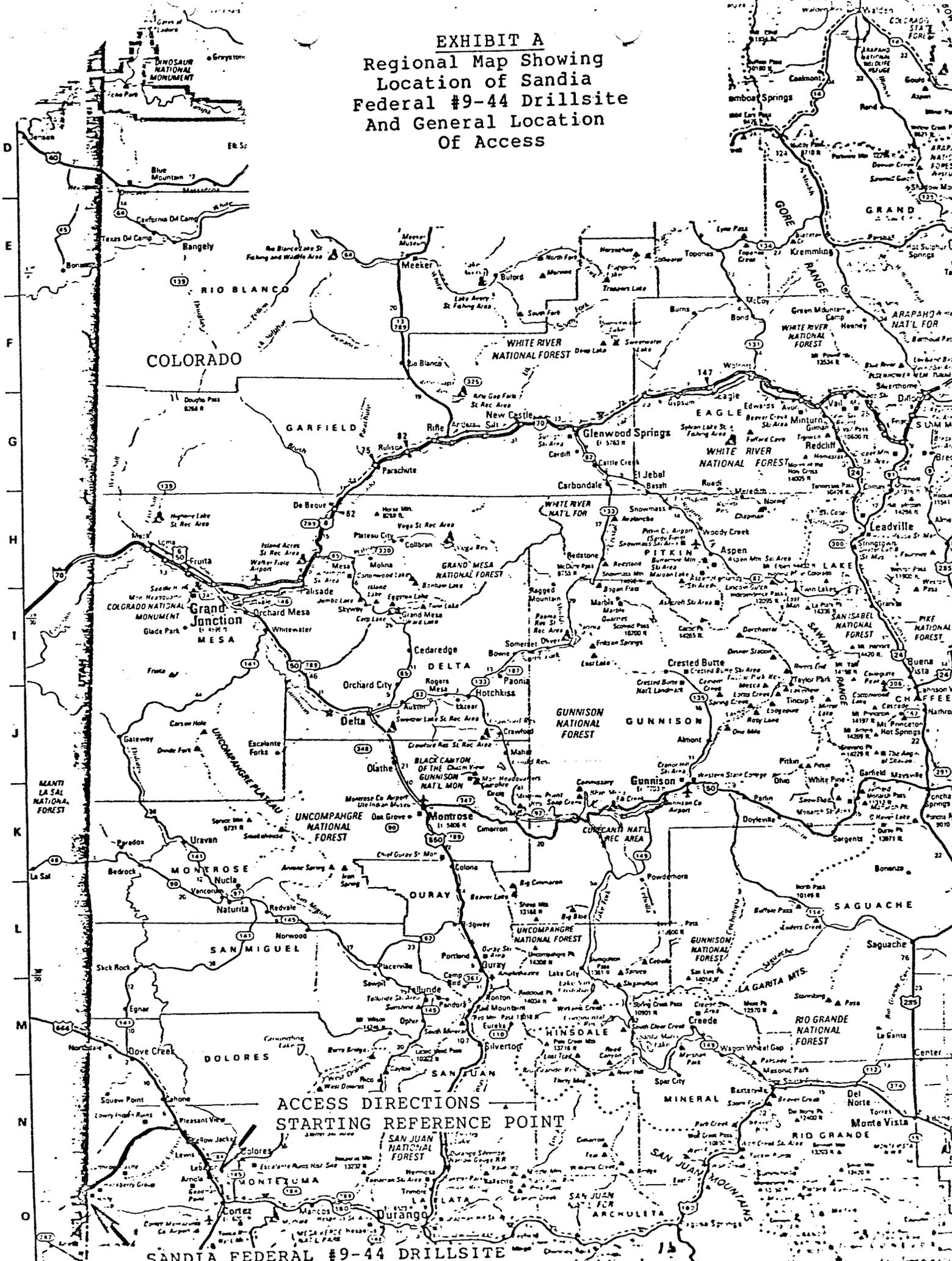
1. Drill to 1950'. Set 8-5/8", 24#/32# surface casing & cement to surface.
2. Pressure test BOP and surface casing.
3. Drill to 6330' TD and test the productivity of the Ismay & Desert Creek.
4. Plug as per BLM instructions or run production csg. as appropriate to 6330'.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.  Title Drilling & Production Manager Date 11/10/87  
 (This space for Federal or State office use)

Permit No. \_\_\_\_\_ Approval Date \_\_\_\_\_  
 Approved by \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_  
 Conditions of approval, if any: \_\_\_\_\_

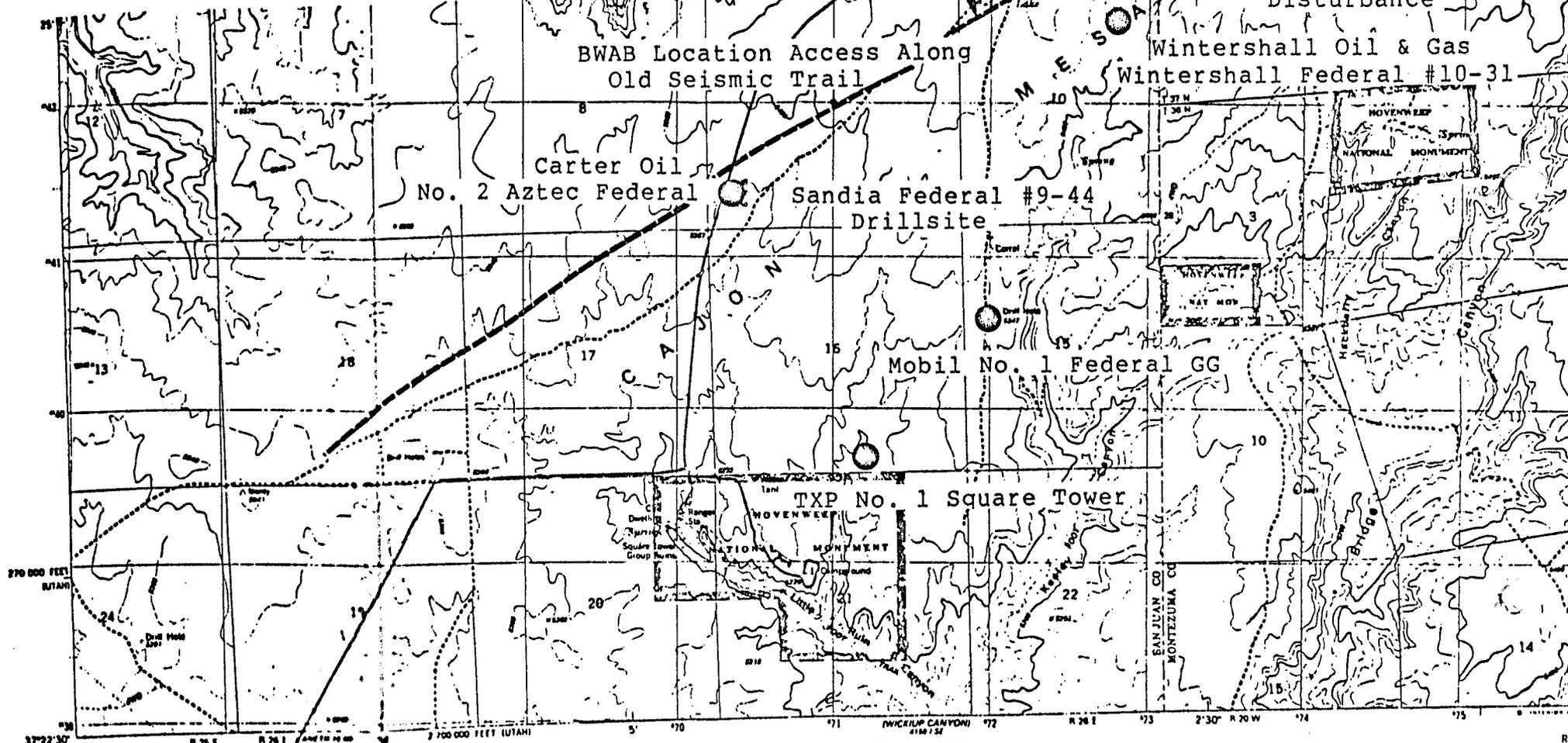
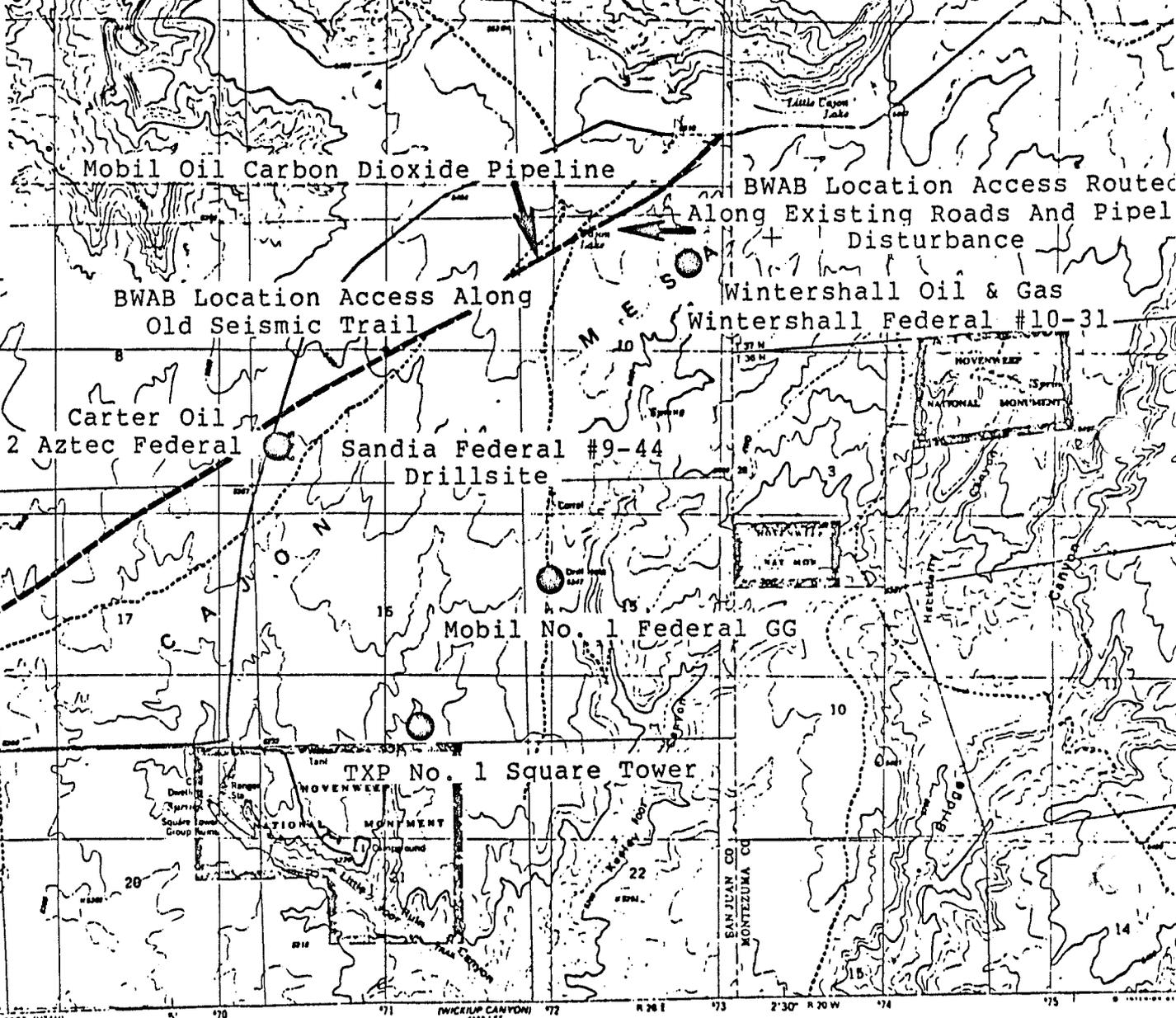
**EXHIBIT A**  
**Regional Map Showing**  
**Location of Sandia**  
**Federal #9-44 Drillsite**  
**And General Location**  
**Of Access**



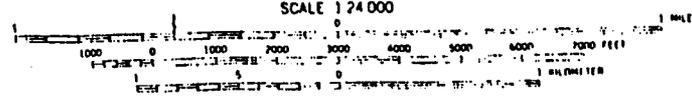
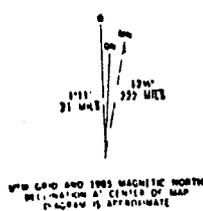
**ACCESS DIRECTIONS**  
**STARTING REFERENCE POINT**

**SANDIA FEDERAL #9-44 DRILLSITE**

Topographic Map Showing Access and Well Locations Surrounding Sandia Federal #9-44 Drillsite SESE Sec. 9-T39S-R26E San Juan County, Utah



Mapped, edited, and published by the Geological Survey  
Control by USGS and NOS/NOAA  
Topography by photogrammetric methods from aerial photographs taken 1978. Field checked 1979. Map edited 1985  
Projection: Utah coordinate system, south zone (Lambert conformal conic)  
10,000-foot grid ticks based on Utah coordinate system, south zone and Colorado coordinate system, south zone  
1000-meter Universal Transverse Mercator grid zone 12  
1927 North American Datum  
To place on the predicted North American Datum 1983 move the projection lines 3 meters north and 59 meters east as shown by dashed corner ticks  
Fine red dashed lines indicate selected fence lines  
Certain land lines are omitted because of insufficient data



THIS MAP COMPLIES WITH NATIONAL MAP ACCURACY STANDARDS  
FOR SALE BY U.S. GEOLOGICAL SURVEY, DENVER, COLORADO 80225, OR RESTON, VIRGINIA 22092  
A FOLDER DESCRIBING TOPOGRAPHIC MAPS AND SYMBOLS IS AVAILABLE ON REQUEST

There may be private inholdings within the boundaries of the National or State reservations shown on this map

Primary highway, hard surface  
Secondary highway, hard surface  
Interstate Route

121608

OPERATOR BWB Inc DATE 11-18-87

WELL NAME Sandia Federal 9-44

SEC SE SE 9 T 39S R 26E COUNTY San Juan

43-037-31371  
API NUMBER

Fed  
TYPE OF LEASE

CHECK OFF:

PLAT

BOND

NEAREST WELL

LEASE

FIELD

POTASH OR OIL SHALE

PROCESSING COMMENTS:

No other well in Sec. 26.  
Need water permit  
Exception location needed - Rec'd 1/10/87

APPROVAL LETTER:

SPACING:  R615-2-3 \_\_\_\_\_ UNIT

R615-3-2

\_\_\_\_\_ CAUSE NO. & DATE

R615-3-3

STIPULATIONS:

1 - Water

# SOUTHEASTERN UTAH ASSOCIATION OF LOCAL GOVERNMENTS

HAROLD J. [REDACTED]  
Chairman P.O. Drawer A1 • Price, Utah 84501 • Telephone 637-5444  
WILLIAM D. HOWELL  
Executive Director

**RECEIVED**  
DEC 4 1987

## DIVISION OF OIL, GAS & MINING AREAWIDE CLEARINGHOUSE A-95 REVIEW

NOI \_\_\_ Preapp \_\_\_ App \_\_\_ State Plan \_\_\_ State Action X Subdivision \_\_\_ (ASP # 11-1124-13)

Other (indicate) \_\_\_\_\_ SAI Number \_\_\_\_\_

Applicant (Address, Phone Number):  
Oil, Gas and Mining  
355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203

Federal Funds:  
Requested: \_\_\_\_\_

### Title:

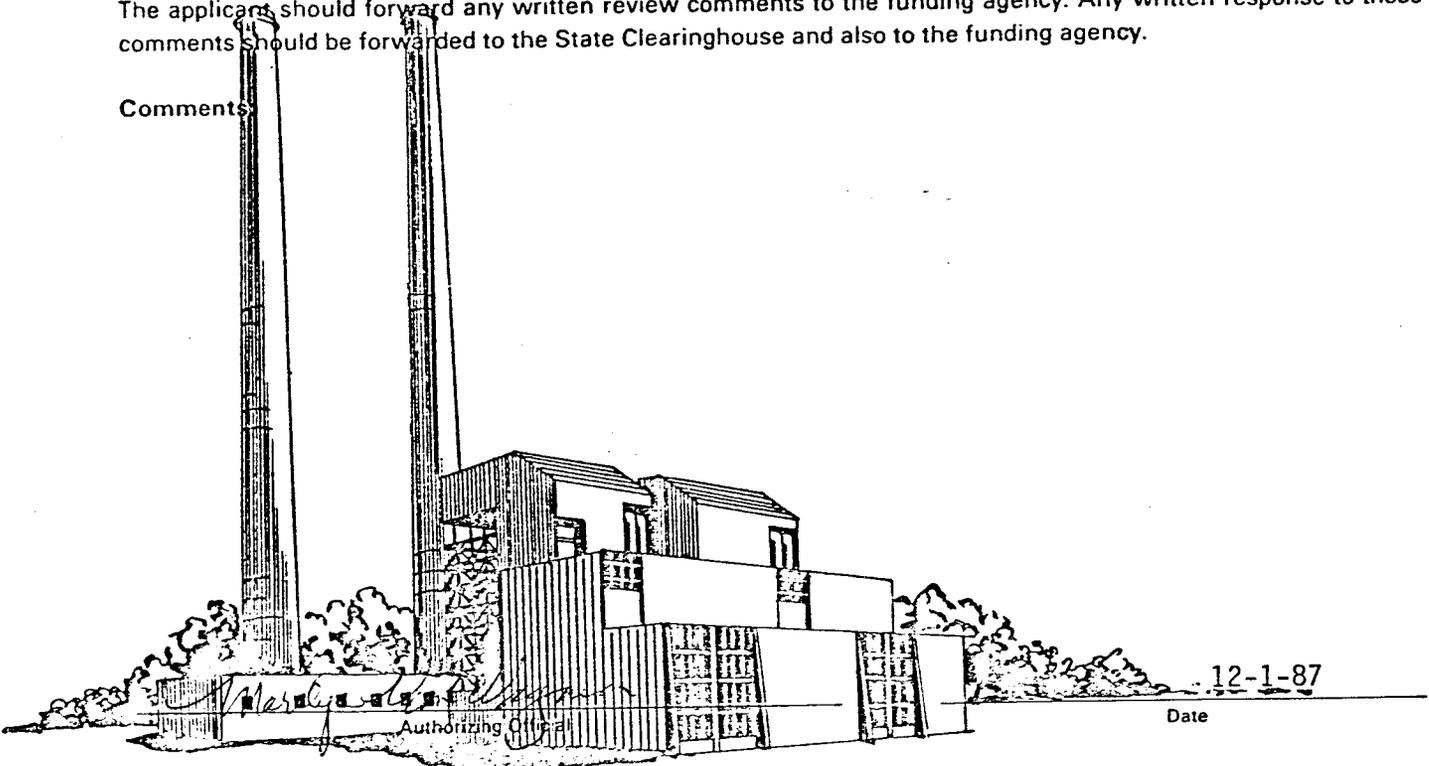
APPLICATION FOR PERMIT TO DRILL (BWAB Inc.)

*Sandia Fed. # 9-44  
9-395-26E.  
San Juan Co.*

- No comment
- See comments below
- No action taken because of insufficient information
- Please send your formal application to us for review. Your attendance is requested

The applicant should forward any written review comments to the funding agency. Any written response to those comments should be forwarded to the State Clearinghouse and also to the funding agency.

### Comments



12-1-87

Date

BWAB INCORPORATED



December 8, 1987

State of Utah  
Division of Oil, Gas & Mining  
355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, UT 84180-1203

RECEIVED  
DEC 10 1987

ATTENTION: John Baza

RE: Sandia Federal #9-44  
SESE Sec. 9-T39S-R26E  
San Juan Co., UT

DIVISION OF  
OIL, GAS & MINING

Dear Sir:

Per my conversation with Arlene of your office today, BWAB Incorporated proposes to drill the Sandia Federal #9-44 as an exception location. The primary objective of this exploratory test, the Upper Ismay member of the Paradox formation, is an algal mound which is areally limited. The mound is identifiable on a reflection seismic profile which runs through the subject drillsite. The drilling of the proposed well at a location within the 400 foot legal "window" introduces an unacceptable risk or it requires that an additional seismic profile be shot in an area that is archaeologically sensitive. BWAB Incorporated controls all of the acreage within 1000 feet of the proposed exception location.

If you should have any questions in this regard, please do not hesitate to contact Bob Lent of our office.

Respectfully,

BWAB Incorporated

Carrie M. Sullivan

BL:cms



116 State Capitol Building  
Salt Lake City, UT 84114  
Telephone 801-533-5245

## office of planning and budget

Norman H. Bangerter, Governor Dale C. Hatch, C.P.A., J.D., Director Michael E. Christensen, Ph.D., Deputy Director

RECEIVED  
DEC 11 1987

December 7, 1987

DIVISION OF  
OIL, GAS & MINING

John Baza  
Division of Oil, Gas and Mining  
3 Triad Center, Suite 350  
355 West North Temple  
Salt Lake City, Utah 84180-1203

SUBJECT: BWAB, Inc. Application for Permit to Drill a Wildcat Well, the Sandia Federal #9-44 on federal lease number U-50439, San Juan County  
State Application Identifier #UT871119-030

Dear John:

The Resource Development Coordinating Committee of the State of Utah has reviewed this proposed action and the Division of State History comments:

The staff of the Utah State Historic Preservation Office has reviewed the State Actions form for the above referenced proposed project. We understand that the Bureau of Land Management is the lead agency and approval must be solicited from the BLM as well as DOGM prior to the drilling of this well. We have also received from La Plata Archeological Consultants an archeological survey report for this proposed well and access road. From our review of the report we are able to concur with the following findings and recommendations of the archeological consultant.

First, we concur that sites 42Sal8692 and 42Sal8698 are not eligible for the National Register. We note that this determination of ineligibility could change if additional subsurface remains are located. Second, we are able to concur with the findings that site 42Sal1939 and 42Sa2993 are potentially eligible for the National Register. Finally, we concur with the archeological consultant's recommendation that an archeological monitor be present during road construction activities to insure that sites are avoided and to check for any buried cultural resources.

John Baza  
Division of Oil, Gas and Mining  
December 7, 1987  
Page Two

We understand that all four sites are located at least 100 feet from the project and if they are adequately protected and avoided during construction, we would be able to concur with a finding of no effect for this project.

The above is provided on request as outlined by 36 CF 800 or Utah Code, Title 63-18-37. If you have questions or need additional assistance, please contact Charles Shepherd at (801) 533-7039.

The Committee appreciates the opportunity of reviewing this document. Please address any other questions regarding this correspondence to Carolyn Wright (801) 538-1535.

Sincerely,

*Michael E. Christensen*

Michael E. Christensen  
Deputy Director

DCH/jw



STATE OF UTAH  
NATURAL RESOURCES  
Oil, Gas & Mining

Norman H. Bangerter, Governor  
Dee C. Hansen, Executive Director  
Dianne R. Nielson, Ph.D., Division Director

355 W. North Temple • 3 Triad Center • Suite 350 • Salt Lake City, UT 84180-1203 • 801-538-5340

December 11, 1987

N4320

BWAB Incorporated  
1801 California Street, Suite 1000  
Denver, Colorado 80202

Gentlemen:

Re: Sandia Federal 9-44 - SE SE Sec. 9, T. 39S, R. 26E  
1300' FSL, 1000' FEL - San Juan County, Utah

Approval to drill the referenced well is hereby granted in accordance with Rule R615-3-3, Oil and Gas Conservation General Rules, subject to the following stipulations:

1. Prior to commencement of drilling, receipt by the Division of evidence providing assurance of an adequate and approved supply of water as required by Chapter 3, Title 73, Utah Code Annotated.

In addition, the following actions are necessary to fully comply with this approval:

1. Spudding notification to the Division within 24 hours after drilling operations commence.
2. Submittal of an Entity Action Form to the Division within five working days of the time that the well is spudded or a change in operations or interests necessitates a change in entity status.
3. Submittal to the Division of completed Form OGC-8-X, Report of Water Encountered During Drilling.
4. Prompt notification to the Division should you determine that it is necessary to plug and abandon this well. Notify John R. Baza, Petroleum Engineer, (Office) (801) 538-5340, (Home) 298-7695, or R. J. Firth, Associate Director, (Home) 571-6068.

Page 2  
BWAB Incorporated  
Sandia Federal 9-44  
December 11, 1987

5. Compliance with the requirements of Rule R615-3-22, Gas Flaring or Venting, Oil and Gas Conservation General Rules.
6. Prior to commencement of the proposed drilling operations, plans for toilet facilities and the disposal of sanitary waste at the drill site shall be submitted to the local health department having jurisdiction. Any such drilling operations and any subsequent well operations must be conducted in accordance with applicable state and local health department regulations. A list of all local health departments and copies of applicable regulations are available from the Division of Environmental Health, Bureau of General Sanitation, telephone (801) 538-6121.
7. This approval shall expire one (1) year after date of issuance unless substantial and continuous operation is underway or an application for an extension is made prior to the approval expiration date.

The API number assigned to this well is 43-037-31371.

Sincerely,



R. J. Firth  
Associate Director, Oil & Gas

as  
Enclosures  
cc: Branch of Fluid Minerals  
D. R. Nielson  
8159T

010709

DIVISION OF OIL, GAS AND MINING

*Jrl.*

SPUDDING INFORMATION

API #43-037-31371

NAME OF COMPANY: BWAB

WELL NAME: SANDIA FEDERAL 9-44

SECTION SE SE 9 TOWNSHIP 39S RANGE 26E COUNTY San Juan

DRILLING CONTRACTOR Parker Drilling

RIG # \_\_\_\_\_

SPUDDED: DATE 1-5-88

TIME \_\_\_\_\_

How Dry Hole Digger

DRILLING WILL COMMENCE Coleman - Rig #2

REPORTED BY Cari Sullivan

TELEPHONE # (303) 295-7444 (Ext. 454)

DATE 1-6-88 SIGNED AS



January 11, 1988

State of Utah  
Division of Oil, Gas & Mining  
355 W. North Temple  
3 Triad Center, Suite 350  
Salt Lake City, UT 84180-1203

RECEIVED  
JAN 12 1986

DIVISION OF  
OIL, GAS & MINING

RE: Taos State #42-36  
SENE Sec. 36-T37S-R24E  
San Juan Co., UT

Sandia Federal #9-44  
SESE Sec. 9-T39S-R26E  
San Juan Co., UT

Muckleshoot Federal #15-32  
SWNE Sec. 15-T38S-R25E  
San Juan Co., UT

Gentlemen:

Enclosed herewith is one (1) original and three (3) copies each of our Sundry Notice regarding Notification of Spud for the above captioned wells. Also enclosed is one (1) original and two (2) copies of our Producing Entity Action Form for the Taos State #42-36 well. If you should have any questions in this regard, please do not hesitate to contact the undersigned.

Very truly yours,

BWAB Incorporated

*Carrie M. Sullivan*  
Carrie M. Sullivan

:CMS

Enclosures (12)

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS, AND MINING

MIT IN TRIPLICATE\*  
(Other instructions on reverse side)

SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir. Use "APPLICATION FOR PERMIT—" for such proposals.)

5. LEASE DESIGNATION AND SERIAL NO.

U-50439 *Orl.*

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

012011

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME

Sandia Federal

9. WELL NO.

9-44

10. FIELD AND POOL, OR WILDCAT

11. SEC., T., R., M., OR BLM. AND SURVEY OR ARRA

Sec. 9-T39S-R26E

12. COUNTY OR PARISH 13. STATE

San Juan

UT

1. OIL WELL  GAS WELL  OTHER

2. NAME OF OPERATOR

BWAB Incorporated

3. ADDRESS OF OPERATOR

1801 California St., Suite 1000, Denver, CO 80202

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.\* See also space 17 below.)  
At surface

1300' FSL & 1000' FEL SESE

14. PERMIT NO.

API #43-037-31371

15. ELEVATIONS (Show whether DF, RT, GR, etc.)

5408' GL

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

TEST WATER SHUT-OFF

FRACTURE TREAT

SHOOT OR ACIDIZE

REPAIR WELL

(Other)

PULL OR ALTER CASING

MULTIPLE COMPLETE

ABANDON\*

CHANGE PLANS

SUBSEQUENT REPORT OF:

WATER SHUT-OFF

FRACTURE TREATMENT

SHOOTING OR ACIDIZING

(Other)

REPAIRING WELL

ALTERING CASING

ABANDONMENT\*

(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)\*

NOTIFICATION OF SPUD:

Set 83' of 16" conductor on 1/06/88 by Parker Air Drilling. Cmt'd to surface; Currently waiting on rotary tools.

18. I hereby certify that the foregoing is true and correct

SIGNED

*John R. Keller*  
John R. Keller

TITLE Drilling & Prod. Manager

DATE 1/11/88

(This space for Federal or State office use)

APPROVED BY

TITLE

DATE

CONDITIONS OF APPROVAL, IF ANY:



8. List any other water rights which will supplement this application \_\_\_\_\_

9. NATURE AND PERIOD OF USE

Irrigation:	From _____	to _____
Stockwatering:	From _____	to _____
Domestic:	From _____	to _____
Municipal:	From _____	to _____
Mining:	From _____	to _____
Power:	From _____	to _____
Other:	From 01/05	to 01/31/88

10. PURPOSE AND EXTENT OF USE

Irrigation: \_\_\_\_\_ acres. Sole supply of \_\_\_\_\_ acres.  
 Stockwatering (number and kind): \_\_\_\_\_  
 Domestic: \_\_\_\_\_ Families and/or \_\_\_\_\_ Persons  
 Municipal (name): \_\_\_\_\_  
 Mining: \_\_\_\_\_ Mining District in the \_\_\_\_\_ Mine  
 Ores mined: \_\_\_\_\_  
 Power: Plant name: \_\_\_\_\_ Type: \_\_\_\_\_ Capacity: \_\_\_\_\_  
 Other (describe): Drilling of Oil & Gas Well

11. PLACE OF USE

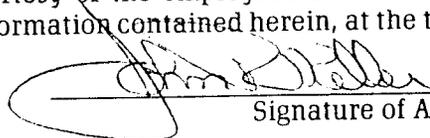
Legal description of place of use by 40 acre tract(s): \_\_\_\_\_  
Sandia Federal #9-44 Well:  
N. 1300 ft. & W. 1000 ft. from SE Cor. Sec. 9, T39S, R24E, SLB&M (SE 1/4 SE 1/4).  
43-037-31371-01.

12. EXPLANATORY

The following is set forth to define more clearly the full purpose of this application. (Use additional pages of same size if necessary): The water will be removed from the subject pond located on federal surface administered by the BLM with their approval. Mr. Rich McClure in the Monticello office of the BLM has been notified for approval to expropriate the water for the purposes of drilling this federal well

\*\*\*\*\*

The applicant(s) hereby acknowledges that he/she/they are a citizen(s) of the United States of America or intends to become such a citizen(s). The quantity of water sought to be appropriated is limited to that which can be beneficially used for the purposes herein described. The undersigned hereby acknowledges that even though he/she/they may have been assisted in the preparation of the above-numbered application through the courtesy of the employees of the Division of Water Rights, all responsibility for the accuracy of the information contained herein, at the time of filing, rests with the applicant(s).

  
 \_\_\_\_\_  
 Signature of Applicant(s)

John R. Keller  
 Drilling & Production Manager  
 BWAB Incorporated  
 January 7, 1987

**TEMPORARY**

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS, AND MINING

PRINT IN TRIPLICATE\*  
(Other instructions on reverse side)

SUNDRY NOTICES AND REPORTS

(Do not use this form for proposals to drill or to deepen or plug a well in a different reservoir. Use "APPLICATION FOR PERMIT—" for such wells.)

RECEIVED  
JAN 27 1988

5. LEASE DESIGNATION AND SERIAL NO.	U-50439 Drl.
6. IF INDIAN, ALLOTTEE OR TRIBE NAME	020409
7. UNIT AGREEMENT NAME	
8. FARM OR LEASE NAME	Sandia Federal
9. WELL NO.	9-44
10. FIELD AND POOL, OR WILDCAT	Undesignated
11. SEC., T., E., M., OR BLK. AND SURVEY OR ABBA	Sec. 9-T39S-R26E
12. COUNTY OR PARISH	San Juan
13. STATE	UT

1. OIL WELL  GAS WELL  OTHER

2. NAME OF OPERATOR  
BWAB Incorporated

3. ADDRESS OF OPERATOR  
1801 California St., Suite 1000, Denver, CO 80202

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.\* See also space 17 below.)  
At surface SESE 1300' FSL & 1000' FWL

14. PERMIT NO.  
API No. 43-037-31371

15. ELEVATIONS (Show whether OF, RT, OR, etc.)  
5408' GL

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
TEST WATER SHUT-OFF <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	WATER SHUT-OFF <input type="checkbox"/>	REPAIRING WELL <input type="checkbox"/>
FRACTURE TREAT <input type="checkbox"/>	MULTIPLE COMPLETE <input type="checkbox"/>	FRACTURE TREATMENT <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
SHOOT OR ACIDIZE <input type="checkbox"/>	ABANDON* <input type="checkbox"/>	SHOOTING OR ACIDIZING <input type="checkbox"/>	ABANDONMENT* <input type="checkbox"/>
REPAIR WELL <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	(Other) <input type="checkbox"/>	

(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)\*

This well was spudded by rotary tools at 4:00 am 01/25/88. The drilling contractor is Coleman Drilling, Rig No. 2.

18. I hereby certify that the foregoing is true and correct  
SIGNED John R. Keller TITLE Drlg & Prod Manager DATE 01/25/88  
(This space for Federal or State office use)

APPROVED BY \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_  
CONDITIONS OF APPROVAL, IF ANY:

BWAB INCORPORATED



January 25, 1988

RECEIVED  
JAN 29 1988

State of Utah  
Division of Oil, Gas & Mining  
355 W. North Temple  
3 Triad Center, Suite 350  
Salt Lake City, UT 84180-1203

DIVISION OF  
OIL, GAS & MINING

ATTENTION: John Baza

RE: Sandia Federal #9-44  
SESE Sec. 9-T39S-R26E  
San Juan Co., UT

Dear Sir:

Enclosed herewith is one (1) original and two (2) copies of our Sundry Notice with a change of plans for the above captioned well. If you have any questions in this regard, please do not hesitate to contact the undersigned.

Very truly yours,

BWAB Incorporated

Carrie M. Sullivan

:CMS

Enclosures (3)

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS, AND MINING

**SUNDRY NOTICES AND REPORTS ON WELLS**

(Do not use this form for proposals to drill or to deepen or plug a well to a different reservoir. Use "APPLICATION FOR PERMIT—" for such purposes.)

**RECEIVED**  
JAN 29 1988

5. LEASE DESIGNATION AND SERIAL NO. U-50439 <i>pl.</i>
6. IF INDIAN, ALLOTTEE OR TRIBE NAME
7. UNIT AGREEMENT NAME
8. FARM OR LEASE NAME Sandia Federal
9. WELL NO. 9-44
10. FIELD AND POOL, OR WILDCAT Undesignated
11. SEC., T., R., M., OR BLK. AND SURVEY OR ABBA Sec. 9-T39S-R26E
12. COUNTY OR PARISH San Juan
13. STATE UT

1. OIL WELL  GAS WELL  OTHER

2. NAME OF OPERATOR  
BWAB Incorporated

3. ADDRESS OF OPERATOR  
1801 California St., Suite 1000, Denver, CO 80202

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.\* See also space 17 below.)  
At surface  
SESE 1300' FSL & 1000' FWL

14. PERMIT NO.  
API No. 43-037-31371

15. ELEVATIONS (Show whether OF, ST, GR, etc.)  
5408' GL

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
TEST WATER SHUT-OFF <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	WATER SHUT-OFF <input type="checkbox"/>	REPAIRING WELL <input type="checkbox"/>
FRACTURE TREAT <input type="checkbox"/>	MULTIPLE COMPLETE <input type="checkbox"/>	FRACTURE TREATMENT <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
SHOOT OR ACIDIZE <input type="checkbox"/>	ABANDON* <input type="checkbox"/>	SHOOTING OR ACIDIZING <input type="checkbox"/>	ABANDONMENT* <input type="checkbox"/>
REPAIR WELL <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	(Other) <input type="checkbox"/>	

(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)\*

Please change your records to reflect the fact that BWAB Incorporated has requested and received verbal permission to add an additional source of drilling water for the subject well. This change became necessary when weather conditions rendered the original permitted source, a BLM pond in Nancy Patterson Canyon, inaccessible. Verbal approval was obtained from Mark Page with the State of Utah Water Rights Office in Price, UT on January 26, 1988 for this action. Copies of our originally approved permit and our follow up application for the second source are attached.

18. I hereby certify that the foregoing is true and correct

SIGNED *John P. Keller* TITLE Drlg. & Prod. Manager DATE 01/26/88  
John P. Keller  
(This space for Federal or State office use)

APPROVED BY \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_  
CONDITIONS OF APPROVAL, IF ANY:

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS, AND MINING

SUBMIT IN TRIPLICATE\*  
(Other instructions on reverse side)

**SUNDRY NOTICES AND REPORTS ON WELLS**  
(Do not use this form for proposals to drill or to deepen or plug back into a different reservoir. Use "APPLICATION FOR PERMIT—" for such proposals.)

**RECEIVED**  
JAN 29 1988  
DIVISION OF OIL, GAS & MINING

1. OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/>		5. LEASE DESIGNATION AND SERIAL NO. U-50439 <i>M.</i>
2. NAME OF OPERATOR BWAB Incorporated		6. IF INDIAN, ALLOTTEE OR TRIBE NAME
3. ADDRESS OF OPERATOR 1801 California St., Suite 1000, Denver, CO 80202		7. UNIT AGREEMENT NAME
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.* See also space 17 below.) At surface SESE 1300' FSL & 1000' FWL		8. FARM OR LEASE NAME Sandia Federal
14. PERMIT NO. API No. 43-037-31371	15. ELEVATIONS (Show whether DF, ST, GR, etc.) 5408' GL	9. WELL NO. 9-44
		10. FIELD AND POOL, OR WILDCAT Undesignated
		11. SEC. T., R., M., OR BLE. AND SURVEY OR AREA Sec. 9-T39S-R26E
		12. COUNTY OR PARISH San Juan
		13. STATE UT

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
TEST WATER SHUT-OFF <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	WATER SHUT-OFF <input type="checkbox"/>	REPAIRING WELL <input type="checkbox"/>
FRACTURE TREAT <input type="checkbox"/>	MULTIPLE COMPLETE <input type="checkbox"/>	FRACTURE TREATMENT <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
SHOOT OR ACIDIZE <input type="checkbox"/>	ABANDON* <input type="checkbox"/>	SHOOTING OR ACIDIZING <input type="checkbox"/>	ABANDONMENT* <input type="checkbox"/>
REPAIR WELL <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	(Other) _____	
(Other) _____		(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)	

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)\*

Please change your records to reflect the fact that BWAB Incorporated has requested and received verbal permission to add an additional source of drilling water for the subject well. This change became necessary when weather conditions rendered the original permitted source, a BLM pond in Nancy Patterson Canyon, inaccessible. Verbal approval was obtained from Mark Page with the State of Utah Water Rights Office in Price, UT on January 26, 1988 for this action. Copies of our originally approved permit and our follow up application for the second source are attached.

18. I hereby certify that the foregoing is true and correct

SIGNED *John P. Keller* TITLE Dir. & Prod. Manager DATE 01/26/88  
 (This space for Federal or State office use)

APPROVED BY \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_  
 CONDITIONS OF APPROVAL, IF ANY:

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS, AND MINING

SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or back to a different reservoir. Use "APPLICATION FOR PERMIT-" for such proposals.)

RECEIVED  
JAN 29 1988

5. LEASE DESIGNATION AND SERIAL NO.	U-50439 <i>Dr.</i>
6. IF INDIAN, ALLOTTEE OR TRIBE NAME	020426
7. UNIT AGREEMENT NAME	
8. FARM OR LEASE NAME	Sandia Federal
9. WELL NO.	9-44
10. FIELD AND POOL, OR WILDCAT	Undesignated
11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA	Sec. 9-T39S-R26E
12. COUNTY OR PARISH	San Juan
13. STATE	UT

1. OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/>	DIVISION OF OIL, GAS & MINING
2. NAME OF OPERATOR	BWAB Incorporated
3. ADDRESS OF OPERATOR	1801 California St., Suite 1000, Denver, CO 80202
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements. See also space 17 below.) At surface	SESE 1300' FSL & 1000' FWL
14. PERMIT NO.	API No. 43-037-31371
15. ELEVATIONS (Show whether DF, RT, CR, etc.)	5408' GL

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
TEST WATER SHUT-OFF <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	WATER SHUT-OFF <input type="checkbox"/>	REPAIRING WELL <input type="checkbox"/>
FRACTURE TREAT <input type="checkbox"/>	MULTIPLE COMPLETE <input type="checkbox"/>	FRACTURE TREATMENT <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
SHOOT OR ACIDIZE <input type="checkbox"/>	ABANDON* <input type="checkbox"/>	SHOOTING OR ACIDIZING <input type="checkbox"/>	ABANDONMENT* <input type="checkbox"/>
REPAIR WELL <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	(Other) <input type="checkbox"/>	

(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Please change your records to reflect the fact that BWAB Incorporated has requested and received verbal permission to add an additional source of drilling water for the subject well. This change became necessary when weather conditions rendered the original permitted source, a BLM pond in Nancy Patterson Canyon, inaccessible. Verbal approval was obtained from Mark Page with the State of Utah Water Rights Office in Price, UT on January 26, 1988 for this action. Copies of our originally approved permit and our follow up application for the second source are attached.

18. I hereby certify that the foregoing is true and correct  
SIGNED John R. Keller TITLE Dir. & Prod. Manager DATE 01/26/88  
(This space for Federal or State office use)

APPROVED BY \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_  
CONDITIONS OF APPROVAL, IF ANY:

STATE ENGINEER'S ENDORSEMENT

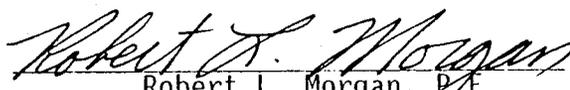
WATER RIGHT NUMBER: 09 - 1557

APPLICATION NO. T63032

1. January 11, 1988      Application received by MP.
  2. January 12, 1988      Application designated for APPROVAL by MP and KLJ.
  3. Comments:
- 
- 

Conditions:

This application is hereby APPROVED, dated December 21, 1988, subject to prior rights and this application will expire on December 21, 1989.



Robert L. Morgan, P.E.  
State Engineer

022405



BWAB INCORPORATED

RECEIVED  
FEB 19 1988

February 15, 1988

State of Utah  
Department of Natural Resources  
Division of Oil, Gas & Mining  
3 Triad Center, Suite 350  
Salt Lake City, UT 84180-1203

DIVISION OF  
OIL, GAS & MINING

RE: Sandia Federal #9-44  
SESE Sec. 9-T39S-R26E  
San Juan Co., UT

*Dr.*  
43-097-31371

Gentlemen:

Enclosed herewith is our Report Of Water Encountered During Drilling for the above captioned well. If you have any questions in this regard, please do not hesitate to contact the undersigned.

Very truly yours,

BWAB Incorporated

*Carrie M. Sullivan*

Carrie M. Sullivan

:CMS

Enclosure

RECEIVED  
FEB 19 1988

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING  
3 TRIAD CENTER, SUITE 350  
SALT LAKE CITY, UT 84180-1203

DIVISION OF  
OIL, GAS & MINING

REPORT OF WATER ENCOUNTERED DURING DRILLING

Well Name & Number Sandia Federal #9-44 43-037-31371-Drl.  
Operator BWAB Incorporated Address 1801 California St., Suite 1000  
Denver, CO 80202  
Contractor Coleman Drilling Co. Address P.O. Drawer 3337, Farmington, NM  
87499  
Location SE 1/4 SE 1/4 Sec. 9 T. 39S R. 26E County San Juan

Water Sands

	<u>Depth</u>		<u>Volume</u>	<u>Quality</u>
	From	To	Flow Rate or Head	Fresh or Salty
1.	3410'	3445'	125 BFPH	Brine
2.				
3.				
4.				
5.				

(Continue on reverse side if necessary)

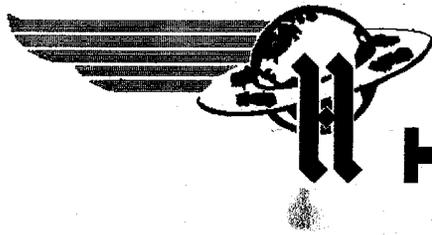
Formation Tops      Cutler - 3062', Hermosa 4845'

Remarks

- NOTE: (a) Report on this form as provided for in Rule 806, Oil and Gas Conservation General Rules.
- (b) If a water analysis has been made of the above reported zone, please forward a copy along with this form.

SANDIA FEDERAL  
LEASE NAME  
WELL NO. 9-44  
TEST NO. 1  
TESTED INTERVAL 5965.0 - 6021.0  
B.M.R.B. INCORPORATED  
LEASE OWNER/COMPANY NAME

LEGAL LOCATION  
SEC. TWP. RANG. 9-39S-26E  
FIELD AREA  
WILDCAT  
COUNTY  
SAN JUAN  
STATE UTAH  
TC



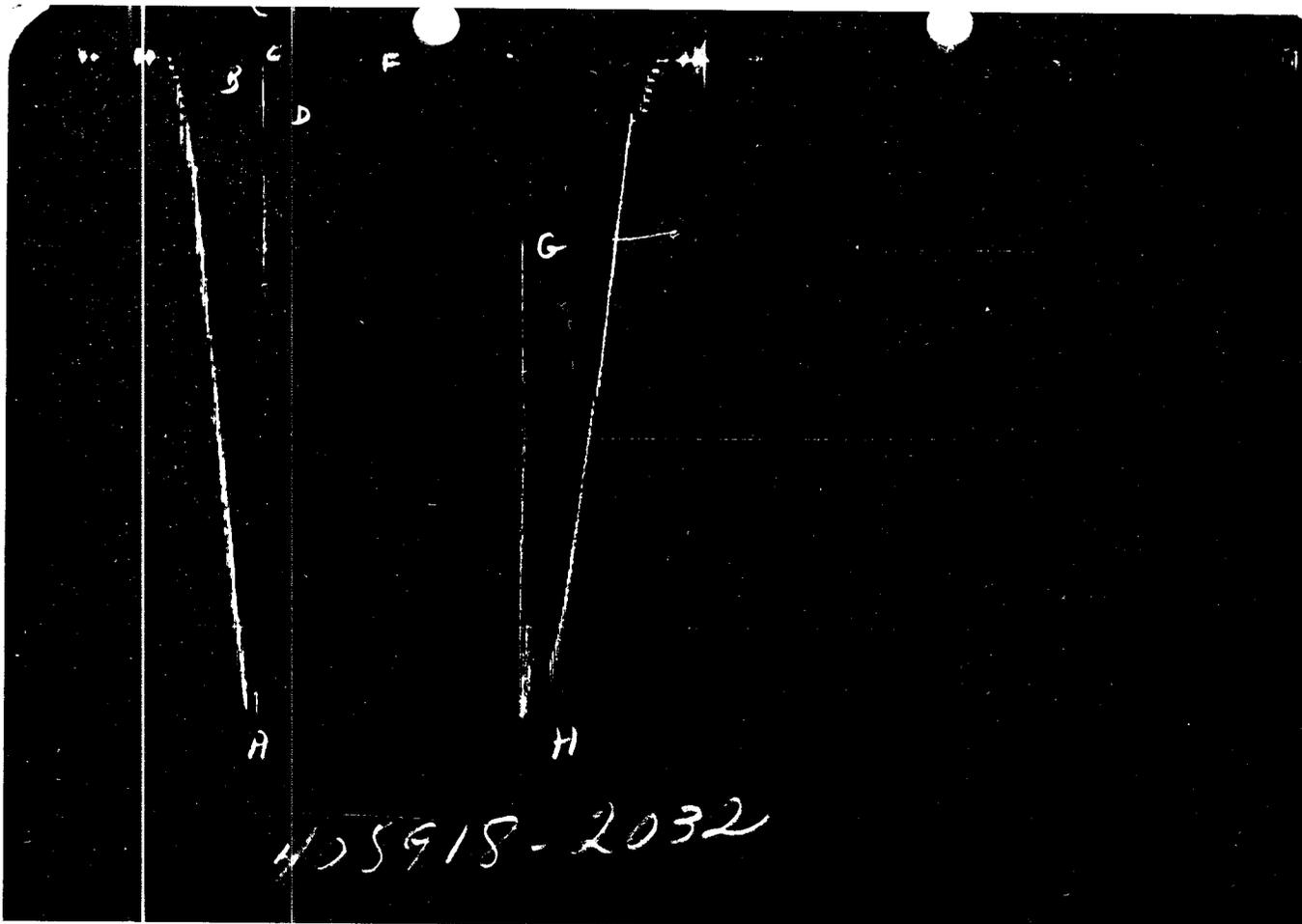
# HALLIBURTON SERVICES

TICKET NO. 40891800  
16-FEB-88  
FARMINGTON

**RECORDED**  
FEB 22 1988

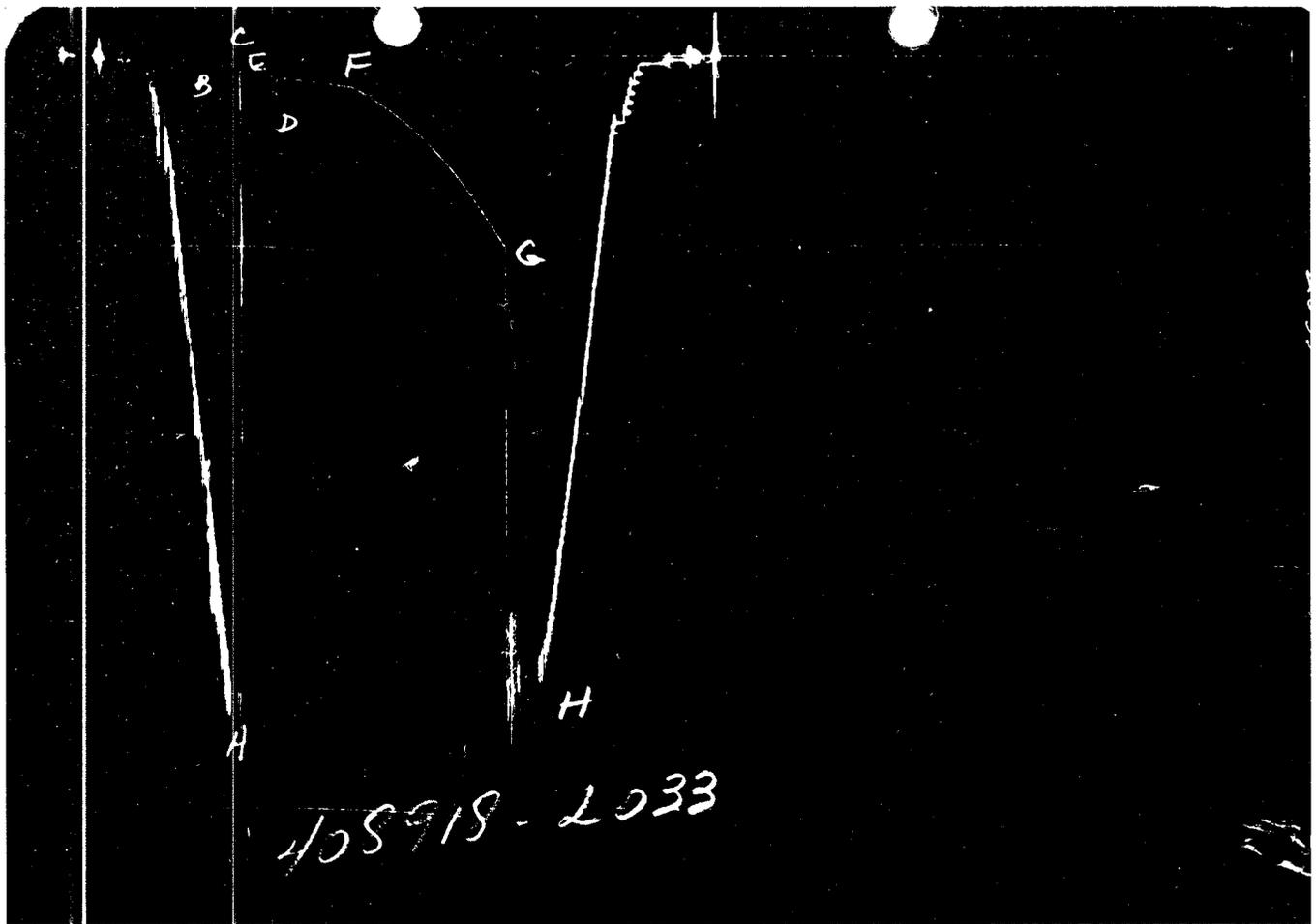
DIVISION OF  
OIL, GAS & MINING

## FORMATION TESTING SERVICE REPORT



GAUGE NO: 2032 DEPTH: 5944.0 BLANKED OFF: NO HOUR OF CLOCK: 24

ID	DESCRIPTION	PRESSURE		TIME		TYPE
		REPORTED	CALCULATED	REPORTED	CALCULATED	
F	INITIAL HYDROSTATIC	3264	3320.8			
E	INITIAL FIRST FLOW	39	50.7			
C	FINAL FIRST FLOW	53	65.6	15.0	15.0	F
C	INITIAL FIRST CLOSED-IN	53	65.6			
C	FINAL FIRST CLOSED-IN	172	182.2	30.0	30.0	C
E	INITIAL SECOND FLOW	79	86.7			
F	FINAL SECOND FLOW	132	137.6	90.0	90.0	F
F	INITIAL SECOND CLOSED-IN	132	137.6			
C	FINAL SECOND CLOSED-IN	952	986.0	180.0	180.0	C
F	FINAL HYDROSTATIC	3264	3268.1			



GAUGE NO: 2033 DEPTH: 6018.0 BLANKED OFF: YES HOUR OF CLOCK: 24

ID	DESCRIPTION	PRESSURE		TIME		TYPE
		REPORTED	CALCULATED	REPORTED	CALCULATED	
A	INITIAL HYDROSTATIC	3304	3353.4			
B	INITIAL FIRST FLOW	67	78.7	15.0	15.0	F
C	FINAL FIRST FLOW	80	97.3			
C	INITIAL FIRST CLOSED-IN	80	97.3	30.0	30.0	C
D	FINAL FIRST CLOSED-IN	214	211.2			
E	INITIAL SECOND FLOW	107	121.0	90.0	90.0	F
F	FINAL SECOND FLOW	147	167.2			
F	INITIAL SECOND CLOSED-IN	147	167.2	180.0	180.0	C
G	FINAL SECOND CLOSED-IN	1013	1011.3			
H	FINAL HYDROSTATIC	3304	3297.4			

### EQUIPMENT & HOLE DATA

FORMATION TESTED: UPPER ISMAY  
 NET PAY (ft): 25.0  
 GROSS TESTED FOOTAGE: 56.0  
 ALL DEPTHS MEASURED FROM: KELLY BUSHING  
 CASING PERFS. (ft): \_\_\_\_\_  
 HOLE OR CASING SIZE (in): 7.875  
 ELEVATION (ft): 5408.0 GROUND LEVEL  
 TOTAL DEPTH (ft): 6021.0  
 PACKER DEPTH(S) (ft): 5959, 5965  
 FINAL SURFACE CHOKE (in): \_\_\_\_\_  
 BOTTOM HOLE CHOKE (in): 0.750  
 MUD WEIGHT (lb/gal): 10.40  
 MUD VISCOSITY (sec): 47  
 ESTIMATED HOLE TEMP. (°F): \_\_\_\_\_  
 ACTUAL HOLE TEMP. (°F): 129 @ 6017.0 ft

TICKET NUMBER: 40891800  
 DATE: 2-7-88 TEST NO: 1  
 TYPE DST: OPEN HOLE  
 HALLIBURTON CAMP: FARMINGTON  
 TESTER: J. L. ROBINSON  
 WITNESS: JACK MC GILL  
 DRILLING CONTRACTOR: COLEMAN DRILLING RIG #3

### FLUID PROPERTIES FOR RECOVERED MUD & WATER

SOURCE	RESISTIVITY	CHLORIDES
MUD PIT	0.200 @ 75 °F	ppm
TOP RECOVERY	0.180 @ 75 °F	ppm
MIDDLE RECOVERY	0.180 @ 75 °F	ppm
SAMPLER	0.130 @ 75 °F	ppm
	@ °F	ppm
	@ °F	ppm

### SAMPLER DATA

Psig AT SURFACE: 5.0  
 cu.ft. OF GAS: 0.008  
 cc OF OIL: \_\_\_\_\_  
 cc OF WATER: \_\_\_\_\_  
 cc OF MUD: 2300.0  
 TOTAL LIQUID cc: 2300.0

### HYDROCARBON PROPERTIES

OIL GRAVITY (°API): \_\_\_\_\_ @ \_\_\_\_\_ °F  
 GAS/OIL RATIO (cu.ft. per bbl): \_\_\_\_\_  
 GAS GRAVITY: \_\_\_\_\_

### CUSHION DATA

TYPE	AMOUNT	WEIGHT
_____	_____	_____
_____	_____	_____

### RECOVERED :

230 FEET OF SLIGHTLY GAS CUT MUD

MEASURED FROM  
TESTER VALVE

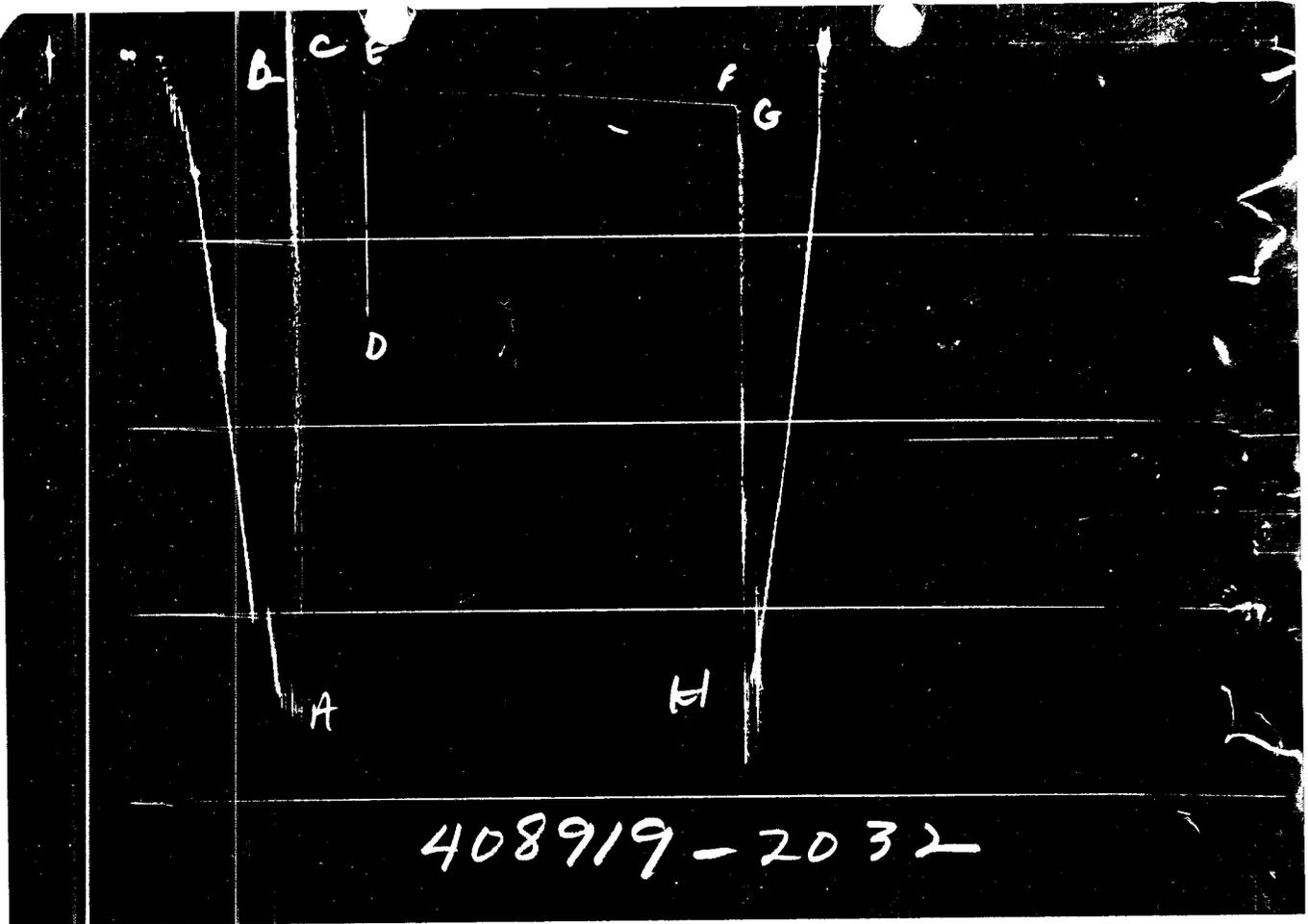
### REMARKS :



		O.D.	I.D.	LENGTH	DEPTH	
1		DRILL PIPE.....	4.500	3.826	5151.9	
4		FLEX WEIGHT.....	4.500	2.764	180.5	
3		DRILL COLLARS.....	6.250	2.250	521.3	
50		IMPACT REVERSING SUB.....	6.000	3.000	1.0	5836.6
3		DRILL COLLARS.....	6.250	2.250	93.2	
5		CROSSOVER.....	6.000	3.000	1.0	
13		DUAL CIP SAMPLER.....	5.750	0.750	6.8	
60		HYDRDSPRING TESTER.....	5.000	0.750	5.0	5942.0
80		AP RUNNING CASE.....	5.000	2.250	4.1	5944.0
15		JAR.....	5.030	1.750	5.0	
16		VR SAFETY JOINT.....	5.000	1.000	2.8	
70		OPEN HOLE PACKER.....	6.750	1.530	5.8	5959.0
70		OPEN HOLE PACKER.....	6.750	1.530	5.8	5965.0
5		CROSSOVER.....	6.000	3.000	0.7	
3		DRILL COLLARS.....	6.250	2.250	30.8	
5		CROSSOVER.....	6.000	3.000	1.0	
20		FLUSH JOINT ANCHOR.....	5.750	3.000	18.0	
81		BLANKED-OFF RUNNING CASE.....	5.750		4.2	6018.0
TOTAL DEPTH						6021.0

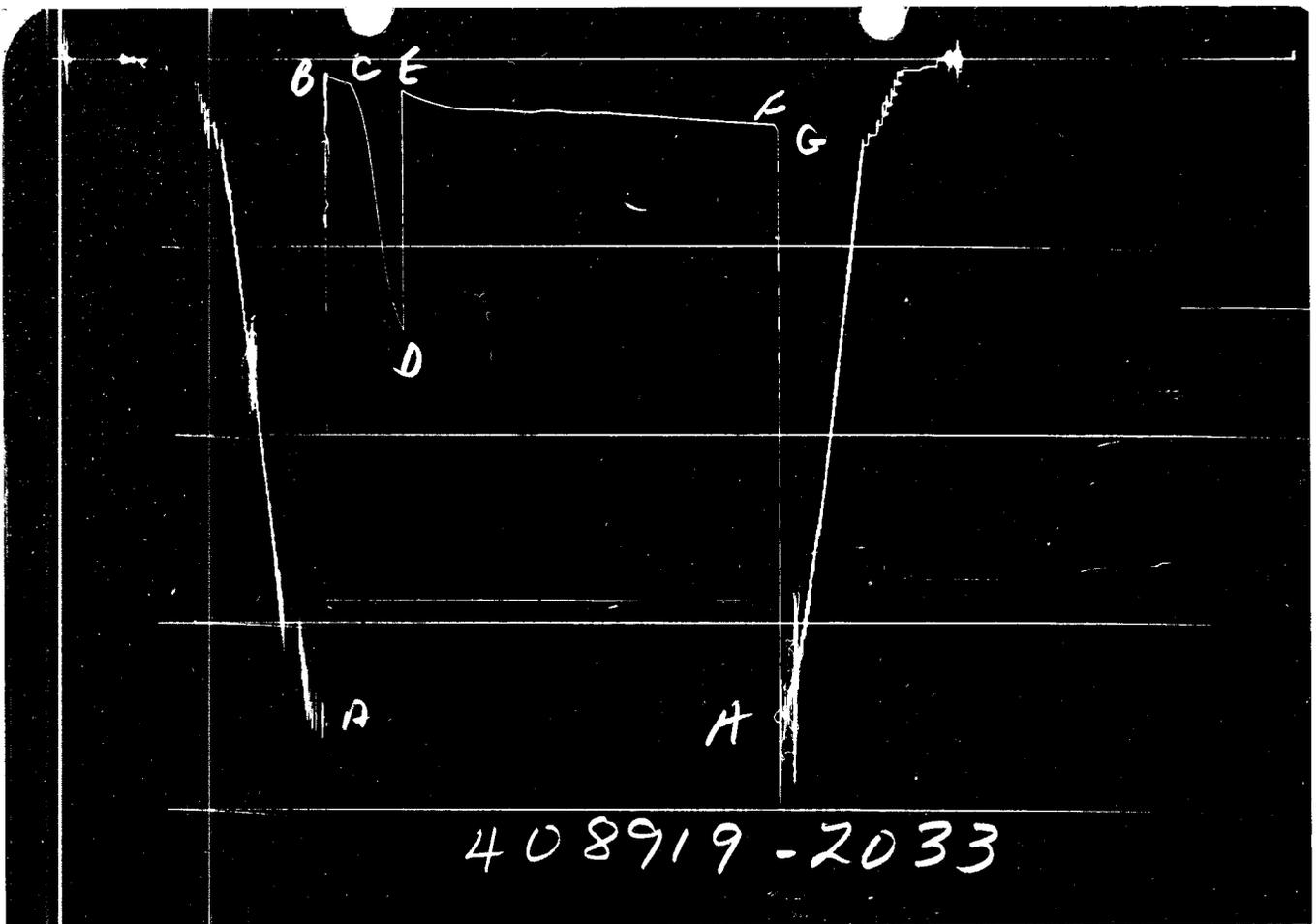
EQUIPMENT DATA





GAUGE NO: 2032 DEPTH: 5949.6 BLANKED OFF: NO HOUR OF CLOCK: 24

ID	DESCRIPTION	PRESSURE		TIME		TYPE
		REPORTED	CALCULATED	REPORTED	CALCULATED	
A	INITIAL HYDROSTATIC	3435	3420.0			
E	INITIAL FIRST FLOW	53	41.8			
C	FINAL FIRST FLOW	80	84.0	30.0	29.2	F
C	INITIAL FIRST CLOSED-IN	80	84.0			
C	FINAL FIRST CLOSED-IN	1376	1387.0	60.0	62.0	C
E	INITIAL SECOND FLOW	106	109.9			
F	FINAL SECOND FLOW	371	310.0	440.0	438.8	F
F	INITIAL SECOND CLOSED-IN	371	310.0			
E	FINAL SECOND CLOSED-IN		342.7	10.0	3.9	C
F	FINAL HYDROSTATIC	3235	3405.2			



408919-2033

GAUGE NO: 2033 DEPTH: 6056.2 BLANKED OFF: YES HOUR OF CLOCK: 24

ID	DESCRIPTION	PRESSURE		TIME		TYPE
		REPORTED	CALCULATED	REPORTED	CALCULATED	
F	INITIAL HYDROSTATIC	3465	3476.9			
E	INITIAL FIRST FLOW	80	89.1			
C	FINAL FIRST FLOW	107	130.4	30.0	29.2	F
C	INITIAL FIRST CLOSED-IN	107	130.4			
C	FINAL FIRST CLOSED-IN	1438	1434.7	60.0	62.0	C
E	INITIAL SECOND FLOW	134	168.5			
F	FINAL SECOND FLOW	348	348.2	440.0	438.8	F
F	INITIAL SECOND CLOSED-IN	348	348.2			
G	FINAL SECOND CLOSED-IN		380.7	10.0	3.9	C
-	FINAL HYDROSTATIC	3465	3473.9			

408919-7489

GAUGE NO: 7489 DEPTH: 6194.0 BLANKED OFF: YES HOUR OF CLOCK: 24

ID	DESCRIPTION	PRESSURE		TIME		TYPE
		REPORTED	CALCULATED	REPORTED	CALCULATED	
A	INITIAL HYDROSTATIC					
E	INITIAL FIRST FLOW					
C	FINAL FIRST FLOW			30.0		F
C	INITIAL FIRST CLOSED-IN					
C	FINAL FIRST CLOSED-IN			60.0		C
E	INITIAL SECOND FLOW					
F	FINAL SECOND FLOW			440.0		F
F	INITIAL SECOND CLOSED-IN					
C	FINAL SECOND CLOSED-IN			10.0		C
F	FINAL HYDROSTATIC					

### EQUIPMENT & HOLE DATA

FORMATION TESTED: UPPER ISMAY  
 NET PAY (ft): 4.0  
 GROSS TESTED FOOTAGE: 96.6  
 ALL DEPTHS MEASURED FROM: KELLY BUSHING  
 CASING PERFS. (ft): \_\_\_\_\_  
 HOLE OR CASING SIZE (in): 7.875  
 ELEVATION (ft): 5408.0 GROUND LEVEL  
 TOTAL DEPTH (ft): 6197.0  
 PACKER DEPTH(S) (ft): 5964, 5970, 6067, 6073  
 FINAL SURFACE CHOKE (in): \_\_\_\_\_  
 BOTTOM HOLE CHOKE (in): 0.750  
 MUD WEIGHT (lb/gal): 10.90  
 MUD VISCOSITY (sec): 47  
 ESTIMATED HOLE TEMP. (°F): \_\_\_\_\_  
 ACTUAL HOLE TEMP. (°F): 130 @ 6193.0 ft

TICKET NUMBER: 40891900  
 DATE: 2-10-88 TEST NO: 2  
 TYPE DST: ON BT. STRADDLE  
 HALLIBURTON CAMP: FARMINGTON  
 TESTER: J.L. ROBINSON  
 WITNESS: JACK MC GILL  
 DRILLING CONTRACTOR: COLEMAN #2

### FLUID PROPERTIES FOR RECOVERED MUD & WATER

SOURCE	RESISTIVITY	CHLORIDES
<u>TDP RECOVERY</u>	<u>0.300 @ 75 °F</u>	_____ ppm
<u>#2 RECOVERY</u>	<u>0.400 @ 75 °F</u>	_____ ppm
<u>#3 RECOVERY</u>	<u>0.130 @ 75 °F</u>	_____ ppm
<u>BOTTOM RECOVERY</u>	<u>0.090 @ 75 °F</u>	_____ ppm
<u>SAMPLER</u>	<u>0.090 @ 75 °F</u>	_____ ppm
<u>MUD PIT</u>	<u>0.230 @ 75 °F</u>	_____ ppm

### SAMPLER DATA

Psig AT SURFACE: 190.0  
 cu.ft. OF GAS: 0.220  
 cc OF OIL: 150.0  
 cc OF WATER: 1950.0  
 cc OF MUD: \_\_\_\_\_  
 TOTAL LIQUID cc: 2100.0

### HYDROCARBON PROPERTIES

OIL GRAVITY (°API): \_\_\_\_\_ @ \_\_\_\_\_ °F  
 GAS/OIL RATIO (cu.ft. per bbl): \_\_\_\_\_  
 GAS GRAVITY: \_\_\_\_\_

### CUSHION DATA

TYPE	AMOUNT	WEIGHT
_____	_____	_____
_____	_____	_____

### RECOVERED :

- 185' OF GAS AND OIL CUT MUD
- 185' OF HIGHLY GAS AND OIL CUT MUD
- 185' OF GAS AND WATER CUT OIL
- 215' OF GAS AND OIL CUT WATER

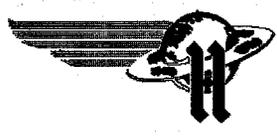
MEASURED FROM TESTER VALVE

### REMARKS :

CLOCK MALFUNCTIONED IN GAUGE #7489---NO VALID READINGS AVAILABLE.  
 TIME REPORTED AND TIME CALCULATED FOR FINAL CIP DOES NOT AGREE.

TYPE & SIZE MEASURING DEVICE : _____					TICKET NO: 40891900
TIME	CHOKE SIZE	SURFACE PRESSURE PSI	GAS RATE MCF	LIQUID RATE BPD	REMARKS
2-10-88					
0050					PICKED UP AND MADE UP TOOLS
0230					TOOLS MADE UP--STOPPED FOR LUNCH
0300					TRIPPED IN FOR DST #2
0530					TOOLS ON BOTTOM--RIGGED UP HEAD
					AND SLACKED OFF
0540	1/8BH	0			OPENED TOOL WITH NO BLOW
0610					CLOSED TOOL
0710					OPENED TOOL WITH A VERY WEAK
					BUBBLE
0713					SURFACE BLOW DEAD
0810					VERY WEAK BUBBLE
0820					BLOW INCREASING UNTIL 1040
0830		0			
0835		1 OZ.			
0840		2 OZ.			
0845		3 OZ.			
0850		4 OZ.			
0855		5 OZ.			
0900		6 OZ.			
0910		7 OZ.			
0920		7.5 OZ.			
0930		8 OZ.			
0940		8.25 OZ.			
0950		8.5 OZ.			
1000		8.75 OZ.			
1010		10 OZ.			
1020		7.5 OZ.			
1030		11.5 OZ.			
1040		"			STABLE BLOW
1050		11.5 OZ.			SAME
1100		11 OZ.			BLOW INCREASING
1115		12 OZ.			SWITCHED TO 1/8" CHOKE ON FLARE
					LINE, NO GAS, WENT BACK TO
					BUBBLE HOSE
1120		12 OZ.			STABLE, NO GAS
1130		14 OZ.			BLOW INCREASED





TICKET NO: 40891900  
 CLOCK NO: 9756 HOUR: 24

GAUGE NO: 2032  
 DEPTH: 5949.6

REF	MINUTES	PRESSURE	AP	$\frac{t \times \Delta t}{t + \Delta t}$	$\log \frac{t + \Delta t}{\Delta t}$
<b>FIRST FLOW</b>					
B 1	0.0	41.8			
2	3.0	48.3	6.5		
3	6.0	52.4	4.1		
4	9.0	56.1	3.7		
5	12.0	60.8	4.6		
6	15.0	65.5	4.8		
7	18.0	68.9	3.3		
8	21.0	73.0	4.1		
9	24.0	75.5	2.5		
C 10	29.2	84.0	8.5		
<b>FIRST CLOSED-IN</b>					
C 1	0.0	84.0			
2	1.0	90.9	6.9	0.9	1.489
3	2.0	99.9	15.9	1.9	1.189
4	3.0	109.4	25.5	2.7	1.026
5	4.0	115.6	31.6	3.5	0.918
6	5.0	123.2	39.3	4.3	0.836
7	6.0	132.1	48.2	5.0	0.766
8	7.0	141.2	57.2	5.7	0.711
9	8.0	151.1	67.1	6.3	0.668
10	9.0	164.9	80.9	6.9	0.628
11	10.0	177.6	93.7	7.5	0.592
12	12.0	204.6	120.6	8.5	0.535
13	14.0	239.3	155.3	9.5	0.489
14	16.0	271.9	188.0	10.3	0.450
15	18.0	315.5	231.5	11.1	0.419
16	20.0	364.5	280.6	11.9	0.391
17	22.0	418.0	334.0	12.5	0.367
18	24.0	480.7	396.8	13.2	0.345
19	26.0	547.3	463.4	13.7	0.327
20	28.0	617.1	533.2	14.3	0.310
21	30.0	689.3	605.3	14.8	0.295
22	35.0	865.5	781.5	15.9	0.263
23	40.0	1015.8	931.8	16.9	0.238
24	45.0	1147.5	1063.5	17.7	0.217
25	50.0	1244.3	1160.3	18.4	0.200
26	55.0	1316.9	1232.9	19.1	0.185
27	60.0	1374.5	1290.5	19.6	0.172
D 28	62.0	1387.0	1303.1	19.8	0.167
<b>SECOND FLOW</b>					
E 1	0.0	109.9			
2	30.0	176.1	66.2		
3	60.0	216.4	40.3		
4	90.0	229.9	13.5		
5	120.0	234.1	4.1		
6	150.0	243.9	9.8		

REF	MINUTES	PRESSURE	AP	$\frac{t \times \Delta t}{t + \Delta t}$	$\log \frac{t + \Delta t}{\Delta t}$
<b>SECOND FLOW - CONTINUED</b>					
7	180.0	236.2	-7.7		
8	210.0	248.6	12.5		
9	240.0	249.6	0.9		
10	270.0	260.1	10.5		
11	300.0	268.0	8.0		
12	330.0	277.4	9.4		
13	360.0	287.4	10.0		
14	390.0	297.3	10.0		
15	420.0	305.3	8.0		
F 16	438.8	310.0	4.6		
<b>SECOND CLOSED-IN</b>					
F 1	0.0	310.0			
2	1.0	317.5	7.6	1.0	2.668
3	2.0	325.9	15.9	2.0	2.379
G 4	3.9	342.7	32.8	3.9	2.083

REMARKS:

TICKET NO: 40891900  
 CLOCK NO: 12118 HOUR: 24



GAUGE NO: 2033  
 DEPTH: 6056.2

REF	MINUTES	PRESSURE	AP	$\frac{t \times \Delta t}{t + \Delta t}$	$\log \frac{t + \Delta t}{\Delta t}$
<b>FIRST FLOW</b>					
B 1	0.0	89.1			
2	3.0	91.4	2.3		
3	6.0	97.8	6.4		
4	9.0	103.7	5.9		
5	12.0	108.5	4.8		
6	15.0	112.7	4.2		
7	18.0	117.8	5.1		
8	21.0	121.1	3.4		
9	24.0	124.6	3.5		
C 10	29.2	130.4	5.8		
<b>FIRST CLOSED-IN</b>					
C 1	0.0	130.4			
2	1.0	137.4	7.0	1.0	1.472
3	2.0	146.6	16.2	1.9	1.197
4	3.0	152.6	22.3	2.7	1.031
5	4.0	162.4	32.0	3.5	0.917
6	5.0	172.1	41.7	4.3	0.836
7	6.0	182.3	51.9	5.0	0.770
8	7.0	193.5	63.2	5.6	0.715
9	8.0	207.4	77.0	6.3	0.668
10	9.0	220.5	90.1	6.9	0.628
11	10.0	233.8	103.4	7.5	0.593
12	12.0	264.7	134.4	8.5	0.535
13	14.0	292.4	162.0	9.4	0.490
14	16.0	331.5	201.1	10.3	0.451
15	18.0	380.7	250.4	11.1	0.419
16	20.0	423.6	293.3	11.9	0.391
17	22.0	487.3	357.0	12.5	0.367
18	24.0	545.0	414.7	13.2	0.346
19	26.0	615.5	485.1	13.7	0.327
20	28.0	685.4	555.0	14.3	0.310
21	30.0	760.1	629.7	14.8	0.295
22	35.0	929.3	798.9	15.9	0.263
23	40.0	1078.6	948.3	16.9	0.238
24	45.0	1197.1	1066.7	17.7	0.217
25	50.0	1290.8	1160.4	18.4	0.200
26	55.0	1363.2	1232.8	19.1	0.185
27	60.0	1419.5	1289.1	19.6	0.172
D 28	62.0	1434.7	1304.3	19.8	0.167
<b>SECOND FLOW</b>					
E 1	0.0	168.5			
2	30.0	224.8	56.3		
3	60.0	261.0	36.2		
4	90.0	268.3	7.2		
5	120.0	272.7	4.4		
6	150.0	283.2	10.5		

REF	MINUTES	PRESSURE	AP	$\frac{t \times \Delta t}{t + \Delta t}$	$\log \frac{t + \Delta t}{\Delta t}$
<b>SECOND FLOW - CONTINUED</b>					
7	180.0	273.1	-10.1		
8	210.0	285.2	12.1		
9	240.0	285.2	0.0		
10	270.0	296.6	11.4		
11	300.0	304.1	7.5		
12	330.0	315.0	10.9		
13	360.0	325.0	10.1		
14	390.0	334.1	9.1		
15	420.0	342.9	8.7		
F 16	438.8	348.2	5.4		
<b>SECOND CLOSED-IN</b>					
F 1	0.0	348.2			
2	1.0	358.2	9.9	1.0	2.689
3	2.0	366.6	18.4	2.0	2.363
G 4	3.9	380.7	32.5	3.9	2.083

REMARKS:

		O.D.	I.D.	LENGTH	DEPTH	
1		DRILL PIPE .....	4.500	3.826	5280.7	
4		FLEX WEIGHT .....	4.500	2.764	180.5	
3		DRILL COLLARS .....	6.250	2.250	459.3	
50		IMPACT REVERSING SUB .....	6.000	3.000	1.0	5904.0
3		DRILL COLLARS .....	6.250	2.250	31.2	
5		CROSSOVER .....	6.000	3.000	1.0	
13		DUAL CIP SAMPLER .....	5.750	0.750	6.8	
60		HYDROSPRING TESTER .....	5.000	0.750	5.0	5947.5
80		AP RUNNING CASE .....	5.000	2.250	4.1	5949.6
15		JAR .....	5.030	1.750	5.0	
16		VR SAFETY JOINT .....	5.000	1.000	2.8	
70		OPEN HOLE PACKER .....	6.750	1.530	5.8	5964.4
70		OPEN HOLE PACKER .....	6.750	1.530	5.8	5970.2
5		CROSSOVER .....	6.000	3.000	1.0	
3		DRILL COLLARS .....	6.250	2.250	62.4	
5		CROSSOVER .....	6.000	3.000	1.0	
20		FLUSH JOINT ANCHOR .....	5.750	3.000	18.0	
5		CROSSOVER .....	5.000	2.150	0.7	
80		AP RUNNING CASE .....	5.000	2.250	4.1	6056.2
23		BLANK SUB .....	5.000		0.8	
16		VR SAFETY JOINT .....	5.000	1.000	2.8	
70		OPEN HOLE PACKER .....	6.750	1.530	5.8	6066.8
70		OPEN HOLE PACKER .....	6.750	1.530	5.8	6072.6
5		CROSSOVER .....	6.000	3.000	1.0	
3		DRILL COLLARS .....	6.250	2.250	96.4	

CONTINUED

EQUIPMENT DATA

		O.D.	I.D.	LENGTH	DEPTH	
5		CROSSOVER.....	6.000	3.000	1.0	
20		FLUSH JOINT ANCHOR.....	5.750	3.000	20.0	
81		BLANKED-OFF RUNNING CASE.....	5.750		4.2	6194.0
TOTAL DEPTH						6197.0

BWAB INCORPORATED



June 6, 1988

RECEIVED  
JUN 8 1988

State of Utah  
Department of Natural Resources  
Division of Oil, Gas & Mining  
355 W. North Temple  
3 Triad Center, Suite 350  
Salt Lake City, UT 84180-1203

DIVISION OF  
OIL, GAS & MINING

RE: Sandia Federal #9-44  
SESE Sec. 9-T39S-R26E  
San Juan Co., UT

Gentlemen:

Enclosed herewith are two (2) copies of our Well Completion Report for the above captioned well. If you have any questions in this regard, please do not hesitate to contact the undersigned.

Very truly yours,

BWAB Incorporated

*Carrie M. Sullivan*

Carrie M. Sullivan

:CMS

Enclosures (2)

RECEIVED

SUBMIT IN ORIGINAL COPY (See other side)

STATE OF UTAH DEPARTMENT OF NATURAL RESOURCES DIVISION OF OIL, GAS, AND MINING

DIVISION OF OIL, GAS & MINING

WELL COMPLETION OR RECOMPLETION REPORT AND LOG \*

1a. TYPE OF WELL: OIL WELL [X] GAS WELL [ ] DRY [ ] Other [ ]

b. TYPE OF COMPLETION: NEW WELL [X] WORK OVER [ ] DEEP-EN [ ] PLUG BACK [ ] DIFF. RESVR. [ ] Other [ ]

2. NAME OF OPERATOR: BWAB Incorporated

3. ADDRESS OF OPERATOR: 1801 California St., Suite 1000, Denver, CO 80202

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)\* At surface 1300' FSL & 1000' FEL SESE At top prod. interval reported below At total depth Same

14. PERMIT NO. 43-037-31371 DATE ISSUED 12/11/87

5. LEASE DESIGNATION AND SERIAL NO. U-50439 6. IF INDIAN, ALLOTTEE OR TRIBE NAME 7. UNIT AGREEMENT NAME 8. FARM OR LEASE NAME Sandia Federal 9. WELL NO. 9-44 10. FIELD AND POOL, OR WILDCAT Undesignated 11. SEC., T., R., M., OR BLOCK AND SURVEY OR AREA Sec. 9-T39S-R26E

12. COUNTY OR PARISH San Juan 13. STATE UT

15. DATE SPUDDED 01/06/88 16. DATE T.D. REACHED 02/08/88 17. DATE COMPL. (Ready to prod.) 06/06/88 18. ELEVATIONS (DF, RKB, RT, GR, ETC.)\* 5408' GL; 5420' KB 19. ELEV. CASINGHEAD

20. TOTAL DEPTH, MD & TVD 6197' 21. PLUG, BACK T.D., MD & TVD 6120' 22. IF MULTIPLE COMPL., HOW MANY\* 23. INTERVALS DRILLED BY 0-6197' ROTARY TOOLS CABLE TOOLS

24. PRODUCING INTERVAL(S), OF THIS COMPLETION—TOP, BOTTOM, NAME (MD AND TVD)\* Upper Ismay 5990'-6032' 25. WAS DIRECTIONAL SURVEY MADE NO

26. TYPE ELECTRIC AND OTHER LOGS RUN CNL/FDC/GR/CAL;BHC/Sonic/GR/CAL;DLL/MSFL/GR/SP/CAL;GR;Dipmeter 27. WAS WELL CORED NO

28. CASING RECORD (Report all strings set in well)

Table with columns: CASING SIZE, WEIGHT, LB./FT., DEPTH SET (MD), HOLE SIZE, CEMENTING RECORD, AMOUNT PULLED. Rows include 8-5/8" 24# 1960' 12 1/4" 900 sxs 65/35 poz + 260 sxs Class B and 5-1/2" 15.5&17# 6193' 7-7/8" 200 sxs Class B + 260 sxs RFC.

29. LINER RECORD

Table with columns: SIZE, TOP (MD), BOTTOM (MD), SACKS CEMENT\*, SCREEN (MD). Row: NONE.

30. TUBING RECORD

Table with columns: SIZE, DEPTH SET (MD), PACKER SET (MD). Row: 2-7/8" 6091.98.

31. PERFORATION RECORD (Interval, size and number)

6024'-6032' 2 JSFP 5/8" 5990'-5994' 2 JSFP 5/8" 5998'-6010' 2 JSFP 5/8"

32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

Table with columns: DEPTH INTERVAL (MD), AMOUNT AND KIND OF MATERIAL USED. Rows include 6024'-6032' 200 gals 20% acid, 6024'-6032' 1000 gals 15% HCL + additive, 5990'-6010' 400 gals 20% HCL, 5990'-6032' 9000 gals FEHCL + 62 ball sealers.

33. PRODUCTION

Table with columns: DATE FIRST PRODUCTION, PRODUCTION METHOD, WELL STATUS, DATE OF TEST, HOURS TESTED, CHOKER SIZE, PROD'N FOR TEST PERIOD, OIL-BBL., GAS-MCF., WATER-BBL., GAS-OIL RATIO, FLOW. TUBING PRESS., CASING PRESSURE, CALCULATED 24-HOUR RATE, OIL-BBL., GAS-MCF., WATER-BBL., OIL GRAVITY-API (CORR.).

34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.) Flared TEST WITNESSED BY Max Cullum

35. LIST OF ATTACHMENTS Sent under separate cover.

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records

SIGNED John R. Keller TITLE Drlg. & Prod. Manager DATE 6/6/88

\*(See Instructions and Spaces for Additional Data on Reverse Side)

# INSTRUCTIONS

**General:** This form is designed for submitting a complete and correct well completion report and log on all types of lands and leases to either a Federal agency or a State agency, or both, pursuant to applicable Federal and/or State laws and regulations. Any necessary special instructions concerning the use of this form and the number of copies to be submitted, particularly with regard to local, area, or regional procedures and practices, either are shown below or will be issued by, or may be obtained from, the local Federal and/or State office. See instructions on items 22 and 24, and 33, below regarding separate reports for separate completions.

If not filed prior to the time this summary record is submitted, copies of all currently available logs (drillers, geologists, sample and core analysis, all types electric, etc.), formation and pressure tests, and directional surveys, should be attached hereto, to the extent required by applicable Federal and/or State laws and regulations. All attachments should be listed on this form, see item 35.

**Item 4:** If there are no applicable State requirements, locations on Federal or Indian land should be described in accordance with Federal requirements. Consult local State or Federal office for specific instructions.

**Item 18:** Indicate which elevation is used as reference (where not otherwise shown) for depth measurements given in other spaces on this form and in any attachments. **Items 22 and 24:** If this well is completed for separate production from more than one interval zone (multiple completion), so state in item 22, and in item 24 show the producing interval, or intervals, top(s), bottom(s) and name(s) (if any) for only the interval reported in item 33. Submit a separate report (page) on this form, adequately identified, for each additional interval to be separately produced, showing the additional data pertinent to such interval.

**Item 29: "Sacks Cement":** Attached supplemental records for this well should show the details of any multiple stage cementing and the location of the cementing tool.

**Item 33:** Submit a separate completion report on this form for each interval to be separately produced. (See instruction for items 22 and 24 above.)

FORMATION	TOP	BOTTOM	DESCRIPTION, CONTENTS, ETC.
37. SUMMARY OF POROUS ZONES: SHOW ALL IMPORTANT ZONES OF POROSITY AND CONTENTS THEREOF; CORED INTERVALS; AND ALL DRILL-STEM TESTS, INCLUDING DEPTH INTERVAL TESTED, CUSHION USED, TIME TOOL OPEN, FLOWING AND SHUT-IN PRESSURES, AND RECOVERIES			
38. GEOLOGIC MARKERS			
NAME	MEAS. DEPTH	TOP	TRUE VERT. DEPTH
Upper Ismay	5904'		
Hovenweep	6032'		
Lower Ismay	6050'		
Gothic Sh.	6080'		
Desert Creek	6091'		
Chimney Rock	6144'		
Akah	6152'		
TD	6197'		



UTAH  
NATURAL RESOURCES  
Oil, Gas & Mining  
3 Triad Center • Salt Lake City, UT 84119 • 801-538-5340

**RECEIVED**  
JUN 8 1988

### PRODUCING ENTITY ACTION

**DIVISION OF  
OIL, GAS & MINING  
BWAB INCORPORATED**

Operator Name \_\_\_\_\_  
Address 1801 CALIFORNIA STREET: 1000 MOUNTIAN BELL CENTER  
City DENVER State COLORADO Zip 80202  
Utah Account No. N4320

Authorized Signature \_\_\_\_\_ PENNY S. BASHORE  
Effective Date 4/1/88 Telephone (303) 295-7444 Ext.#428

**ACTION CODE**

- A Establish new entity for new well(s).
- B Add new well(s) to existing entity.
- C Delete well(s) from existing entity.
- D Establish new entity for well(s) being deleted from existing entity.
- E Change well(s) from one entity to another existing entity.
- F Other. (Specify using attachments if necessary.)

**BRACKET WELLS TO BE GROUPED TOGETHER.**

(Use black ink or typewriter ribbon.)

Action Code	Current Entity No.	New Entity No.	API No.	Well Name	Well Location				Producing Formation	
					Sec.	T	R	Q/Q		County
A	99999	10847	43-037-31371-POW	SANDIA FEDERAL #9-44	9	39S	26E	SESE	SAN JUAN	ISMY

Explanation of action:

Empty table row for action entry

Explanation of action:

Empty table row for action entry

Explanation of action:

Empty table row for action entry

Explanation of action:

DIA FEDERAL #9-44

WC - BWAB Inc. - Sandia ("R") Prospect - SESE Sec 9-  
T39S-R26E - San Juan Co., UT - TD 6197' - Ismay/Desert  
Creek - (Enterprise '87) (WI BPO 74.995%, NRI BPO 60%)

06/18/88 Made 40 BO, 10 BW, 73 MCF.

06/19/88 Made 40 BO, 8 BW, 73 MCF.

06/20/88 Made 35 BO, 12 BW, 73 MCF.

06/21/88 Made 37 BO, 7 BW, 71 MCF.

06/22/88 Made 35 BO, 4 BW, 70 MCF.

06/23/88 Made 33 BO, 10 BW, 70 MCF.

IPP: Prod. 58 BO, 10 BW, 71 MCF on 4/27/88, 24 hrs.  
Producing from Ismay Formation at 5990-6032'. FINAL  
REPORT.

IDIA FEDERAL #9-44

WC - BWAB Inc. - Sandia ("R") Prospect - SESE Sec 9-  
T39S-R26E - San Juan Co., UT - TD 6197' - Ismay/Desert  
Creek - (Enterprise '87) (WI BPO 74.995%, NRI BPO 60%)

05/28/88 Rec. 113 BO, 35 BW, 209+ BLTR.  
05/29/88 Rec. 76 BO, 112 BW, 97+ BLTR.  
05/30/88 Rec. 110 BO, 60 BW, 37+ BLTR.  
05/31/88 Rec. 90 BO, 41 BW.  
06/01/88 Rec. 77 BO, 40 BW.  
06/02/88 Rec. 72 BO, 32 BW.  
06/03/88 Rec. 67 BO, 27 BW.  
06/04/88 Made 83 BO & 23 BW in 24 hrs.  
06/05/88 Made 60 BO & 12 BW in 24 hrs.  
06/06/88 Made 58 BO & 10 BW in 24 hrs.  
06/07/88 Made 57 BO & 18 BW in 24 hrs.  
06/08/88 Rec. 51 BO, 15 BW in 24 hrs.  
06/09/88 Unit down due to engine trouble. Made 15 BO, 3 BW,  
77 MCF.  
06/10/88 Rec. 7.7 BO, 16 BW.  
06/11/88 Made 53 BO, 15 BW, 81 MCF.  
06/12/88 Made 47 BO, 13 BW, 81 MCF.  
06/13/88 Made 44 BO, 14 BW, 78 MCF.  
06/14/88 Made 45 BO, 10 BW, 79 MCF, 6 SPM.  
06/15/88 Made 40 BO, 13 BW, 78 MCF.  
06/16/88 Made 43 BO, 10 BW, 77 MCF.  
06/17/88 Made 40 BO, 10 BW, 76 MCF.

BWAB INCORPORATED



February 6, 1990

State of Utah  
Department of Natural Resources  
Division of Oil, Gas and Mining  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203

RECEIVED  
FEB 08 1990

DIVISION OF  
OIL, GAS & MINING

RE: ~~Sandia~~ Federal #9-44  
~~SESE~~ Section 9, T39S-R26E  
San Juan County, Utah

Taos Federal #25-34 SWD  
SWSE Section 25, T37S-R24E  
San Juan County, Utah

Gentlemen:

Enc  
refe

Upo

If yo

Since

BWA

Erin K. Augrew  
Operations Secretary

/ep  
enclosures

*1-30-90*  
*TAS*  
*I don't seem to*  
*have any documentation*  
*from First Zone for*  
*this well or lease.*  
*Do you? If you don't,*  
*let me know and I'll*  
*write a letter.*  
*DTS*

two (2)  
ed cop  
under

*DTS*  
*Just zone*  
*has not sent*  
*anything in*  
*that I can see*  
*TAS.*

OIL AND GAS	
DRN	RJF
JRB	1- GLH ✓
DTS	SLS
2-TAS	
3-	MICROFILM ✓
4-	FILE

BWAB INCORPORATED



February 6, 1990

State of Utah  
Department of Natural Resources  
Division of Oil, Gas and Mining  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203

RECEIVED  
FEB 08 1990  
DIVISION OF  
OIL, GAS & MINING

RE: Sandia Federal #9-44  
SESE Section 9, T39S-R26E  
San Juan County, Utah

Taos Federal #25-34 SWD  
SWSE Section 25, T37S-R24E  
San Juan County, Utah

Gentlemen:

Enclosed please find one (1) original and two (2) copies of a Sundry Notice for the referenced wells.

Upon approval, please return one (1) executed copy to our offices for our files.

If you have any questions, please contact the undersigned.

Sincerely,

BWAB INCORPORATED

*Erin K. Pettigrew*  
Erin K. Pettigrew  
Operations Secretary

/ep  
enclosures

OIL AND GAS	
DRN	RIF
JRB	1- GLH ✓
DTS	SLS
2-TAS	
3-	MICROFILM ✓
4-	FILE

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS, AND MINING

5. LEASE DESIGNATION AND SERIAL NO.	U-50439
6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
7. UNIT AGREEMENT NAME	
8. FARM OR LEASE NAME	Sandia Federal
9. WELL NO.	9-44
10. FIELD AND POOL, OR WILDCAT	Undesignated
11. SEC., T., R., M., OR BLE. AND SURVEY OR AREA	Sec. 9-T39S-R26E
12. COUNTY OR PARISH	San Juan
13. STATE	UT

**SUNDRY NOTICES AND REPORTS ON WELLS**

(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir. Use "APPLICATION FOR PERMIT—" for such proposals.)

RECEIVED  
FEB 28 1990

DIVISION OF  
OIL, GAS & MINING

1. OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/>
2. NAME OF OPERATOR BWAB Incorporated
3. ADDRESS OF OPERATOR 555 17th St., Suite 1900, Denver, CO 80202 1990
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.* See also space 17 below.) At surface. SESE 1300' FSL & 1000' FEL
14. PERMIT NO. 43-037-31371
15. ELEVATIONS (Show whether DF, RT, GR, etc.) 5408' GL; 5420' KB

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
TEST WATER SHUT-OFF <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	WATER SHUT-OFF <input type="checkbox"/>	REPAIRING WELL <input type="checkbox"/>
FRACTURE TREAT <input type="checkbox"/>	MULTIPLE COMPLETE <input type="checkbox"/>	FRACTURE TREATMENT <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
SHOOT OR ACIDIZE <input type="checkbox"/>	ABANDON* <input type="checkbox"/>	SHOOTING OR ACIDIZING <input type="checkbox"/>	ABANDONMENT* <input type="checkbox"/>
REPAIR WELL <input type="checkbox"/>	CHANGE PLANN <input type="checkbox"/>	(Other) <input type="checkbox"/>	(Other) <input type="checkbox"/>

(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting and proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)\*

Please be advised that produced water from the above captioned well will be disposed of in the Taos Federal #25-34 SWD System located in the SWSE of Sec. 25-T37S-R24E. See attached approval letter for Class II injection well on the Taos Federal #25-34. A water analysis from the subject will be taken this week and sent upon receipt.

APPROVED BY THE STATE  
OF UTAH DIVISION OF  
OIL, GAS, AND MINING  
DATE: 2-9-90  
BY: [Signature]

18. I hereby certify that the foregoing is true and correct.  
SIGNED Carrie M. Sullivan TITLE Sr. Production Assistant DATE 2/5/90  
Carrie M. Sullivan  
(This space for Federal or State office use)

APPROVED BY \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_  
CONDITIONS OF APPROVAL, IF ANY:  
Federal Approval of this Action is Necessary



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Norman H. Bangerter  
Governor  
Dee C. Hansen  
Executive Director  
Dianne R. Nielson, Ph.D.  
Division Director

355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203  
801-538-5340

DRILLING AND COMPLETION

RECEIVED  
AUG 31 1988  
BWAB INCORPORATED

August 25, 1988

BWAB Incorporated  
1801 California Street  
Suite 1000  
Denver, CO 80202

Gentlemen:

Re: Taos Federal #25-34 Well Located in Section 25, Township  
37 South, Range 24 East, S.L.M., San Juan County, Utah

In accordance with Rule R615-5-3(3), Oil and Gas Conservation General Rules, administrative approval for the referenced Class II injection well is granted.

The following actions are necessary to fully comply with this approval:

- 1) Compliance with the UIC requirements for operation, maintenance and reporting for Class II injection wells.
- 2) Conformance with all conditions of the submitted application.

If you have any questions regarding this approval or the necessary requirements, please contact this office.

Best regards,

Dianne R. Nielson  
Director

7627U

BWAB INCORPORATED



November 11, 1991

U. S. Department of the Interior  
Bureau of Land Management  
Moab District Office  
Post Office Box 970  
Moab, Utah 84532

Attention: Lynn Jackson

**RECEIVED**

NOV 13 1991

DIVISION OF  
OIL GAS & MINING

RE: Sandia Federal 9-44 - Federal Lease No. U-50439  
SESE Section 9, T39S-R26E, San Juan County, Utah  
Notice of Noncompliance No. JB91758

43-037-31371

Dear Mr. Jackson:

BWAB Incorporated again respectfully requests permission to flare up to, but not in excess of, 50 MCFPD from the above referenced well, for the balance of the well's producing life. To date there are no new pipeline connections available within several miles from this well, and even if there were, the volume of gas available is insufficient to induce a purchaser to connect the well. Approval to flare gas from this well was first granted by the BLM in July 1988, as noted on the attached correspondence. This permission was initially granted for a period of one year; further approval was to be pending BLM review. BWAB had initially requested long term flaring approval, as noted in the attached correspondence. As BWAB never heard from the BLM again, BWAB believed the BLM's review had upheld the long term flaring and approval had been extended automatically year to year, as the situation had clearly not changed. BWAB did not realize further action on our part was necessary. For this reason, BWAB did not request re-approval in subsequent years. Last month, BWAB was cited for failing to obtain permission to flare gas from this well. Apparently, the BLM's initial letter was lost from the BLM's file. Since initial approval was only granted for a period of one year, BWAB was asked to re-apply for permission to flare gas.

The well currently produces 5.7 BOPD and 37 MCFPD. Approximately 26 MCFPD is flared, and the remaining gas is used on lease. Western Gas Processors previously advised BWAB, as noted in the attached correspondence, that 1.5 BCF of proven gas reserves would be necessary to induce Western to build a line to connect this well.



Bureau of Land Management  
Sandia Federal 9-44  
November 11, 1991  
Page Two of Two

Obviously, based on current and past production rates, the subject well will not generate such reserves and would have insufficient production to justify connection by a purchaser, even if they had a line less than one mile away. Flaring is, of course, necessary to produce the well's oil. Therefore, BWAB requests permission to continue to flare this gas for the balance of the well's economic life and to calculate gas volumes produced and gas flared based on the GOR without future testing or metering. In view of stabilized production rates for an extended period, BWAB would like to use the current GOR of 6.49 as a constant in calculating future production and flared volumes. We do not feel metering of the gas is justified economically, nor does it serve as a useful reservoir management function. If this meets with your approval, please advise the undersigned so that we can prepare the amended MMS-3160 forms.

Additionally, enclosed please find one (1) original and three (3) copies of a Sundry Notice. Upon approval, please return one (1) copy to our office for our files.

Should you have any questions in this regard, please do not hesitate to contact the undersigned.

Respectfully,

BWAB INCORPORATED

A handwritten signature in black ink, appearing to read "John R. Keller".

John R. Keller  
Drilling and Production Manager

JRK/CMS/ep  
attachment

cc: Bureau of Land Management  
San Juan Resource Area  
Attention: Jeff Brown  
Post Office Box 7  
Monticello, Utah 84535

bcc: STATE OF UTAH  
3 Triad Center  
Suite 350  
Salt Lake City,  
UT 84180-1203

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
Budget Bureau No. 400-1133  
Expires September 30, 1990

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.  
Use "APPLICATION FOR PERMIT—" for such proposals

3 Lease Designation and Serial No  
U-50439

4 If Indian Allotment or Trust Name

7. If Land or CA. Agreement Designation

8. Well Name and No.  
Sandia Federal 9-44

9. API Well No.  
43-037-31371 ISMY

10 Field and Pool, or Exploratory Area  
Undesignated

11. County or Parish, State  
San Juan Co., UT

SUBMIT IN TRIPLICATE

1. Type of Well:  
 Oil Well  Gas Well  Other

2. Name of Operator  
BWAB INCORPORATED

3. Address and Telephone No  
555-17th St., #1900, Denver, CO 80202 303-295-7444

4. Location of Well: (County, Sec., T., R., M., or Survey Description,  
SESE, 1300' FSL & 1000' FEL  
Section 9, T39S-R26E

CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

- TYPE OF SUBMISSION
- Notice of Lease
  - Subsequent Report
  - Final Abandonment Notice

- TYPE OF ACTION
- Abandonment
  - Recompletion
  - Plugging Back
  - Casing Repair
  - Altering Casing
  - Other

- Change of Plans
- New Construction
- Non-Routine Fracturing
- Water Shut-Off
- Conversion to Injection

13 Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work, if well is directional); give subsurface locations and measures and true vertical depths for all markers and zones pertinent to the work.  
Note: Report results of multiple completions on Well Completion or Recompletion Report and Log form 1

The above referenced well currently produces 5.7 BOPD and 37 MCFPD. Approximately 26 MCFPD is flared, and the remaining gas is used on lease. Western Gas Processors previously advised BWAB Incorporated, as noted in the attached correspondence, that 1.5 BCF of proven gas reserves would be necessary to induce Western to build a line to connect this well. Obviously, based on current and past production rates, the subject well will not generate such reserves and would have insufficient production to justify connection by a purchaser, even if they had a line less than one mile away. Flaring is, of course, necessary to produce the well's oil. Therefore, BWAB Incorporated requests permission to continue to flare this gas for the balance of the well's economic life and to calculate gas volumes produced and gas flared based on the GOR without future testing or metering. In view of stabilized production rates for an extended period, BWAB would like to use the current GOR of 6.49 as a constant in calculating future production and flared volumes. We do not feel metering of the gas is justified economically, nor does it serve as a useful reservoir management function.

14. I hereby certify that the foregoing is true and correct

Signed [Signature]  
(This space for Federal or State office use)

Title Drilling & Production Mgr

Date 11/11/91

Approved by  
Conditions of approval, if any:

Title \_\_\_\_\_

Date \_\_\_\_\_

RECEIVED

OCT 31 1991

Form 3169 (January 1989)

Number JB91758  
Page 5 of

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

NOTICE OF INCIDENTS OF NONCOMPLIANCE

Certified Mail-Return Receipt Requested  
P 783 099479

Hand Delivered, Received by:

Identification	
Lease	U-50439* BWAB
CA	
Unit	
PA	

Bureau of Land Management Office San Juan Resource Area		Operator BWAB INC.	
Address P.O. BOX 7 Monticello, Ut. 84535		Address 555 17th St. Suite 1900 Denver, Co. 80202	
Telephone (801) 587-2141		Attention John Keller	
Site Name Sandia Fed.	Well or Facility Identification 9-44	1/4 Sec. SESE 9	Township 39S
Inspector Jeff Brown		Range 26E	Meridian SLB

THE FOLLOWING VIOLATION WAS FOUND BY BUREAU OF LAND MANAGEMENT INSPECTORS ON THE DATE AND AT THE SITE LISTED ABOVE.

Date	Time (24-hour clock)	Violation	Gravity of Violation
10/24/91	1600	NTL-4A 43CFR 3162.1	minor
Corrective Action To be Completed by	Date Corrected	Assessment for Noncompliance	Assessment Reference
15 days from receipt of notice		\$	43 CFR 3163.1 ( )

Remarks:  
failure to obtain approval to vent gas in accordance with NTL-4A. Operator must request approval to vent gas through the Moab District office P.O. BOX 970, Moab, UT 84532

When violation is corrected, sign this notice and return to above address.

Company Representative Title: Drilling & Production Mgr  
 Signature: [Signature] Date: 11/11/91

Company Comments: As noted in attached letter BWAB obtained approval to flare in 1988 from the BLM. Please see attached letter for further details

WARNING

Incidents of Noncompliance correction and reporting time frames begin upon receipt of this Notice or 7 business days after the date it is mailed, whichever is earlier. Each violation must be corrected within the prescribed time from receipt of this Notice and reported to the Bureau of Land Management office at the address shown above. Please note that you already may have been assessed for noncompliance (see amount under "Assessment for Noncompliance"). If you do not comply as noted above under "Corrective Action To Be Completed By," you may incur an additional assessment under (43 CFR 3163.1) and may also incur Civil Penalties (43 CFR 3163.2). All self-certified corrections must be postmarked no later than the next business day after the prescribed time for correction.

Section 109(d)(1) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3163.2(f)(1), provides that any person who "knowingly or willfully" prepares, maintains, or submits false, inaccurate, or misleading reports, notices, affidavits, records, data, or other written information required by this part shall be liable for a civil penalty of up to \$25,000 per violation for each day such violation continues, not to exceed a maximum of 20 days.

REVIEW AND APPEAL RIGHTS

A person contesting a violation shall request a State Director review of the Incidents of Noncompliance. This request must be filed within 20 working days of receipt of the Incidents of Noncompliance with the appropriate State Director (see 43 CFR 3165.3). The State Director review decision may be appealed to the Interior Board of Lands Appeals, 4015 Wilson Blvd., Arlington, VA 22203 (see 43 CFR 3165.4). Contact the above listed Bureau of Land Management office for further information.

Signature of Bureau of Land Management Authorized Officer <u>Jeff Brown</u>	Date <u>10/25/91</u>	Time <u>1545</u>
--	-------------------------	---------------------

Number	Date	Assessment	Penalty	Termination
--------	------	------------	---------	-------------

Type of Inspection:  
PA

ORIGINAL (RETURN TO ISSUING OFFICE)

Well file



# Western Gas Processors, Ltd.

WGP Company — The General Partner

May 9, 1988

Mr. John Keller  
BWAB Incorporated  
1801 California Street, Suite 1000  
Denver, Colorado 80202

RECEIVED  
MAY 10 1988  
BWAB INCORPORATED

RE: Sandia Federal 9-44 Well Connection

Dear Mr. Keller:

After reviewing the Sandia Federal 9-44 well connection economics, I have determined that the well/field would require approximately 1.5 BCF of recoverable reserves to justify a pipeline connection. I base this on the cost of capital to install and operate the fifteen (15) miles of six (6) inch diameter pipeline, plus a reasonable rate of return.

Obviously, deliverability of the reserves is critical. In my calculation, I have assumed the reserves are produced in approximately five (5) years.

Western would be happy to work with BWAB in whatever way we can to connect this well/field. Please review this information and let me know if you feel you have sufficient reserves available to justify a pipeline. Please be aware that I have assumed a pressure at the Sandia Federal 9-44 of 75 psig.

Sincerely,

John Chandler  
Senior Representative  
Business Development

JC: vs



# United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Moab District  
P. O. Box 970  
Moab, Utah 84532

3100  
(U-50439)  
(U-065)

## Drilling and Completion

JUL 14 1988

BWAB Incorporated  
1801 California Street  
Suite 1000  
Denver, Colorado 80202

RE: Flaring Approval  
Sandia Federal #9-44  
Lease No. U-50439  
San Juan County, Utah

RECEIVED  
JUL 18 1988  
BWAB INCORPORATED

Gentlemen:

We are in receipt of your July 1, 1988 letter requesting permission to flare up to 100 MCFPD off the subject well. Your request is hereby approved with the following stipulations: 1) The daily average per month will remain below 100 MCFPD; 2) Flaring under this approval is in effect for one year from the date of approval, further approval pending review; and 3) Volumes flared shall be reported on the Monthly Report of Operations or Form 3160-6. If you have any questions regarding this matter, your contact is the Branch of Fluid Minerals in the Moab District Office at (801) 259-6111.

Sincerely yours,

District Manager

cc:  
U-068

BWAB INCORPORATED



July 1, 1988

U.S. Department of the Interior  
Bureau of Land Management  
Moab District Office  
Box 970  
Moab, UT 84532

ATTENTION: LYNN JACKSON

RE: Permission For Extension Of Flaring  
Sandia Federal #9-44  
Lease No. U-50439  
SESE Sec. 9-T39S-R26E  
San Juan Co., UT

Dear Mr. Jackson:

BWAB Incorporated respectfully requests permission to flare up to 100 MCFPD off of the above captioned well until a pipeline connection is available. For your information, I have attached copies of our well completion report detailing the production on a daily basis. As you will note, the production seems to have stabilized. We feel the 100 MCFPD flare limit is a very realistic number. Also, I have attached a copy of John Keller's letter dated May 10, 1988 detailing our original reasons for flaring. If you should have any questions in this regard, please do not hesitate to contact the undersigned or John Keller at the letterhead address or telephone number.

Very truly yours,

BWAB Incorporated

*Carrie M. Sullivan*

Carrie M. Sullivan

:CMS

Enclosures

# Drilling and Completion



BWAB INCORPORATED

May 10, 1988

U.S. Department of the Interior  
Bureau of Land Management  
Moab District Office  
Box 970  
Moab, UT 84532

ATTENTION: Lynn Jackson

RE: Permission to Flare  
Sandia Federal #9-44  
Lease No. U-50439  
SESE Sec. 9-T39S-R26E  
San Juan Co., UT

Dear Mr. Jackson:

BWAB Incorporated respectfully requests permission to flare up to 150 MCFPD from the subject well as this is a discovery well and there is no gas market available at this time. We request that this flaring be approved on a long term basis as there is not expected to be a gas market available for several years, if ever, due to the distance of this well from existing production and gas gathering systems.

The well has exhibited a stabilized gas-oil ratio of 1.23 MCF/BO, current production at 43.3 BOPD and current gas production is 53.3 MCFPD.

Western Gas Processors has indicated it will take a reserve base of approximately 1.5 BCF to justify a pipeline connection point. Clearly, additional field development drilling and a very significant stabilized production rate will be necessary to justify the construction of a 15 mile pipeline to the site. See copy of attached letter from Western Gas for further details.

As the subject well is going to be stimulated following a stabilized production test, we are requesting authority to flare up to 150 MCFPD so that we may produce the well at rates up to 120 BOPD if productivity allows. The flaring volume was arrived at by multiplying the gas oil ratio times the estimated production rate after stimulation of 120 BOPD.

We feel flaring is necessary so that the well can be produced at a rate sufficient to generate operating cash flow and to begin repaying drilling and completion costs. Flaring is also necessary to allow continuous production at rates sufficient to establish a stabilized production decline and to gather production data to evaluate reservoir parameters for evaluation of reserves recovery and future drilling potential.

Bureau of Land Management  
Sandia Federal #9-44  
Page 2



We respectfully request this approval become effective at the end of the 45 day test period allowed without approval, and that it remain in effect until such time as a viable gas market becomes available.

If you have questions regarding this request, please contact the undersigned at 1-303-295-7444.

Respectfully,

BWAB Incorporated

A handwritten signature in black ink, appearing to read "John R. Keller".

John R. Keller  
Drilling and Production Manager

JRK:cms



# Western Gas Processors, Ltd.

WGP Company — The General Partner

May 9, 1988

Mr. John Keller  
BWAB Incorporated  
1801 California Street, Suite 1000  
Denver, Colorado 80202

RECEIVED  
MAY 10 1988  
BWAB INCORPORATED

RE: Sandia Federal 9-44 Well Connection

Dear Mr. Keller:

After reviewing the Sandia Federal 9-44 well connection economics, I have determined that the well/field would require approximately 1.5 BCF of recoverable reserves to justify a pipeline connection. I base this on the cost of capital to install and operate the fifteen (15) miles of six (6) inch diameter pipeline, plus a reasonable rate of return.

Obviously, deliverability of the reserves is critical. In my calculation, I have assumed the reserves are produced in approximately five (5) years.

Western would be happy to work with BWAB in whatever way we can to connect this well/field. Please review this information and let me know if you feel you have sufficient reserves available to justify a pipeline. Please be aware that I have assumed a pressure at the Sandia Federal 9-44 of 75 psig.

Sincerely,

John Chandler  
Senior Representative  
Business Development

JC: vs

COPY

DESIGNATION OF AGENT OR OPERATOR - FORM 5

The undersigned is, on record, the holder of oil and gas lease

LEASE NAME: SANDIA FEDERAL 9-44

LEASE NUMBER: U-50439

and hereby designates

NAME: TOLA PRODUCTION COMPANY

ADDRESS: SUITE 840, 9330 LBJ FREEWAY, DALLAS TX 75267

as his agent/operator, with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the Division Director or Authorized Agent may serve written or oral instructions in securing compliance with the Oil and Gas Conservation General Rules and Procedural Rules of the Board of Oil, Gas and Mining of the State of Utah with respect to (describe acreage to which this designation is applicable):

SESE, 1300' FSL & 1000' FEL, Section 9, T39S-R26E, San Juan Co., UT

RECEIVED

MAR 1 1 1993

DIVISION OF  
OIL GAS & MINING

It is understood that this designation of agent/operator does not relieve the lessee of responsibility for compliance with the terms of the lease and the Oil and Gas Conservation General Rules and Procedural Rules of the Board of Oil, Gas and Mining of the State of Utah. It is also understood that this designation of agent or operator does not constitute an assignment of any interest in the lease.

In case of default on the part of the designated agent/operator, the lessee will make full and prompt compliance with all rules, lease terms or orders of the Board of Oil, Gas and Mining of the State of Utah or its authorized representative.

The lessee agrees promptly to notify the Division Director or Authorized Agent of any change in this designation.

Effective Date of Designation 04-01-93

By: \_\_\_\_\_  
(signature)

Company YATES PETROLEUM  
Address 105 S 4th Street  
Artesia NM 88210

Title: \_\_\_\_\_  
Phone: 505-748-1471

COPY

BWAB INCORPORATED

March 9, 1993

Yates Petroleum  
105 South 4th Street  
Artesia, New Mexico 88210

Attention: Randy Patterson

Re: Resignation of Operator  
Sandia Federal 9-44  
SESE Section 9, T39S-R26E  
San Juan County, Utah

RECEIVED

MAR 11 1993

DIVISION OF  
OIL GAS & MINING

Dear Mr. Patterson:

Effective April 1, 1993, BWAB Incorporated is selling its 75% working interest in the subject property to Tola Production Company. Tola wishes to succeed BWAB Incorporated as operator.

We hope that Yates Petroleum will support Tola as successor operator for the property. A copy of Form 5, Designation of Operator, is enclosed for your execution and submission to the State of Utah. BWAB Incorporated conveyed only our interest in the spacing unit to Tola. We retained our operating rights to the balance of the lease held by the well.

Therefore, BWAB Incorporated wishes to advise Yates Petroleum that we are resigning as operator effective April 1, 1993, so that Tola, as majority interest owner, can succeed as operator of record.

If you have questions, please contact the undersigned.

Respectfully,

BWAB INCORPORATED



John R. Keller  
Drilling and Production Manager

JRK/ek  
enclosure

cc: Tola Production Company  
BLM - Moab District Office  
State of Utah

RECEIVED

MAR 11 1993



BWAB INCORPORATED

DIVISION OF  
OIL GAS & MINING

March 9, 1993

State of Utah  
Department of Natural Resources  
Division of Oil, Gas and Mining  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203

Attention: John Baza

RE: Sandia Federal 9-44  
SESE Sec. 9, T39S-R26E  
San Juan County, Utah

Gentlemen:

Enclosed please find one (1) original and three (3) copies of a Sundry Notice for each of the referenced wells.

Upon approval, please return one (1) executed copy of each to our office for our files.

If you have any questions, please contact John Keller, Drilling and Production Manager of BWAB Incorporated, at the letterhead address or telephone number.

Sincerely,

BWAB INCORPORATED

Erin K. Kutz  
Operations Secretary

/ek  
enclosures

cc: Tola Production Company  
Yates Petroleum  
Robin Benko  
Jon Roitman

DESIGNATION OF AGENT OR OPERATOR - FORM 5

The undersigned is, on record, the holder of oil and gas lease

LEASE NAME: SANDIA FEDERAL 9-44

LEASE NUMBER: U-50439

and hereby designates

NAME: TOLA PRODUCTION COMPANY

ADDRESS: SUITE 840, 9330 LBJ FREEWAY, DALLAS TX 75267

as his agent/operator, with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the Division Director or Authorized Agent may serve written or oral instructions in securing compliance with the Oil and Gas Conservation General Rules and Procedural Rules of the Board of Oil, Gas and Mining of the State of Utah with respect to (describe acreage to which this designation is applicable):

SESE, 1300' FSL & 1000' FEL, Section 9, T39S-R26E, San Juan Co., UT

**RECEIVED**

MAR 11 1993

DIVISION OF  
OIL GAS & MINING

It is understood that this designation of agent/operator does not relieve the lessee of responsibility for compliance with the terms of the lease and the Oil and Gas Conservation General Rules and Procedural Rules of the Board of Oil, Gas and Mining of the State of Utah. It is also understood that this designation of agent or operator does not constitute an assignment of any interest in the lease.

In case of default on the part of the designated agent/operator, the lessee will make full and prompt compliance with all rules, lease terms or orders of the Board of Oil, Gas and Mining of the State of Utah or its authorized representative.

The lessee agrees promptly to notify the Division Director or Authorized Agent of any change in this designation.

Effective Date of Designation 04-01-93

By:

John R. Keller  
(signature)

Company BWAB INCORPORATED  
Address 555-17th St., Suite 1900  
Denver, CO 80202

Title: Drilling & Production Mgr.

Phone: 303-295-7444

STATE OF UTAH  
DIVISION OF OIL, GAS AND MINING

**RECEIVED**

<p><b>SUNDRY NOTICES AND REPORTS ON WELLS 1993</b> (Do not use this form for proposals to drill or to deepen or plug back to a different reservoir. Use "APPLICATION FOR PERMIT—" for such proposals.)</p>		<p>5. LEASE DESIGNATION &amp; SERIAL NO. U-50439</p>	
<p>1. OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/> DIVISION OF OIL GAS &amp; MINING</p>		<p>6. IF INDIAN ALLOTTEE OR TRIBE NAME</p>	
<p>2. NAME OF OPERATOR BWAB INCORPORATED</p>		<p>7. UNIT AGREEMENT NAME</p>	
<p>3. ADDRESS OF OPERATOR 555-17th St., Suite 1900, Denver, CO 80202</p>		<p>8. FARM OR LEASE NAME SANDIA FEDERAL</p>	
<p>4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements. See also space 17 below.) At surface SESE, 1300' FSL &amp; 1000' FEL At proposed prod. zone</p>		<p>9. WELL NO. 9-44</p>	
<p>14. API NO. 43-307-31371</p>		<p>15. ELEVATIONS (Show whether DF, RT, GR, etc.) 5408' FL; 4520' KB</p>	
<p>10. FIELD AND POOL, OR WILDCAT Unnamed</p>		<p>11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA Sec. 9, T39S-R26E</p>	
<p>12. COUNTY San Juan</p>		<p>13. STATE UT</p>	

16. Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
TEST WATER SHUT-OFF <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	WATER SHUT-OFF <input type="checkbox"/>	REPAIRING WELL <input type="checkbox"/>
FRACTURE TREAT <input type="checkbox"/>	MULTIPLE COMPLETE <input type="checkbox"/>	FRACTURE TREATMENT <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
SHOOT OR ACIDIZE <input type="checkbox"/>	ABANDON <input type="checkbox"/>	SHOOTING OR ACIDIZING <input type="checkbox"/>	ABANDONMENT* <input type="checkbox"/>
REPAIR WELL <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	(Other) <u>Change of Operator</u> <input type="checkbox"/>	
(Other) <input type="checkbox"/>		(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)	
APPROX. DATE WORK WILL START _____		DATE OF COMPLETION _____	

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

\* Must be accompanied by a cement verification report.

Effective April 1, 1993, the referenced well has been sold to, and will be operated by:

TOLA PRODUCTION COMPANY  
(214) 783-4099  
SUITE 840  
9330 LBJ FREEWAY  
DALLAS TX 75267-43

**RECEIVED**

MAR 11 1993

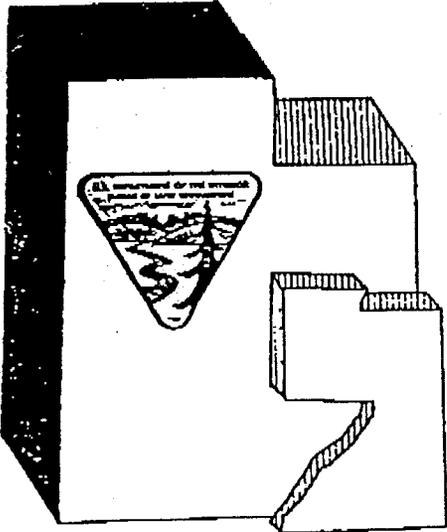
DIVISION OF OIL GAS & MINING

18. I hereby certify that the foregoing is true and correct

SIGNED John R. Keller TITLE Drilling & Production Mgr DATE 03/09/93  
(This space for Federal or State office use)

APPROVED BY \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_  
CONDITIONS OF APPROVAL, IF ANY:

See Instructions On Reverse Side



FAX TRANSMITTAL  
MOAB DISTRICT OFFICE

**RECEIVED**

SEP 29 1993

DIVISION OF  
OIL, GAS & MINING

TO: Lisha

FROM: Ulline

SUBJECT: SN Change of  
Operator

NUMBER OF PAGES: 2  
(Including Cover Sheet)

DATE: 9/29/93

TIME: 9:20

FAX MACHINE NO.: \_\_\_\_\_

COMMENTS:

Form 3160-5  
June 1990)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

RECEIVED  
MOAB DISTRICT OFFICE

FORM APPROVED  
Budget Bureau No. 1004-0135  
Expires: March 31, 1993

5. Lease Designation and Serial No.  
U-50439

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.  
Sandia Federal 9-44

9. API Well No.  
43-037-31371

10. Field and Pool, or Exploratory Area  
Undesignated

11. County or Parish, State  
San Juan Co., UT

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.  
Use "APPLICATION FOR PERMIT—" for such proposals.

SUBMIT IN TRIPLICATE

1. Type of Well  
 Oil Well  Gas Well  Other

2. Name of Operator  
TOLA PRODUCTION COMPANY

3. Address and Telephone No.  
1919 S. Shiloh Road, Suite 601, Garland, Texas 75042

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)  
SESE, 1300' FSL & 1000' FEL  
Section 9, T39S-R26E (214) 840-3450

CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

Notice of Intent

Subsequent Report

Final Abandonment Notice

TYPE OF ACTION

Abandonment

Reconpletion

Plugging Back

Casing Repair

Altering Casing

Other Change of Operator

Change of Plans

New Construction

Non-Routine Fracturing

Water Shut-Off

Conversion to Injection

Dispose Water

RECEIVED  
SEP 29 1993  
DIVISION OF  
OIL, GAS & MINING

Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markets and zones pertinent to this work.)

CHANGE OF OPERATOR

Tola Production Company is taking over operations of the above captioned well. Tola has purchased 100% of BWAB Incorporated's right, title and interest in the subject wellbore and spacing unit. Tola Production Company is responsible under the terms and conditions of the lease for operations conducted on the leased lands or portions thereof. Tola Production Company will take over operations of the referenced well effective April 1, 1993.

Bond coverage for this well will be provided by the Letter of Credit issued by Founders National Bank, 9696 Skillman, Suite 150, Dallas, Texas 75243, 214-340-7400. Said letter of credit was issued April 29, 1993. Copy of said letter of credit is attached.

I hereby certify that the foregoing is true and correct

Signed David C. Gardner President

This space for Federal or State office use

Approved by William C. [Signature] Assistant District Manager for Minerals

Date 6-8-1993

Date 6/23/93

CONDITIONS OF APPROVAL ATTACHED

8 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Division of Oil, Gas and Mining  
PHONE CONVERSATION DOCUMENTATION FORM

Route original/copy to:

Well File \_\_\_\_\_  
\_\_\_\_\_  
(Location) Sec \_\_\_ Twp \_\_\_ Rng \_\_\_  
(API No.) \_\_\_\_\_

Suspense  
(Return Date) \_\_\_\_\_  
(To - Initials) \_\_\_\_\_

Other  
*Operator Change*

1. Date of Phone Call: 9-29-93 - Time: 9:20

2. DOGM Employee (name) L. Cordova (Initiated Call   
Talked to:

Name Nancy Riddick (Initiated Call  - Phone No. (214) 840-3450  
of (Company/Organization) Tola Production Company

3. Topic of Conversation: New address & phone numbers?

4. Highlights of Conversation:

Confirmed new address & phone numbers:

Tola Production Company

1919 S. Shiloh St. Box 28

Barland, TX 75042

(214) 840-3450

ATTN: Nancy Riddick

\* Mailing Rules & Regs. "Complete w/ forms".

Division of Oil, Gas and Mining  
**OPERATOR CHANGE WORKSHEET**

Routing:

1- <del>VLC</del>	7- <del>VLC</del>
2-DTS	
3-VLC	✓
4-RJF	✓
5-PL	✓
6-SJ	✓

Attach all documentation received by the division regarding this change.  
 Initial each listed item when completed. Write N/A if item is not applicable.

- Change of Operator (well sold)       Designation of Agent  
 Designation of Operator       Operator Name Change Only

The operator of the well(s) listed below has changed (EFFECTIVE DATE: 4-1-93)

TO (new operator)	<u>TOLA PRODUCTION COMPANY</u>	FROM (former operator)	<u>BWAB INCORPORATED</u>
(address)	<u>1919 S SHILOH STE 601 LB28</u>	(address)	<u>555 17TH ST #1900</u>
	<u>GARLAND, TX 75042</u>		<u>DENVER, CO 80202</u>
	<u>NANCY RIDDICK</u>		<u>JOHN KELLER, MGR</u>
	phone (214) <u>840-3450</u>		phone (303) <u>295-7444</u>
	account no. <u>N 7335 (9-29-93)</u>		account no. <u>N 4320</u>

Well(s) (attach additional page if needed):

Name: <u>SANDIA FED 9-44/ISMY</u>	API: <u>43-037-31371</u>	Entity: <u>10847</u>	Sec <u>9</u>	Twp <u>39S</u>	Rng <u>26E</u>	Lease Type: <u>U-50439</u>
Name: _____	API: _____	Entity: _____	Sec _____	Twp _____	Rng _____	Lease Type: _____
Name: _____	API: _____	Entity: _____	Sec _____	Twp _____	Rng _____	Lease Type: _____
Name: _____	API: _____	Entity: _____	Sec _____	Twp _____	Rng _____	Lease Type: _____
Name: _____	API: _____	Entity: _____	Sec _____	Twp _____	Rng _____	Lease Type: _____
Name: _____	API: _____	Entity: _____	Sec _____	Twp _____	Rng _____	Lease Type: _____
Name: _____	API: _____	Entity: _____	Sec _____	Twp _____	Rng _____	Lease Type: _____

**OPERATOR CHANGE DOCUMENTATION**

- Sec 1. (Rule R615-8-10) Sundry or other legal documentation has been received from former operator (Attach to this form). *(Rec'd 3-11-93)*
- Sec 2. (Rule R615-8-10) Sundry or other legal documentation has been received from new operator (Attach to this form). *(Rec'd 9-29-93)*
- Sec 3. The Department of Commerce has been contacted if the new operator above is not currently operating any wells in Utah. Is company registered with the state? (yes/no) \_\_\_\_ If yes, show company file number: # 171716. *Eff. 5-13-93*
- Sec 4. (For Indian and Federal Hells ONLY) The BLM has been contacted regarding this change (attach Telephone Documentation Form to this report). Make note of BLM status in comments section of this form. Management review of Federal and Indian well operator changes should take place prior to completion of steps 5 through 9 below.
- Sec 5. Changes have been entered in the Oil and Gas Information System (Wang/IBM) for each well listed above. *(9-29-93)*
- Sec 6. Cardex file has been updated for each well listed above. *(9-29-93)*
- Sec 7. Well file labels have been updated for each well listed above. *(9-29-93)*
- Sec 8. Changes have been included on the monthly "Operator, Address, and Account Changes" memo for distribution to State Lands and the Tax Commission. *(9-29-93)*
- Sec 9. A folder has been set up for the Operator Change file, and a copy of this page has been placed there for reference during routing and processing of the original documents.

ENTITY REVIEW

- lec 1. (Rule R615-8-7) Entity assignments have been reviewed for all wells listed above. Were entity changes made? (yes/no) \_\_\_\_ (If entity assignments were changed, attach copies of Form 6, Entity Action Form).
- N/A 2. State Lands and the Tax Commission have been notified through normal procedures of entity changes.

BOND VERIFICATION (Fee wells only)

- lec/N/A 1. (Rule R615-3-1) The new operator of any fee lease well listed above has furnished a proper bond.
- \_\_ 2. A copy of this form has been placed in the new and former operators' bond files.
- \_\_ 3. The former operator has requested a release of liability from their bond (yes/no) \_\_. Today's date \_\_\_\_\_ 19\_\_\_. If yes, division response was made by letter dated \_\_\_\_\_ 19\_\_.

LEASE INTEREST OWNER NOTIFICATION RESPONSIBILITY

- N/A 1. (Rule R615-2-10) The former operator/lessee of any fee lease well listed above has been notified by letter dated \_\_\_\_\_ 19\_\_, of their responsibility to notify any person with an interest in such lease of the change of operator. Documentation of such notification has been requested.   
*DTS 9/20/93*
- N/A 2. Copies of documents have been sent to State Lands for changes involving State leases.

FILMING

- 1. All attachments to this form have been microfilmed. Date: 10.7. 1993.

FILING

- lec 1. Copies of all attachments to this form have been filed in each well file.
- lec 2. The original of this form and the original attachments have been filed in the Operator Change file.

COMMENTS

*930929 Btm/Meab Approved 6-23-93.*

STATE OF UTAH  
DIVISION OF OIL, GAS AND MINING

FORM 6

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, deepen existing wells, or to reenter plugged and abandoned wells.  
Use APPLICATION FOR PERMIT TO DRILL OR REOPEN form for such proposals.

5. Lease Designation and Serial Number:

U-50439

6. If Indian, APCC or Tribe Name:

7. Lease Agreement Name:

8. Well Name and Number:

SANDIA Federal 9-44

9. API Well Number:

43-039-31371

10. Field and Pool or Wildcat:

Undesignated

County: SAN JUAN

State: UTAH

1. Type of Well: OIL  GAS  OTHER

2. Name of Operator:

Tota Production Company

3. Address and Telephone Number:

1919 S. Shiloh

4. Location of Well SE/4 SE/4

Footage: 1300' FSL 1000' FEL

02, Sec. T.R.M.: SAN JUAN Sec 9 TWP 39S R 26E

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

NOTICE OF INTENT  
(Submit in Duplicate)

- Abandon
- Repair Casing
- Change of Plans
- Convert to Injection
- Fracture Treat or Acidize
- Multiple Completion
- Other \_\_\_\_\_
- New Construction
- Pull or Alter Casing
- Recomplete
- Reperforate
- Vent or Flare
- Water Shut-Off

Approximate date work will start 5/26/97

SUBSEQUENT REPORT  
(Submit Original Form Only)

- Abandon
- Repair Casing
- Change of Plans
- Convert to Injection
- Fracture Treat or Acidize
- Other \_\_\_\_\_
- New Construction
- Pull or Alter Casing
- Reperforate
- Vent or Flare
- Water Shut-Off

Date of work completion \_\_\_\_\_

Report results of Multiple Completions and Recompletions to different reservoirs on WELL COMPLETION OR RECOMPLETION REPORT AND LOG form.

\* Must be accompanied by a cement verification report.

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Give any special treatment details, and give pertinent dates. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Status 8 5/8" surface pipe set at 1690 KB cement. Circulated 900 sacks to surface  
 Drilled 7 1/8" hole to TDOF 6197 Ran 6193' of 5 1/2 15.5# 17# J&K 55 LTC  
 CMT 1st stage 200 SAK - NO bond log - Fill TO 5248'  
 CMT 2nd stage 260 SAK From DV Tool set e 3476 Fill TO 1736'

Proposal P&A Well - cut of 5 1/2 casing at freepoint 7 1736' fill casing & Annulus  
 w/ mud - pull free casing - set cement plug in & out of stub - 50 sack  
 Set 10 SAK plug AT Surface

Well is now economic to Produce

13.

Name & Signature:

Wallace Grett

Title:

Engineer

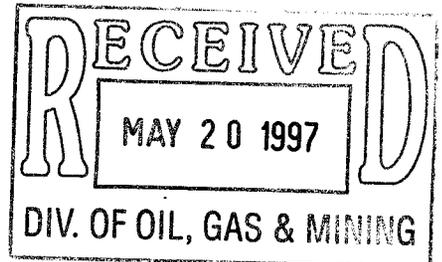
Date:

5/14/97

(This space for State use only)

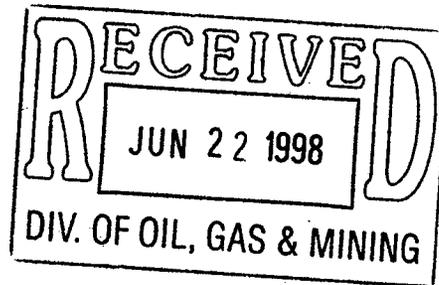
Accepted by the  
Utah Division of  
Oil, Gas and Mining  
FOR RECORD ONLY

(See instructions on Reverse Side)



# Hallwood Petroleum, Inc.

4582 S. Ulster St. Pkwy • Suite 1700 • Stanford Place III • P.O. Box 378111  
Denver, Colorado 80237 • (303) 850-7373



June 17, 1998

Bureau of Land Management  
324 So. State, Suite 301  
Salt Lake City, UT 84111-2303

✓ State of Utah  
1594 W. North Temple, Suite 1210  
Salt Lake City, UT 84114-5801  
Attn: Lisha Cordova

Re: Sandia Federal 9-44  
San Juan County, Utah

Ladies and Gentlemen:

Enclosed are two Sundry Notices and additional copies which reflect that Tola Production Company has relinquished its duties as Operator of the subject well and Hallwood Petroleum, Inc., agrees to assume such duties required by the Operator in accordance with the governing regulatory agencies. Please signify your approval of this change of Operator by returning the approved Sundry to the undersigned at your earliest convenience.

If you have any questions concerning this matter, please call me at (303) 850-6227.

Sincerely,  
HALLWOOD PETROLEUM, INC.

  
Connie Heath  
Land Manager

cc: Nonya Durham

**SUNDRY NOTICES AND REPORTS ON WELLS**

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.  
Use "APPLICATION FOR PERMIT -- " for such proposals

*SUBMIT IN TRIPLICATE*

1. Type of Well  
 Oil Well  Gas Well  Other

2. Name of Operator **TOLA PRODUCTION COMPANY, GERALD R. MILLER, TRUSTEE IN BANKRUPTCY**

3. Address and Telephone No. **P.O. BOX 2667, MUKOGEE, OK 74402-2667**

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)  
**Sec. 9-T39S-R26E SESE 1300 FSL & 1000 FEL**

5. Lease Designation and Serial No.  
**UTU-50439**

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.  
**Sandia Federal #9-44**

9. API Well No.  
**43-037-31371**

10. Field and Pool, or Exploratory Area  
**Unnamed**

11. County or Parish, State  
**San Juan County, Utah**

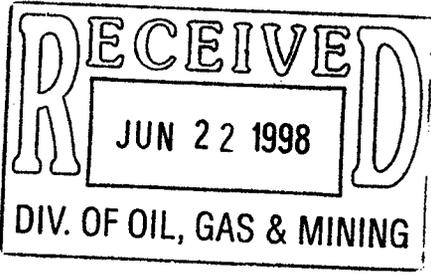
12. CHECK APPROPRIATE BOX (s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent <input type="checkbox"/> Subsequent Report <input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Abandonment <input type="checkbox"/> Recompletion <input type="checkbox"/> Plugging Back <input type="checkbox"/> Casing Repair <input type="checkbox"/> Altering Casing <input checked="" type="checkbox"/> Other <u>Change of Operator</u> <input type="checkbox"/> Change of Plans <input type="checkbox"/> New Construction <input type="checkbox"/> Non-Routine Fracturing <input type="checkbox"/> Water Shut-Off <input type="checkbox"/> Copnversion to Injection <input type="checkbox"/> Dispose Water <small>(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)</small>

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.) \*

**Tola Production Company, Gerald R. Miller, Trustee in Bankruptcy, P.O. Box 2667, Mukogee, OK 74402-2667, relinquishes all rights as operator of the Sandia Federal #9-44 effective June 1, 1998.**

**New Operator: HALLWOOD PETROLEUM, INC.**  
 4582 So. Ulster St. Parkway, Suite 1700  
 P.O. Box 378111  
 Denver, CO 80237



14. I hereby certify that the foregoing is true and correct

Signed [Signature] Title Gerlad R. Miller, Trustee in Bankruptcy Date 6-12-98

(This space for Federal or State office use)

Approved by \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States, any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

**SUNDRY NOTICES AND REPORTS ON WELLS**

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.  
Use "APPLICATION FOR PERMIT --" for such proposals

**SUBMIT IN TRIPLICATE**

1. Type of Well  
 Oil Well  Gas Well  Other

2. Name of Operator **HALLWOOD PETROLEUM, INC**

3. Address and Telephone No. **P.O. BOX 378111 DENVER, CO 303-850-6257**

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)  
**Sec. 9-T39S-R26E SESE 1300 FSL & 1000 FEL**

5. Lease Designation and Serial No.

**UTU-50439**

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

**Sandia Federal #9-44**

9. API Well No.

**43-037-31371**

10. Field and Pool, or Exploratory Area

**Unnamed**

11. County or Prish, State

**San Juan County, Utah**

12. CHECK APPROPRIATE BOX (s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- Notice of Intent
- Subsequent Report
- Final Abandonment Notice

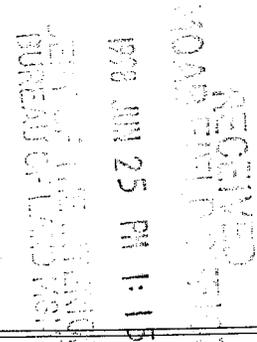
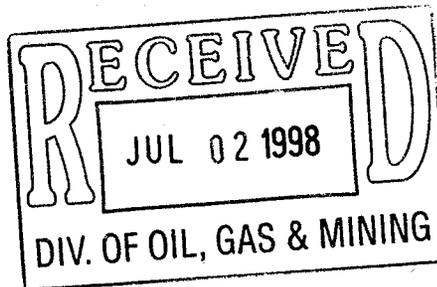
TYPE OF ACTION

- Abandonment
  - Recompletion
  - Plugging Back
  - Casing Repair
  - Altering Casing
  - Other **Change of Operator**
  - Change of Plans
  - New Construction
  - Non-Routine Fracturing
  - Water Shut-Off
  - Copnversion to Injection
  - Dispose Water
- (Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.) \*

Hallwood Petroleum, Inc., 4582 S. Ulster St. Parkway, Suite 1700, P.O. Box 378111, Denver, Co, 80237, is the operator of the Sandia Federal #9-44 effective June 1, 1998 and agree to be responsible for, and fulfill the obligations under the terms and condition of the lease for the operations conducted upon the lease lands.

Previous Operator: Tola Production Company, Gerald R. Miller, Trustee in Bankruptcy, P.O. Box 2667, Mukogee, OK 74402-2667



14. I hereby certify that the foregoing is true and correct

Signed \_\_\_\_\_

Betty Dieter, Vice-President Operations

Title *Betty Dieter*

Date *6/8/98*

(This space for Federal or State office use)

Approved by

*William E. Striniser*

Title

**Assistant Field Manager,  
Resource Management**

Date **JUN 29 1998**

Conditions of approval, if any:

**CONDITIONS OF APPROVAL ATTACHED**

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States, any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*1.1.1.1*

Hallwood Petroleum, Inc.  
Well No. Sandia Federal 9-44  
SESE Sec. 9, T. 39 S., R. 26 E.  
San Juan County, Utah  
Lease UTU50439

**CONDITIONS OF APPROVAL**

Approval of this application does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Be advised that Hallwood Petroleum, Inc., is considered to be the operator of the above well and is responsible under the terms and conditions of the lease for the operations conducted on the leased land.

Bond coverage for this well is provided by BLM Bond MT0735 (Principle - Hallwood Oil & Gas, Inc.; Subsidiary - Hallwood Petroleum, Inc.) as provided for in 43 CFR 3104.2.

This office will hold the aforementioned operator and bond liable until the provisions of 43 CFR 3106.7-2 continuing responsibility are met.

**SUNDRY NOTICES AND REPORTS ON WELLS**

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.  
Use "APPLICATION FOR PERMIT --" for such proposals

**SUBMIT IN TRIPLICATE**

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other	5. Lease Designation and Serial No. <b>UTU-50439</b>
2. Name of Operator <b>HALLWOOD PETROLEUM, INC</b>	6. If Indian, Allottee or Tribe Name
3. Address and Telephone No. <b>P.O. BOX 378111 DENVER, CO 303-850-6257</b>	7. If Unit or CA, Agreement Designation
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) <b>Sec. 9-T39S-R26E SESE 1300 FSL &amp; 1000 FEL</b>	8. Well Name and No. <b>Sandia Federal #9-44</b>
	9. API Well No. <b>43-037-31371</b>
	10. Field and Pool, or Exploratory Area <b>Undesignated</b>
	11. County or Prish, State <b>San Juan County, Utah</b>

12. CHECK APPROPRIATE BOX (s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent <input type="checkbox"/> Subsequent Report <input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Abandonment <input type="checkbox"/> Recompletion <input checked="" type="checkbox"/> Plugging Back <input type="checkbox"/> Casing Repair <input type="checkbox"/> Altering Casing <input type="checkbox"/> Other _____ <input type="checkbox"/> Change of Plans <input type="checkbox"/> New Construction <input type="checkbox"/> Non-Routine Fracturing <input type="checkbox"/> Water Shut-Off <input type="checkbox"/> Conversion to Injection <input type="checkbox"/> Dispose Water <small>(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)</small>

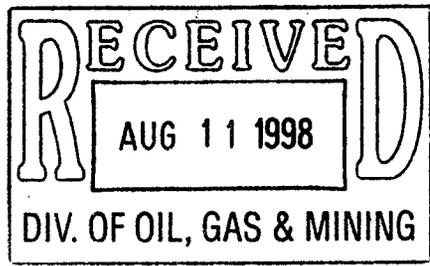
13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.) \*

Hallwood Petroleum, Inc. plans to Plug Back this well per the attached procedures using Steps 3 thru 13, in preparation for sidetracking.

Hallwood is presently preparing Form 3160-3 with complete procedures for the sidetracking.

Approval of this Sundry is requested as soon as possible, as there is equipment in the area to complete this plug back.

COPY SENT TO OPERATOR  
Date: 8-12-98  
Initials: KDR



14. I hereby certify that the foregoing is true and correct

Signed: Nonya K. Durham Title: Nonya K. Durham Production Reporting Supervisor Date: 8/10/98

(This space for Federal or State Approval)

Accepted by the State of Utah Division of Oil, Gas and Mining

Approved by: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

Conditions of approval, if any: \_\_\_\_\_

Date: 12-14-98

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States, any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

By: K.M. [Signature]

## **General Procedure**

### **Sandia Federal #9-44**

#### **Sidetrack and Re-drill**

##### **Background**

The subject well was drilled in 1988 to 6197' by BWAB Incorporated and completed in the Upper Ismay at 5990-6032'. Hallwood Petroleum, Inc. and partners (Legacy, et al) have seismic that indicates this well may be on the edge of an updip "mound" that should be tested. A plugback, sidetrack and re-drill of the existing wellbore may be the most cost effective and feasible method to test the geologic concept. This cost estimate is approximately 60% of the "new well" dry hole cost and 51% of the "new" producer well estimated costs.

##### **Procedure**

1. Prior to rig move ON, move pumping unit and base to edge of location.
2. MIRU pulling unit and/or casing pulling unit to prep well for sidetrack.
3. POOH with rods and pump. ND tree and NU BOP.
4. Release anchor, circulate hole with plug mud or brine water and TOH with tubing, laying down all but 2500'.
5. RIH with CIBP on wireline and set at 5950', cap with 2-3 bailer runs of cement.
6. Set a second CIBP at 3400' (above DV tool at 3476') and cap with cement.
7. Weld on pull nipple on 5 1/2" casing and pick up 5 1/2" casing out of slips.
8. Freepoint casing to determine where to cut 5 1/2".

NOTE: Per 2/23/88 Schlumberger CBL log the 2<sup>nd</sup> stage top of cement is at 2300-2325'.  
Bottom of 8 5/8" surface casing is at 1960'.

9. Attempt to cut 5 1/2" casing (probably 15.50# at this depth) at 2250-2300' (or as deep as possible).
10. Work casing free and TOH laying down.
11. PU tubing and run in hole to casing stub and tag. Spot a 200 sx neat cement plug to bring cement up inside the 8 5/8" surface casing shoe.

Sandia Federal #9-44

12. Pull out of cement plug and out of hole. PU a bit and RIH to tag plug, set weight on it and drill off 10-20 feet or until it is hard.
13. RD pulling/casing unit and shut well in.
14. MIRU drilling rig.
15. PU a 7 7/8" milltooth bit, collars and drillpipe and TIH to tag cement.
16. Drill out to 1920' and pressure test surface casing to 1500 psi.

NOTE: Also test BOPs and choke manifold prior to drilling out shoe of surface casing.

17. Finish drilling out shoe and dress off 50-60' of cement plug or until it is hard.
18. TOH and PU directional tools (motor, bent sub, non-mag collar and DCs).
19. Orient N55°E off kick-off plug and start motor drilling.
20. Directional drill to new bottomhole location per forthcoming procedure.
21. Plan on drill stem testing Upper Ismay. *(IF deviated hole conditions will allow)*
22. Log well and wait on casing design from Denver office.
23. Run 5 1/2" casing per forthcoming design. Detailed cementing and completion program will be at a later date.

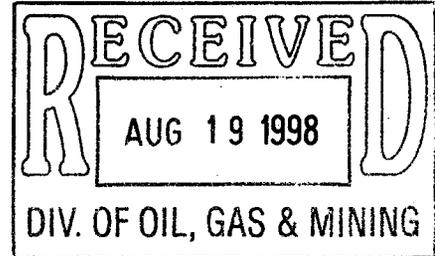
AFE98V1042B.KO

# Hallwood Petroleum, Inc.

4582 South Ulster Street Parkway • Stanford Place III • Suite 1700 • Post Office Box 378111  
Denver, Colorado 80237 • (303) 850-7373

## OVERNIGHT MAIL

August 18, 1998



Bureau of Land Management  
Moab District Office  
82 East Dogwood  
Moab, Utah 84532

State of Utah  
Attn: Lisha Cordova  
1594 W. North Temple, Suite 1210  
Salt Lake City, Utah 84114-5801

RE: Application for Permit to Re-drill  
Sandia Federal #9-44  
API #43-037-31371  
San Juan County, Utah

Ladies and Gentlemen:

Enclosed is Application for Permit to Drill (Form 3160-3) for the above captioned well. Hallwood is currently plugging back the existing Sandia Federal #9-44 wellbore and preparing it for sidetracking and re-drilling. We would like to request the approval to sidetrack (re-drill) this well as soon as possible as we have been able to secure a drilling rig that is in the area that will save us significant amounts on moving in another rig at a later date.

If you have any questions please feel free to contact me at (303) 850-6303.

Sincerely,

A handwritten signature in black ink that reads "Kevin E. O'Connell". The signature is written in a cursive style with a large, looped "K" and "O'".

Kevin E. O'Connell  
Drilling & Production Manager

KEO/jey

cc: Bureau of Land Management  
324 S. State, Suite 301  
Salt Lake City, UT 84111-2303

KEO98.040

**UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT**

**APPLICATION FOR PERMIT TO DRILL OR DEEPEN**

<b>1a. TYPE OF WORK</b>		5. LEASE DESIGNATION AND SERIAL NO. UTU-50439	
DRILL <input checked="" type="checkbox"/> (RE-ENTER & SIDETRACK) DEEPEN <input type="checkbox"/>		6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
<b>b. TYPE OF WELL</b>		7. UNIT AGREEMENT NAME	
OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/>		8. FARM OR LEASE NAME, WELL NO. SANDIA FEDERAL #9-44	
SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>		9. API WELL NO. 43-037-31371	
<b>2. NAME OF OPERATOR</b> HALLWOOD PETROLEUM, INC.		10. FIELD AND POOL, OR WILDCAT Cajon Lake	
<b>3. ADDRESS AND TELEPHONE NO.</b> P. O. BOX 378111, DENVER, CO 80237 (303) 850-7373		11. SEC., T., R., OR BLK. AND SURVEY OR AREA Section 9-T39S-R26E	
<b>4. LOCATION OF WELL</b> (Report location clearly and in accordance with any State requirements. *)		12. COUNTY OR PARISH San Juan	
At surface 1300' FSL & 1000' FEL		13. STATE UT	
At proposed prod. zone 1750' FSL & 425' FEL			
<b>14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE *</b> 5 miles from Hovenweep National Monument			
<b>15. DISTANCE FROM PROPOSED * LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT.</b> (Also to nearest drlg. unit line, if any)	425'	<b>16. NO. OF ACRES IN LEASE</b> 4886.38	<b>17. NO. OF ACRES ASSIGNED TO THIS WELL</b> 40 (NE of SE)
<b>18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WEL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.</b>	N/A	<b>19. PROPOSED DEPTH</b> 6400'	<b>20. ROTARY OR CABLE TOOLS</b> Rotary
<b>21. ELEVATIONS</b> (Show whether DF, RT, GR, etc.) 5408' GR      5420' KB			<b>22. APPROX. DATE WORK WILL START*</b> 8/25/98

**23. PROPOSED CASING AND CEMENTING PROGRAM**

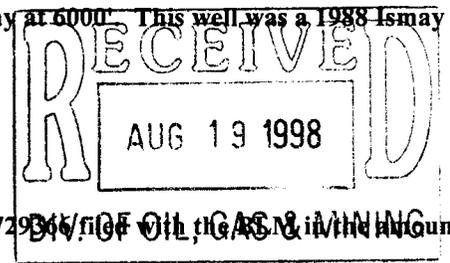
SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	8 5/8"	24#	1960	1160 sxs (existing in well)
7 7/8"	J or K-55	15.5 & 17#	6400	1025 sxs in 2 stages

Hallwood plans to sidetrack and re-drill to a new BHL approximately 750' NE to test the Ismay at 6000'. This well was a 1988 Ismay discovery at 58 BOPD and produced only 18 MBO and is shut-in.

Hallwood plans to do this work as soon as approval is recieved.

Please see attached for procedures.

Bond coverage for this well is provided by Hallwood Oil and Gas BLM Nationwide Bond #B1729366 filed with the ASM in the amount of \$150,000 via surety consent as provided for in 43 CFR 3104.2. BLM Bond #MT 0735.



**IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM:** If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED Kevin E. O'Connell TITLE Kevin E. O'Connell Drilling and Production Manager DATE 8/10/98

(This space for Federal or State office use)

PERMIT NO. 43-037-31371 APPROVAL DATE \_\_\_\_\_

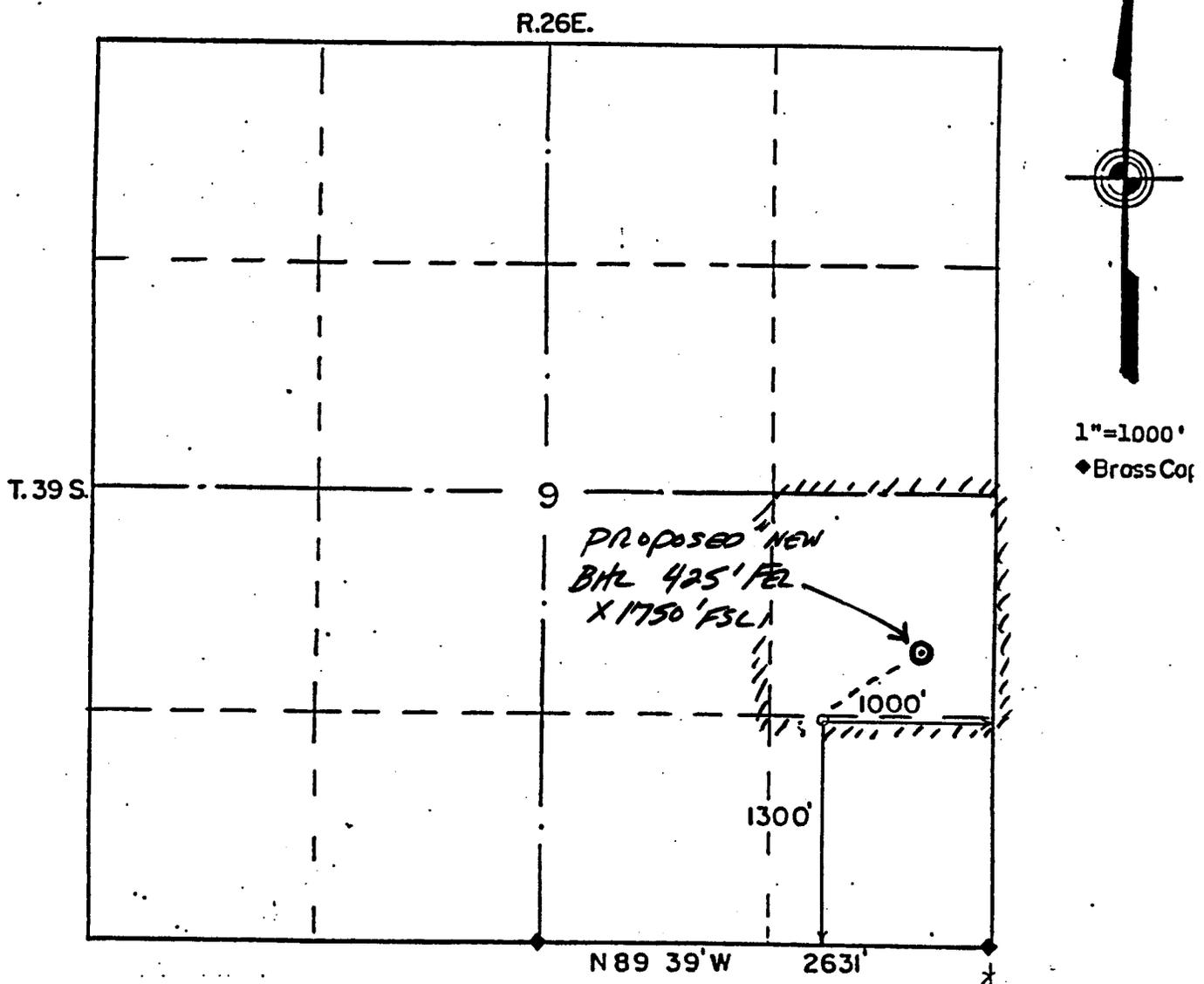
Application approval does not warrant or certify that the applicant has a equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY: Federal Approval of this Action is Necessary

APPROVED BY Bradley G. Hill TITLE BRADLEY G. HILL RECLAMATION SPECIALIST III DATE 8/25/98

\*See Instructions On Reverse Side

WELL LOCATION AND ACREAGE DEDICATION PLAT



WELL LOCATION DESCRIPTION:  
 BWAB, Inc., Sandia Federal #9-44  
 1300" FSL & 1000' FEL  
 Section 9, T.39 S., R.26 E., SLM  
 San Juan County, Utah  
 5408' ground elevation  
 Reference: N.31 E., 502', 5431' grd. elev.

South assumed

16 ♦ 15

The above plat is true and correct to my knowledge and belief.

5 October 1987

REGISTERED LAND SURVEYOR  
 No. 5705  
 GERALD G. BUDDLESTON  
*Gerald G. Buddleston*  
 Gerald G. Buddleston, LS  
 STATE OF UTAH

**ATTACHMENT NO. 1**

**EIGHT POINT DRILLING PROGRAM**

Attachment to Form 3160-3  
Hallwood Petroleum, Inc.  
Sandia Federal #9-44  
Surface: 1300' FSL & 1000' FEL  
BHL: 1750' FSL & 425' FEL  
Section 9-T39S-R26E  
San Juan County, Utah

1. The Geologic Surface Formation

Lower Cretaceous

2. Estimated Tops of Important Geologic Markers

<u>Formation</u>	<u>Depth</u>
Bluff	874'
Entrada	1,140'
Navajo	1,288'
Chinle	1,900'
De Chelly	2,912'
Cutler	3,006'
Hermosa	4,385'
Upper Ismay	5910'
Desert Creek	6100'
Akah	6160'
Total Depth	6400'

3. Estimated Depths (Tops & Bottoms) of Anticipated Water, Oil, Gas, or Minerals;  
Operator's Plans for Protection

Desert Creek - Oil

	<u>Formation</u>	<u>Anticipated Depth</u>
Expected oil and associated gas zones:	Upper Ismay	5910'
	Desert Creek	6100'
Expected gas zones:	None	----
Expected mineral zones:	None	----

	<u>Formation</u>	<u>Anticipated Depth</u>
Expected fresh water zones:	Entrada	1140'
	Navajo	1288'
Possible salt water flows:	De Chelly	2912'-3006'
	Cutler	3006'-4385'

All fresh water intervals will be cased off and cemented in a manner that will protect all fresh water aquifers.

Casing and cementing will be done to protect potentially productive hydrocarbons, lost circulation zones, abnormal pressure zones, and prospectively valuable mineral deposits. All indications of useable water will be reported.

Casing will be tested to 0.22 psi/ft or 1500 psi, whichever is greater, but not to exceed 70% of the minimum internal yield.

4. The Proposed Casing and Cementing Programs

<u>Hole Size</u>	<u>Setting Depth (Interval)</u>	<u>Section Length</u>	<u>Size (OD)</u>	<u>Weight, Grade &amp; Joint</u>	<u>New Used</u>
12 ¼	0 – 1960'	1960'	8 5/8"	24# K-55 ST&C	Used-Note existing csg in well
7 7/8	6324'	6324'	5 ½"	15.50 & 17# LT&C	New
<u>Design Factors</u>		Tension:	1.80		
		Collapse:	1.125		
		Burst:	1.0		

Cement Program

Surface Casing: Already set and cemented in well in 1988.

Production Casing: Cement 1<sup>st</sup> stage from 6000' TD up to 3500' with 740 cu ft (20% excess). Cement w/500 sxs of Premium Cement (Class "G" with 10% gypsum) and fluid loss additive\*. Cement 2<sup>nd</sup> stage from tool at 3500' up to 1500' with 855 cu ft (50% excess) 2<sup>nd</sup> stage cement, lead with 425 sxs (739 ft<sup>3</sup>) of Class "G" 65/35 Lite POZ with 6% Gel, and 1% Calcium Chloride\*. Tail in with 100 sxs (116 ft<sup>3</sup>) of Class "G" Neat with 1% CaCl\* \* NOTE: or equivalent type of cement.

The following shall be entered in the driller's log:

- (1) Blowout preventer pressure tests, including test pressures and results;
- (2) Blowout preventer test for proper functioning;
- (3) Blowout prevention drills conducted;
- (4) Casing run, including size, grade, weight, and depth set;
- (5) How the pipe was cemented, including amount of cement, type, whether cement circulated, location of the cementing tools, etc.;
- (6) Waiting on cement time for each casing string;
- (7) Casing pressure tests after cementing, including test pressures and results.

5. The Operator's Minimum Specification for Pressure Control

Attachment No. 2 is a schematic diagram of the blowout preventer equipment. A 3000# system will be installed, used, maintained and tested in accordance with all requirements specified in Section III. A-I of Onshore Order 2, except where variations are presented in this application

Minimum standards outlined in Onshore Order 2 will be met for BOP, choke manifold, accumulator system and power for closing unit, and locking devices. Hydraulic controls will be located on the rig floor. Manual controls will be handwheels. Remote control for the accumulator will be 100-120 feet from the drill hole. The kill line will not be used as a fill-up line.

Ram type preventers and associated equipment (choke manifold, kelly cocks, etc.) shall be pressure tested to 100% of their rated working pressure (with BOP stack isolated from casing by a test plug) for a period of 10 minutes. Annular preventers shall be tested to 50% of rated working pressure for 10 minutes. Annular preventers shall be tested to 50% of rated working pressure for 10 minutes. Tests will be run after initial installation, prior to drilling out of surface casing shoe and after any use under pressure, or a minimum of once every 14 days. Pipe rams will be operationally checked each 24-hour period, as will blind rams and annular preventer each time pipe is pulled out of the hole. Annular preventers will be functionally operated at least weekly. Such check of BOPE will be noted on daily drilling report.

6. The Type and Characteristics of the Proposed Circulating Muds

N/A already drilled XCO

Hole Size	Interval	Type	Additives	Weight	Vis	WL
12 1/4"	0-1950	FWG	Lime/ASP700 Sweeps	10.0	35-40	NC ←
7 7/8"	1950-4135	FW	Polymer/Salt	8.4-8.6*	----	NC
7 7/8"	4125-4970	LSND	Staflo/Drispac	8.9-10.0*	34-40	20 cc or less
7 7/8"	4970-6330	LSND	Caustic/Desco	9.3*	36-40**	8-12 cc

\* Throughout interval water flows requiring weighting of the mud with barite for control of entry may be possible.

\*\* Logging Vis: 60+; DST Vis: 50-55

7. The Auxiliary Equipment to be Used

- (a) A kelly cock will be kept in the string.
- (b) A float will be used at the bit.
- (c) A mud logging unit, a gas detecting device, and flow sensor will be monitoring the system.
- (d) A stabbing valve will be on the floor to be stabbed into the drill pipe when kelly is not in the string.

8. The Testing, Logging and Coring Programs to be Followed

- (a) Two (2) drill stem tests are planned in the Upper Ismay and Desert Creek zones.
- (b) The logging program will consist of the following:
  - 1. Dual Lateral Log w/SP/GR from 6400' to 1550'.
  - 2. Lithodensity Tool/Compensated Neutron Log w/G.R. from 6400' to 2000'.
  - 3. A dipmeter and sonic log may also be run from 6400' to 2000'.
- (c) No cores will be taken.
- (d) Generalized Completion Program: Perforate prospective zones, breakdown with 750-1500 gallons HCl acid (7 1/2%), swab & test zone(s), fracture stimulate if necessary, flow test. Run 2 7/8" production tubing and set production equipment.

9. Any Anticipated Abnormal Pressures or Temperatures

Abnormal pressure is not expected in the prospective pay intervals; however, water flows in the De Chelly and Cutler Sands at 2,912' and 3,006' are possible, and may require mud weight to be increased to 11.1 lbs/gallons. Past experience has shown the flows to

be sporadic in the area, and has shown these water flows can be readily controlled by weighting up the drilling fluid to control or eliminate the flow.

Lost circulation and other drilling problems are not anticipated.

Hydrogen sulfide gas should not be present in this well based on the lack of H<sub>2</sub>S in offset wells.

10. Anticipated Starting Date and Duration of the Operation

The anticipated starting date is set for late August 1998 or as soon as possible after approval of drilling application and availability of a drilling rig. Operations will cover 14 days for drilling and 7 days for completion.

Cleanup may take up to six months, depending upon weather.

Verbal and/or written notifications listed below shall be submitted in accordance with instructions from the Federal Resource Area (Monticello Field Office).

- (a) Prior to spudding;
- (b) Prior to running any casing or BOP tests;
- (c) Prior to plugging the well, for verbal plugging instructions.

Spills, blowouts, fires, leaks, accidents or other unusual occurrences shall be reported to the Monticello Field Office immediately.

This well will be reported on Form 3160-2, "Monthly Report of Operations", starting with the month in which any operations commence, and continue each month until the well is physically plugged and abandoned. Notification will be submitted within five business days of production startup.

Prior approval will be obtained for abandonment operations, and Form 3160-5, "Subsequent Report of Abandonment", will be filed within thirty days.

All operations will conform to requirements and guidelines in Onshore Order 2 (which is herein incorporated by reference), except for variances approved in the Application.

**ATTACHMENT NO. 3**

**MULTIPOINT SURFACE USE PLAN**

Attachment to Form 3160-3  
Hallwood Petroleum, Inc.  
Sandia Federal #9-44  
Surface: SE SE 1300' FSL & 1000' FEL  
Section 9-T39S-R26E  
San Juan County, Utah

1. Existing Road

- A. See Exhibits A & B. We plan to utilize the existing access road in same or better condition to the Sandia Federal #9-44.
  
- B. Directions to Sandia Federal #9-44: The location is approximately 23 miles southeast of Blanding, Utah. Proceed northwest out of Arriola, Colorado on U.S. Highway 666 approximately 11.1 miles to its junction with Montezuma County Road BB, just south of Pleasant View, Colorado. At Road BB intersection with U.S. Highway 666 is a BLM sign giving mileage to Hovenweep, McLean Basin, Negro Canyon and Pedro Point. From the intersection, turn west on Road BB and go west 5.9 miles to intersection with Montezuma County Road 10. At the intersection there is another BLM sign with an arrow pointing south saying "Hovenweep 20 miles". Turn south onto Road 10. Follow County Road 10 south-southwest to Colorado/Utah state line, approximately 16.2 miles. Proceed west an additional 0.5 miles. Turn south on flat bladed road and follow southwesterly approximately 1 mile to the location.

2. Planned Access

The Planned Access to the Sandia Federal #9-44 will be the currently approved entrance and access road to the well.

If re-drill well is productive, road will be surfaced and maintained as necessary to prevent soil erosion and accommodate year-round traffic.

3. Location of Existing Wells

- A. There are three (3) dry holes in the immediate vicinity of this well (within a one-mile radius).

4. Location of Existing and/or Proposed Facilities

- A. If the re-drill well is a producer, existing production facilities will be submitted via Sundry Notice.
- B. Rehabilitation of all pad areas not used for production facilities will be made in accordance with BLM Stipulations.

5. Location of Type of Water Supply

- A. Water to be used for drilling will be obtained from locally approved sources.
- B. Water will be transported by truck over approved access roads.
- C. No water well is to be drilled for this location.

6. Source of Construction Materials

- A. Any construction materials needed will be obtained locally and hauled to the location on existing roads.
- B. No construction or surfacing materials will be taken from Federal/Indian land.

7. Methods for Handling Waste Disposal

- A. A narrow reserve pit will be constructed that is approximately 30' x 60' x 8' deep. The pit will be lined. Three sides of the reserve pit will be fenced within 24 hours after completion of construction and the fourth side within 24 hours after drilling operations cease with four strands of barbed wire, or woven wire topped with barbed wire to a height of not less than four feet. The fence will be kept in good repair while the pit is drying.
- B. Following drilling, the liquid waste will be evaporated from the pit and the pit backfilled and returned to natural grade.

No liquid hydrocarbons will be discharged to the reserve pit or location.

- C. In the event fluids are produced, any oil will be retained in the tankage until sold and any water produced will be retained until its quality can be determined. The quality and quantity of the water will determine the method of disposal.
- D. Trash will be contained in a portable metal container and will be hauled from the location periodically and disposed of at an approved disposal site.

8. Ancillary Facilities

- A. We anticipate no need for ancillary facilities with the exception of two trailers to be temporarily located on the drill site during 24-hour drilling operations.

9. Wellsite Layout

- A. A blooie pit will be located 150' diagonally from the drill hole. A line will be placed on the surface from the center hole to the burn pit. If constructed, a burn pit will not be lines, but will be fenced on four sides to protect livestock/wildlife.
- B. Access to the well pad will be shown on Exhibits A and B.
- C. Natural runoff will be diverted around the well pad.

10. Plans for Restoration of Surface

- A. All surface areas not required for producing operations will be graded to as near original condition as possible and contoured to maintain possible erosion to a minimum.
- B. Available topsoil will be stockpiled and will be evenly distributed over the disturbed areas and the area will be re-seeded as prescribed by the BLM.
- C. Pits and any other areas that would present a hazard to wildlife or livestock will be fenced off when the rig is released as dictated by then existing conditions.
- D. Any oil accumulation on the pit will be removed or overhead flagged as dictated by then existing conditions.
- E. Date of commencement will be late August 1998 or as soon as possible after APD approval. Rehabilitation will commence following the completion of the well. Rat and mouse holes will be filled immediately upon release of the drilling rig from the location. If the wellsite is to be abandoned, all disturbed areas will be re-contoured to the natural contour as is possible.

11. Surface Ownership

- A. The wellsite location and access road lies on Federal surface lands.

12. Other Information

The backslope will be constructed no steeper than 4:1, the foreslope no steeper than 4:1.

All equipment and vehicles will be confined to the access road and well pad.

A complete copy of the approved Application for Permit to Drill (APD) including conditions and stipulations shall be on the wellsite during construction and drilling operations.

There will be no deviation from the proposed drilling and/or workover program without prior approval from the BLM office. All wells, whether drilling, producing, suspended, or abandoned, will be identified in accordance with 43 CFR 3126.4.

13. Company Representative

Through APD Approval

Kevin E. O'Connell  
Drilling & Production Manager  
Hallwood Petroleum, Inc.  
P. O. Box 378111  
Denver, CO 80237  
(303) 850-6303

Mail Approved APD to

Kevin E. O'Connell  
Drilling & Production Manager  
Hallwood Petroleum, Inc.  
P. O. Box 378111  
Denver, CO 80237  
(303) 850-6303

Field Representative

Jim Bonaventura  
Work: (970) 259-1374  
Mobile: (970) 749-0571  
463 Turner Drive, Suite 101  
Durango, CO 81301

Dirt Contractor

Ebberts Construction  
Dove Creek, Colorado

Drilling Contractor

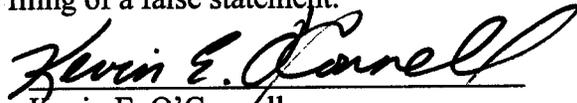
Four Corners/Big "A"

14. Certification

I hereby certify that I, or persons under my direct supervision have inspected the proposed drillsite and existing access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct, and that the work associated with the operations proposed herein will be performed by Hallwood Petroleum, Inc. and its subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

August 18, 1998

Date



Kevin E. O'Connell  
Drilling & Production Manager  
Hallwood Petroleum, Inc.

ATTACHMENT #4

VERIFICATION and AFFIDAVIT

STATE OF COLORADO    )  
                                  )  
                                  )        ss  
COUNTY OF DENVER    )

Kevin E. O'Connell, of lawful age, being first duly sworn on his oath, deposes and says:

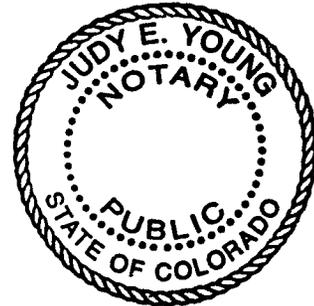
That he is employed in an engineering capacity by Hallwood Petroleum, Inc. in its Denver, office; that he has responsibilities for Utah permitting matters; that Hallwood's Application for re-drilling the Sandia Federal #9-44 well, to test the Upper Ismay and Desert Creek formations in the Cajon Creek Field located in San Juan County, Utah, has been prepared under his direction and supervision; that the matters and things therein set forth are true and correct to the best of his knowledge and belief; that Hallwood Petroleum, Inc. (operator) and Hallwood's working interest owners are the only affected party and does not object to locating the Sandia Federal #9-44 re-drill closer than 460 feet to the section line (between Sections 9 and 10), but this location is more than 660 feet from the common Federal Lease (U-50439) that includes these sections, and pursuant to General Rules R649-3-2 and R649-3-3; and that to the best of his knowledge and belief these parties (Hallwood, et al) are the only owners to whom notice of such Application is required to be given in accordance with the provisions of the Rules and Regulations of the Department of Natural Resources, Division of Oil, Gas and Mining of the State of Utah.

  
\_\_\_\_\_  
Kevin E. O'Connell

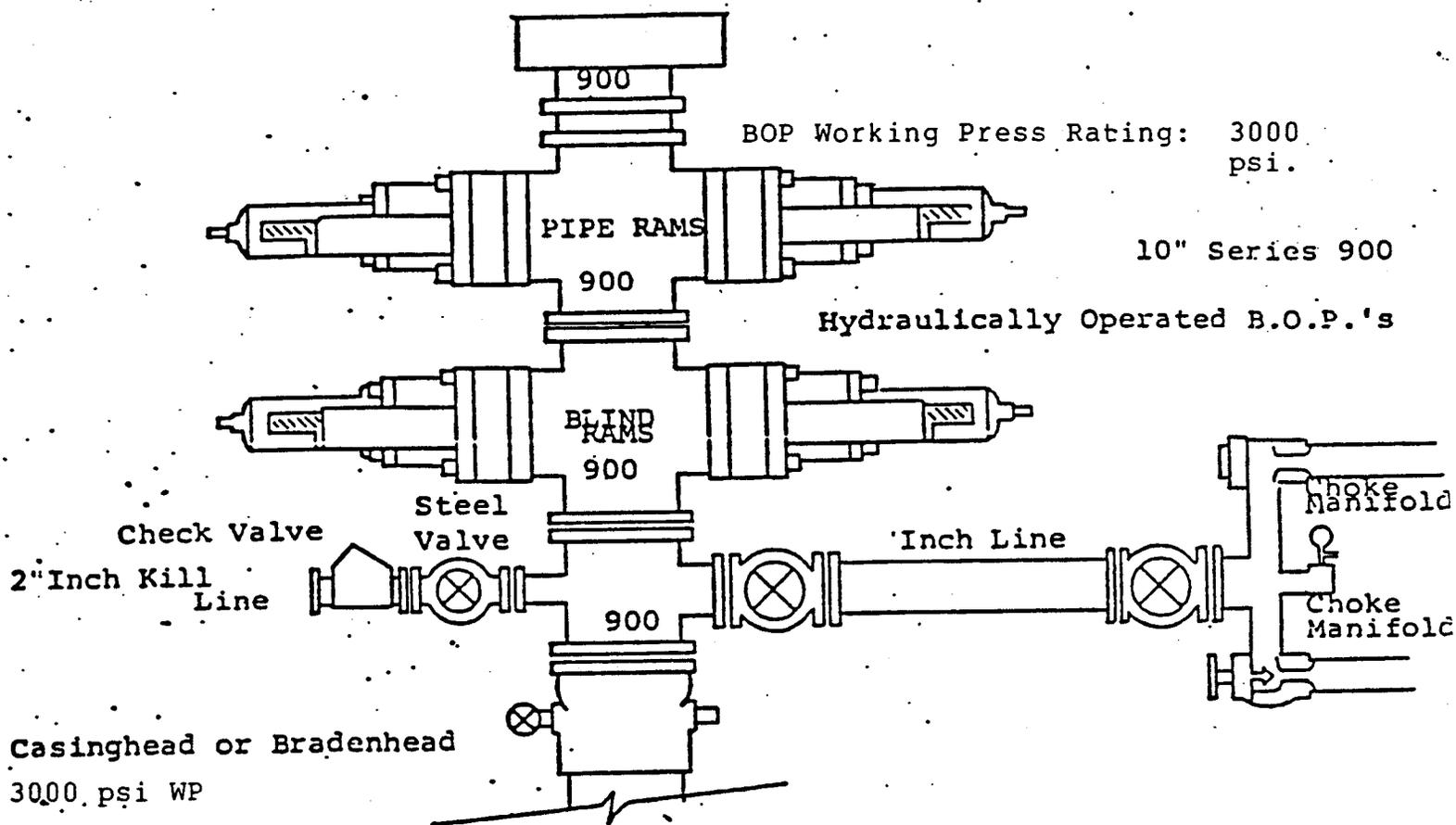
Subscribed and sworn to before me this 18th day of August 1998.

  
\_\_\_\_\_  
Judy E. Young  
Notary Public

My Commission Expires:  
April 19, 2001



## Blowout Preventor Layout

THE FOLLOWING CONSTITUTE MINIMUM BLOWOUT PREVENTER REQUIREMENTS

1. All preventers to be hydraulically operated with secondary manual controls installed prior to drilling out from under casing.
2. Choke outlet to be a minimum of      diameter.
3. Kill line to be of all steel construction of 2" minimum diameter.
4. All connections from operating manifolds to preventers to be all steel. hole or tube a minimum of one inch in diameter.
5. The available closing pressure shall be at least 15% in excess of that required with sufficient volume to operate the B.O.P.'s.
6. All connections to and from preventer to have a pressure rating of 2000 psi or more. Max surface shut-in press in the area is 1000 psi.
7. BOP will be tested in accordance with APD stipulations.
8. Operating controls located a safe distance from the rig floor.
9. Hole must be kept filled on trips below intermediate casing.

**Hallwood Petroleum, Inc.**

**Sandia Federal #9-44**

**Surface Location: 1300' FSL & 1000' FEL, Section 9-T39S-R26E**

**Planned BHL: 1750' FSL & 425' FEL, Section 9-T39S-T26E**

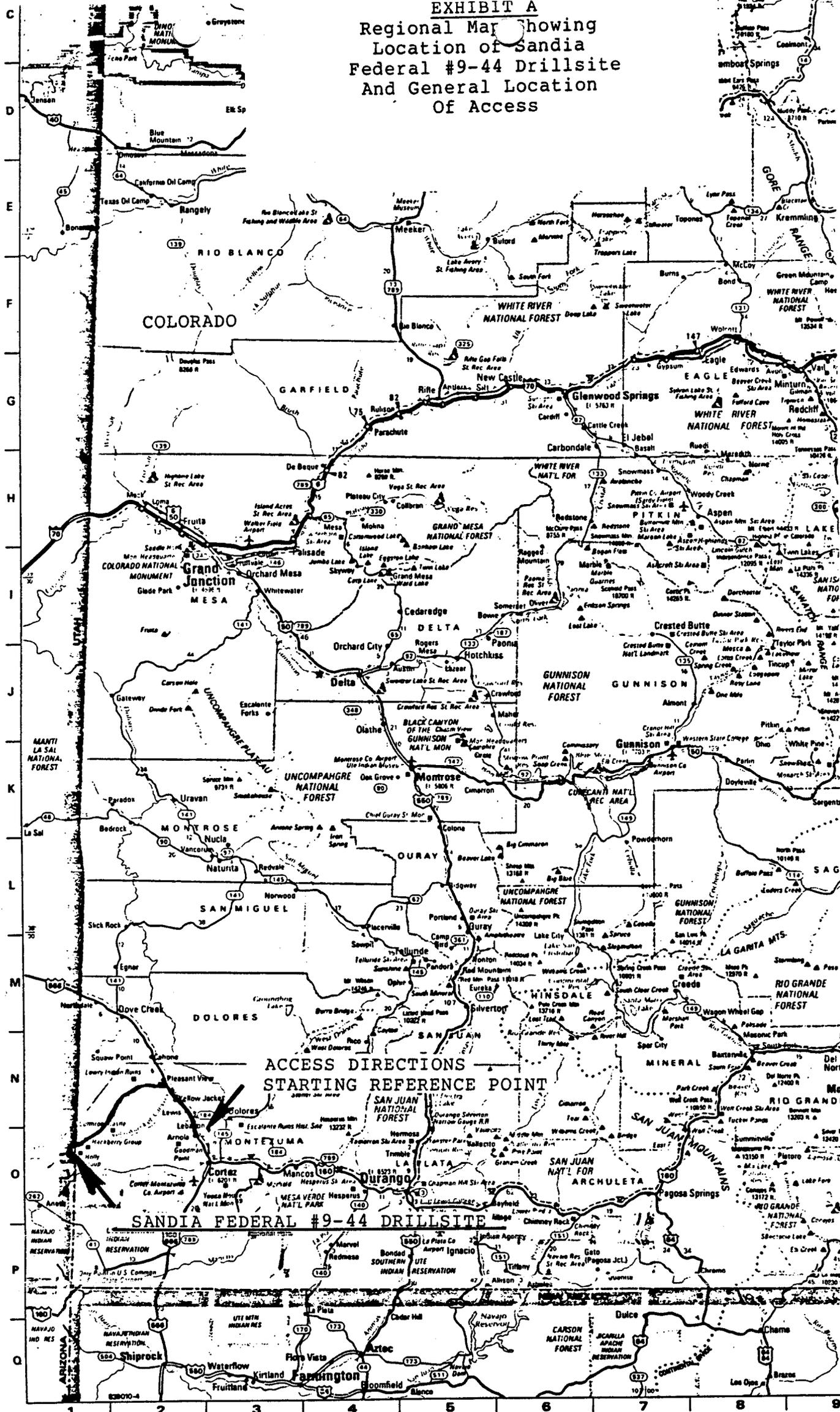
**San Juan County, Utah**

**List of Exhibits to Application for Permit to Drill (Form 3160-3)**

<u>Exhibit No.</u>	<u>Description</u>
A	Vicinity Map
B	Location Map, Access Route & Offset Wells
C	Certificate of Surveyor & Well Location Plat
D	Pad Layout
E	Surface, Bottomhole Locations
F	Proposed Directional Path

<u>Attachment No.</u>	<u>Description</u>
1	Multi-Point Drilling Plan
2	Blowout Prevention Equipment/Diagram
3	Multi-Point Surface Use Plan
4	Affidavit for Exception Location

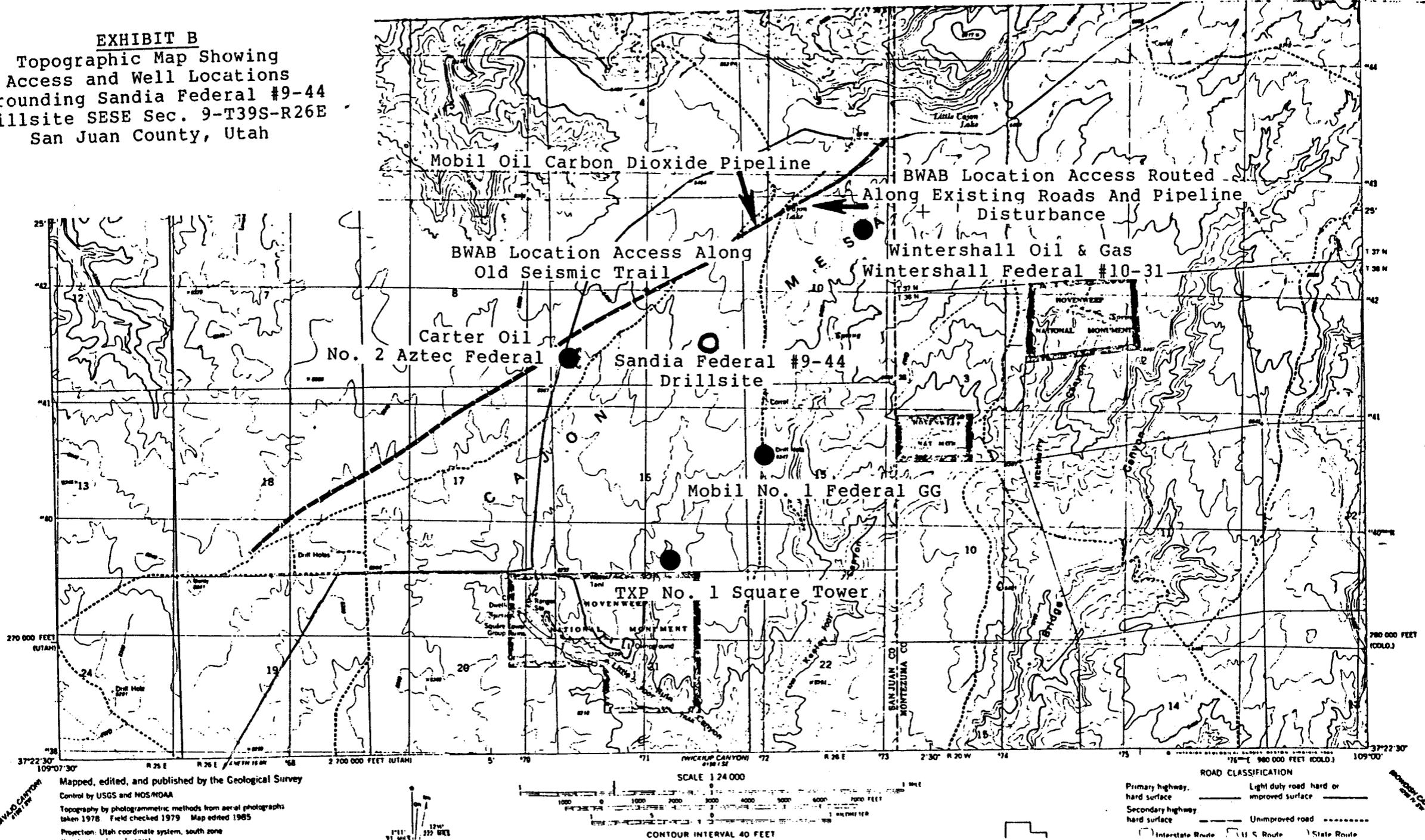
**EXHIBIT A**  
**Regional Map Showing**  
**Location of Sandia**  
**Federal #9-44 Drillsite**  
**And General Location**  
**Of Access**



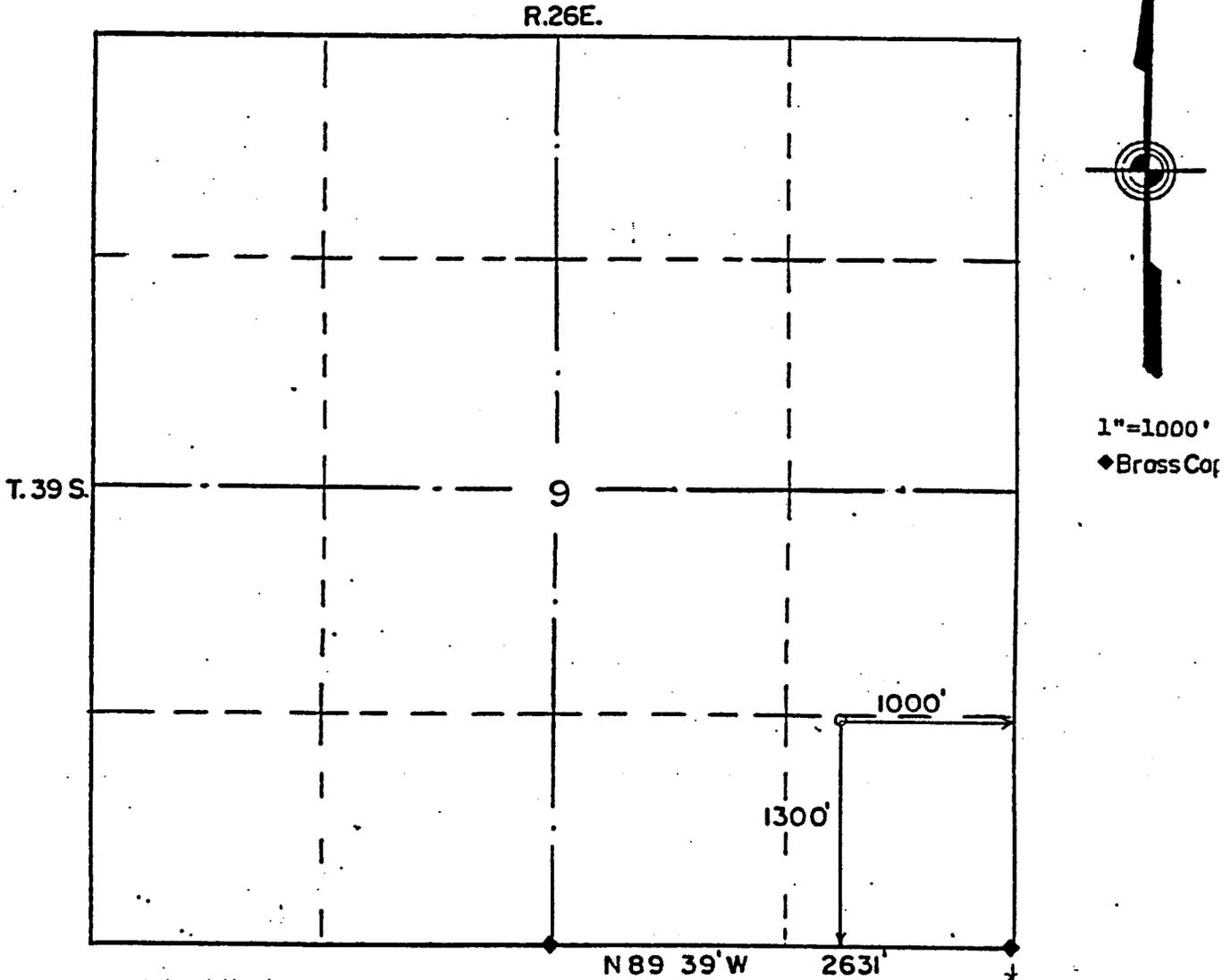
**ACCESS DIRECTIONS**  
**STARTING REFERENCE POINT**

**SANDIA FEDERAL #9-44 DRILLSITE**

**EXHIBIT B**  
**Topographic Map Showing**  
**Access and Well Locations**  
**Surrounding Sandia Federal #9-44**  
**Drillsite SESE Sec. 9-T39S-R26E**  
**San Juan County, Utah**



WELL LOCATION AND ACREAGE DEDICATION PLAT



WELL LOCATION DESCRIPTION:  
 BWAB, Inc., Sandia Federal #9-44  
 1300" FSL & 1000' FEL  
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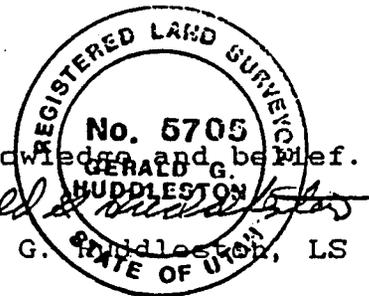
South assumed

16 ♦ 15

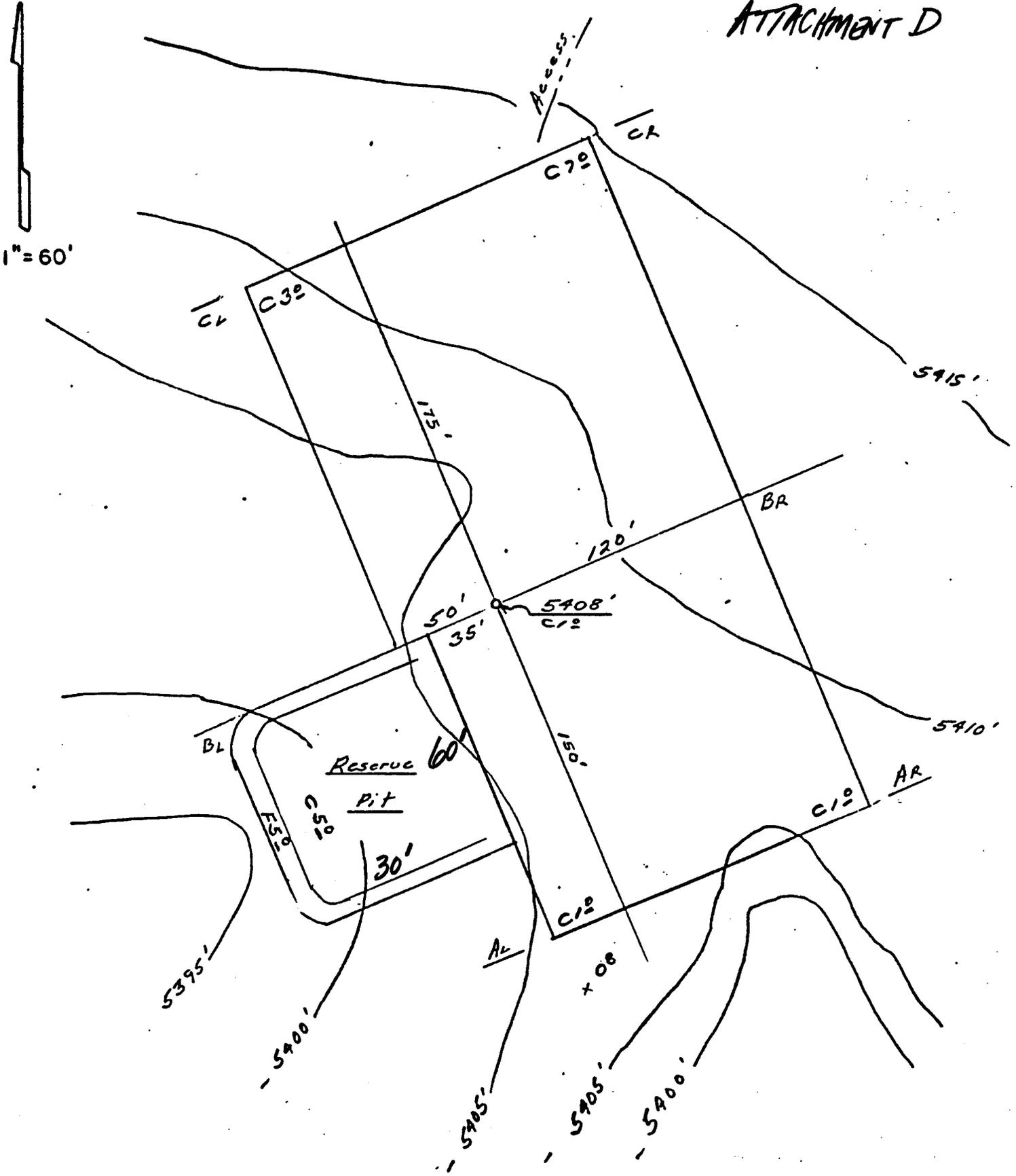
The above plat is true and correct to my knowledge and belief.

5 October 1987

Gerald G. Buddleston, LS



ATTACHMENT D



Schlumberger  
Anadrill

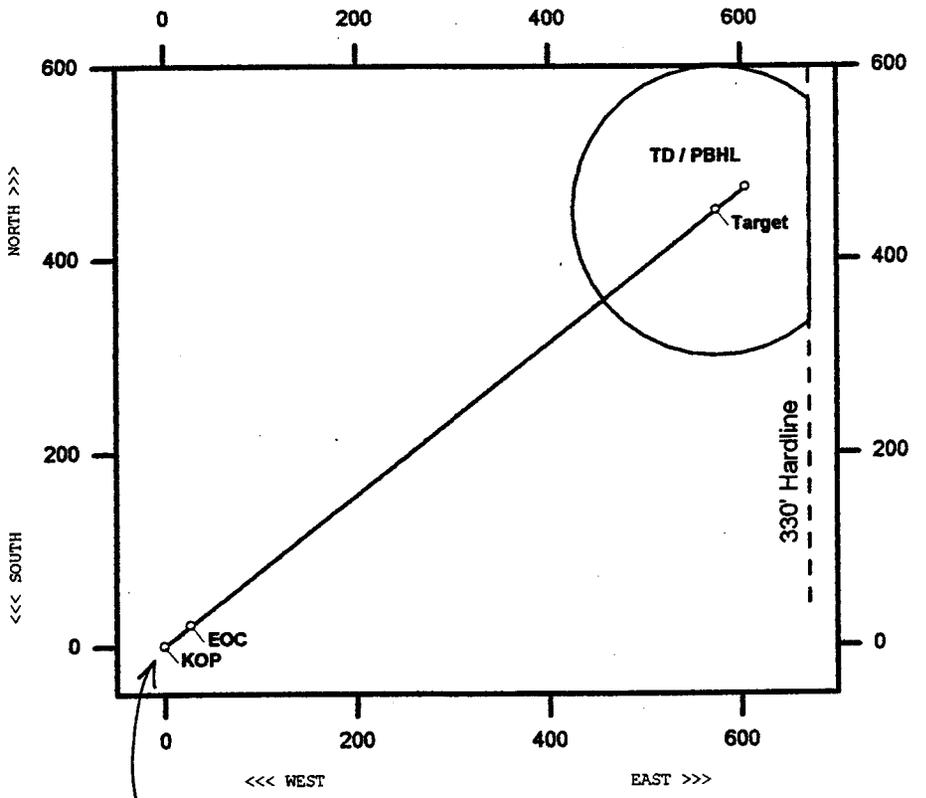
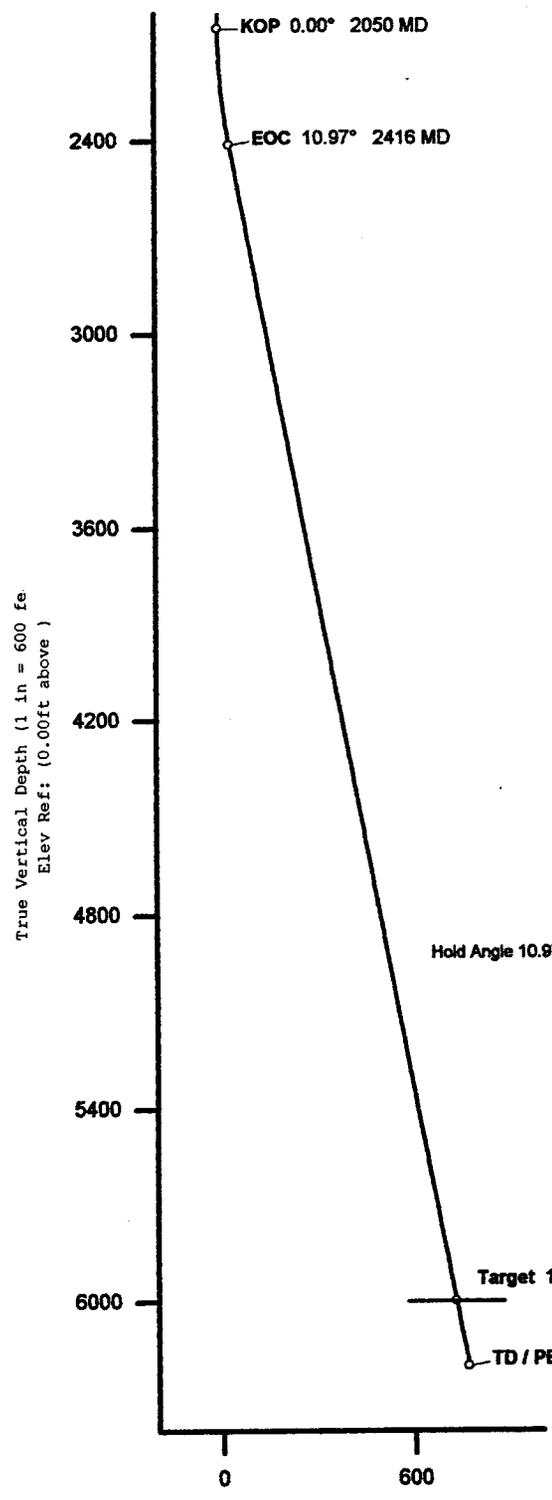
Hallwood Petroleum, Inc.

WELL Sandia Federal 9-44 S/T	FIELD UT, San Juan County	STRUCTURE Hallwood Petroleum, Inc.
---------------------------------	------------------------------	---------------------------------------

EXISTING  
8 5/8" SURF. CSG  
AT 1960'

PLAN VIEW Scale (1 in = 200 feet)

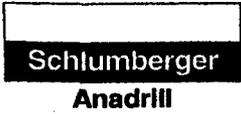
Vertical Section View



SURFACE LOCATION

True North  
Tot Corr ( E 12.38° )  
Mag Dec ( E 12.38° )

Quality Control  
Date Drawn: 28-Jul-1998  
Drawn by: K Sullivan  
Checked by: \_\_\_\_\_  
Client OK: \_\_\_\_\_



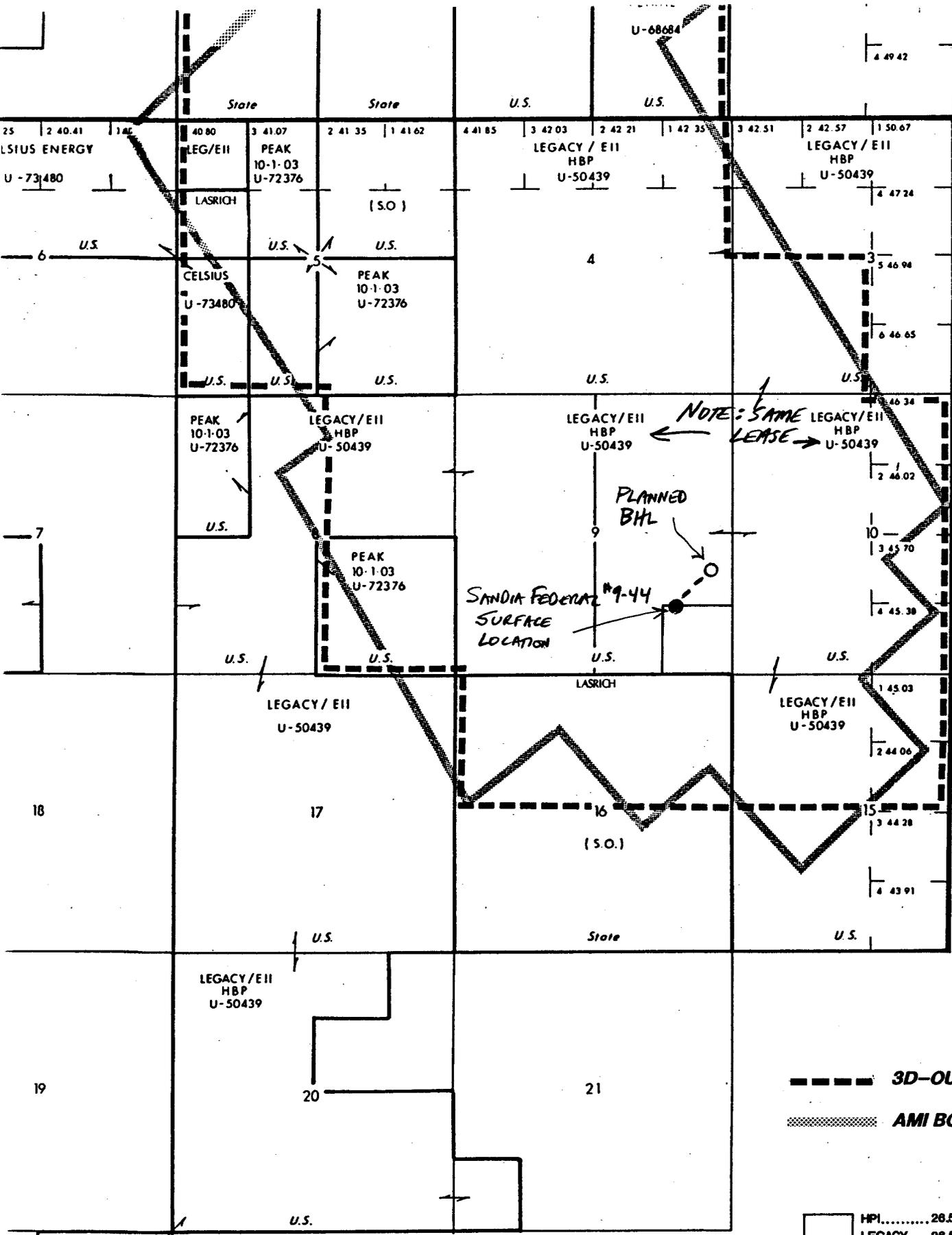
# Proposed Well Profile

<b>Client:</b> Hallwood Petroleum, Inc. <b>Field:</b> UT, San Juan County <b>Structure:</b> Hallwood Petroleum, Inc. <b>Well:</b> Sandia Federal 9-44 S/T <b>Borehole:</b> New Borehole <b>API #:</b> <b>Date:</b> July 28, 1998 <b>Grid Convergence:</b> 1.07220284° <b>Scale Factor:</b> 0.99995960  <b>Location:</b> N 37 33 0.000, W 109 45 0.000 : N 10168883.335 ftUS, E 2147718.844 ftUS <b>Coordinate System:</b> NAD83 Utah State Planes, Southern Zone, US Feet	<b>Survey Computation Method:</b> Minimum Curvature <b>DLS Computation Method:</b> Lubinski <b>Vertical Section Azimuth:</b> 52.000° <b>Vertical Section Origin:</b> N 0.000 ft, E 0.000 ft <b>TVD Reference:</b> 0.0 ft above <b>Magnetic Declination:</b> 12.376° <b>Total Field Strength:</b> 52248.981 nT <b>Dip:</b> 64.103° <b>Declination Date:</b> July 28, 1998 <b>Magnetic Declination Model:</b> BGS 1998 <b>North Reference:</b> True North <b>Coordinate Reference To:</b> Well Head
---	---

Station ID	MD (ft)	Incl (°)	Azim (°)	TVD (ft)	VSec (ft)	N/-S (ft)	E/-W (ft)	Closure (ft)	at Azim (°)	DLS (°/100ft)	TF (°)
KOP	0.00	0.00	52.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	52.0MTF
	2050.00	0.00	52.0	2050.00	0.00	0.00	0.00	0.00	0.00	0.00	52.0MTF
	2100.00	1.50	52.0	2099.99	0.65	0.40	0.52	0.65	51.95	3.00	52.0MTF
	2200.00	4.50	52.0	2199.85	5.89	3.63	4.64	5.89	51.95	3.00	52.0MTF
	2300.00	7.50	52.0	2299.29	16.34	10.07	12.87	16.34	51.95	3.00	0.0
EOC Target TD / PBHL	2400.00	10.50	52.0	2398.04	31.98	19.71	25.19	31.98	51.95	3.00	0.0
	2415.69	10.97	52.0	2413.46	34.90	21.51	27.49	34.90	51.95	3.00	0.0
	6069.00	10.97	52.0	6000.00	730.15	450.00	575.00	730.15	51.95	0.00	0.0
	6272.72	10.97	52.0	6200.00	768.92	473.89	605.53	768.92	51.95	0.00	0.0

*to 6400' MD*

*Attachment F  
pg 2/2*



**R26E**

**T39S**

----- 3D-OUTLINE  
 // // // AMI BOUNDARY

<input type="checkbox"/>	HPI.....28.56401%
<input type="checkbox"/>	LEGACY.....28.56799%
<input type="checkbox"/>	EII.....28.56799%
<input type="checkbox"/>	PARADIS.....7.77777%
<input type="checkbox"/>	ELAND.....3.66688%
<input type="checkbox"/>	YATES.....8.85556%
<input type="checkbox"/>	HPI.....7.49926%
<input type="checkbox"/>	LEGACY.....7.50000%
<input type="checkbox"/>	EII.....7.50000%
<input type="checkbox"/>	TOLA.....74.99995%
<input type="checkbox"/>	YATES.....2.50001%

<input type="checkbox"/>	NOMINATE-OPEN
<input type="checkbox"/>	HPI.....29.10010%
<input type="checkbox"/>	LEGACY.....29.10445%
<input type="checkbox"/>	EII.....29.10445%
<input type="checkbox"/>	PETRAL.....2.99000%
<input type="checkbox"/>	YATES.....9.70100%
<input type="checkbox"/>	HPI.....9.25919%
<input type="checkbox"/>	LEGACY.....11.11099%
<input type="checkbox"/>	EII.....7.40739%
<input type="checkbox"/>	OTHER.....72.22270%
<input type="checkbox"/>	HPI.....21.41452%
<input type="checkbox"/>	LEGACY.....21.41774%
<input type="checkbox"/>	EII.....21.41774%
<input type="checkbox"/>	PARADIS.....19.44442%
<input type="checkbox"/>	ELAND.....9.16689%
<input type="checkbox"/>	YATES.....7.13889%

<input type="checkbox"/>	HPI.....29.90700%
<input type="checkbox"/>	LEGACY.....30.00160%
<input type="checkbox"/>	EII.....30.00160%
<input type="checkbox"/>	YATES.....10.00000%
<input type="checkbox"/>	HPI.....14.99850%
<input type="checkbox"/>	LEGACY.....15.00075%
<input type="checkbox"/>	EII.....15.00075%
<input type="checkbox"/>	PETRAL.....50.00000%
<input type="checkbox"/>	YATES.....5.00000%
<input type="checkbox"/>	HPI.....23.08442%
<input type="checkbox"/>	LEGACY.....23.08781%
<input type="checkbox"/>	EII.....23.08781%
<input type="checkbox"/>	PARADIS.....19.44440%
<input type="checkbox"/>	ELAND.....3.66685%
<input type="checkbox"/>	YATES.....7.68890%

*Hallwood Petroleum, Inc.*

---

**CAJON LAKE PROSPECT**

**LAND MAP**

SAN JUAN COUNTY, UTAH

SCALE: 1"=2,000'

3/96

WORKSHEET  
APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 08/19/98

API NO. ASSIGNED: 43-037-31371

WELL NAME: SANDIA FED 9-44 (RE-ENTRY)  
 OPERATOR: HALLWOOD PETROLEUM INC (N5100)  
 CONTACT: Kevin O'Connell (303) 850-7373

PROPOSED LOCATION:  
 SESE 09 - T39S - R26E  
 SURFACE: 1300-FSL-1000-FEL  
 BOTTOM: 1750-FSL-0425-FEL  
 SAN JUAN COUNTY  
 CAJON LAKE FIELD (730)

INSPECT LOCATION BY: / /		
TECH REVIEW	Initials	Date
Engineering		
Geology		
Surface		

LEASE TYPE: FED  
 LEASE NUMBER: UTU-50439  
 SURFACE OWNER: Federal

PROPOSED FORMATION: ISMY

RECEIVED AND/OR REVIEWED:

- Plat
- Bond: Federal  State  Fee   
 (No. 817293/66 / MTO735)
- Potash (Y/N)
- Oil Shale (Y/N) \*190-5(B)
- Water Permit  
 (No. Locally Aprv. Sources)
- RDCC Review (Y/N)  
 (Date: \_\_\_\_\_)
- St/Fee Surf Agreement (Y/N)

LOCATION AND SITING:

- R649-2-3. Unit \_\_\_\_\_
- R649-3-2. General
- R649-3-3. Exception
- Drilling Unit  
 Board Cause No: \_\_\_\_\_  
 Date: \_\_\_\_\_

COMMENTS: \*Need add'l info. "Except. Loc." (Rec'd 8-25-98)

STIPULATIONS: APPROVE EXCEPTION LOCATION IN LETTER

① FEDERAL APPROVAL

② DIRECTIONAL DRILLING

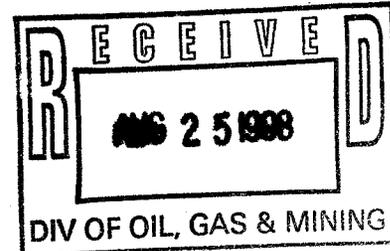
# Hallwood Petroleum, Inc.

4582 S. Ulster St. Pkwy • Suite 1700 • Stanford Place III • P.O. Box 378111  
Denver, Colorado 80237 • (303) 850-7373

August 25, 1998

State of Utah  
Attn: Lisha Cordova  
1594 W. North Temple, Suite 1210  
Salt Lake City, Utah 84114-5801

RE: Exception to Location and Siting of Wells  
Rule R649-3-3  
Hallwood Petroleum, Inc.  
Sandia Federal #9-44  
San Juan County, Utah



Dear Ms. Cordova:

In response to your telephone call earlier today I am faxing you additional information and reasons for Hallwood's request for an exception location for referenced well. Hallwood Petroleum Inc. requests this exception location for the proposed new bottomhole location (BHL) of 425' FEL (from east line) and 1750' FSL (from south line) in Section 9-T39S-R26E for both geological and topographical reasons. Geologically the seismic lines associated with this marginal 1988 oil discovery have been re-processed and reevaluated and in doing so Hallwood et al have determined that the Desert Creek and Ismay formations need to be tested at the new updip location, approximately 750 feet Northeast of the original well that is shut-in. Topographically there are many nearby canyons and abrupt drop offs that make surface locations difficult and directionally redrilling this well is preferred over the complexity of building a new well location above the proposed BHL.

Also, economically Hallwood believes that we can re-drill this well, utilizing the existing surface casing (set at 1960') and the existing well surface location for only 60% of the cost of a new well. Attached are copies of the seismic isochron interpretation at this location. As mentioned in the attached affidavit, Hallwood and our partners are the only affected parties on this common Federal lease (U-50439) across Section 9 and 10.

We hope this adequately satisfies the requirements for the exception location. Please contact me at (303) 850-6303 should you need additional information.

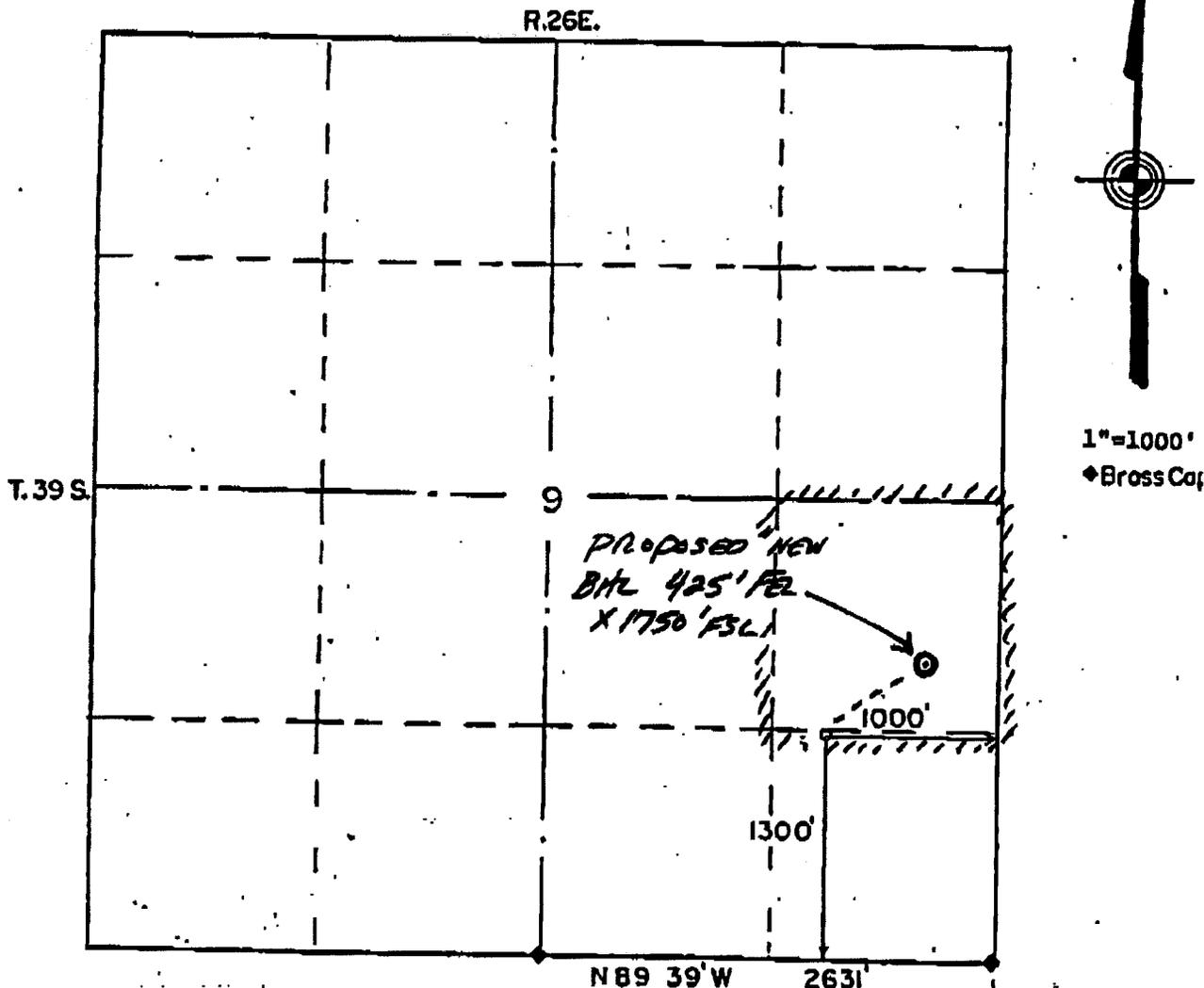
Sincerely,

A handwritten signature in cursive script that reads "Kevin E. O'Connell".

Kevin E. O'Connell  
Drilling & Production Manager

ATTACHMENT E

WELL LOCATION AND ACREAGE DEDICATION PLAT



WELL LOCATION DESCRIPTION:

BWAB, Inc., Sandia Federal #9-44

1300' FSL & 1000' FEL

Section 9, T.39 S., R.26 E., SLM

San Juan County, Utah

5408' ground elevation

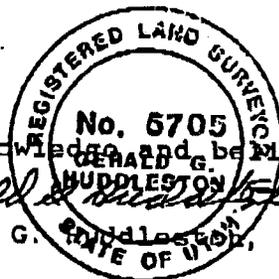
Reference: N.31 E., 502', 5431' grd. elev.

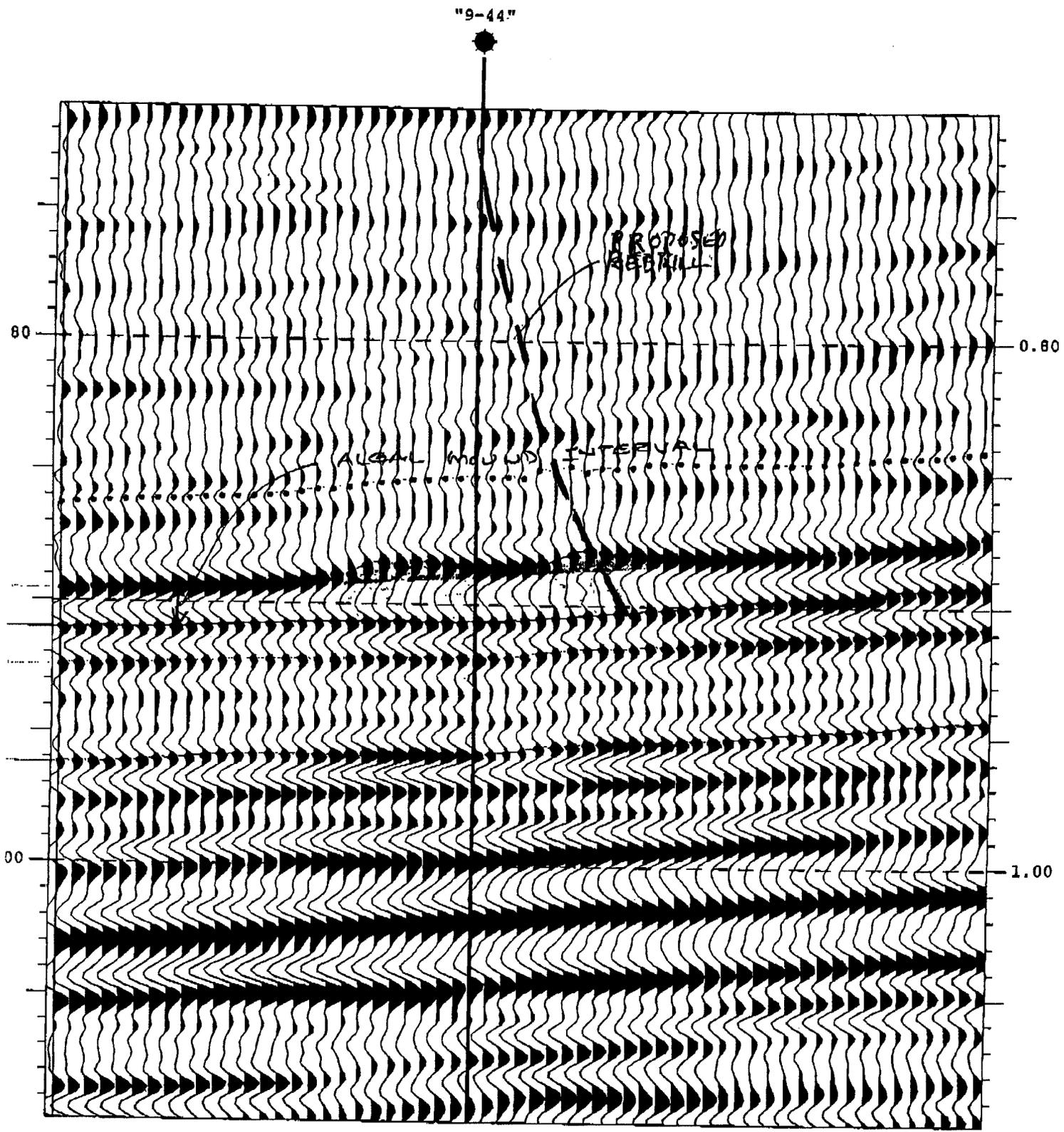
South assumed  
16 ♦ 15

The above plat is true and correct to my knowledge and belief.

5 October 1987

Gerald G. Huddleston, LS





CLXM (Inline 41)

" RE PROCESSED " DATA

FIG. 2

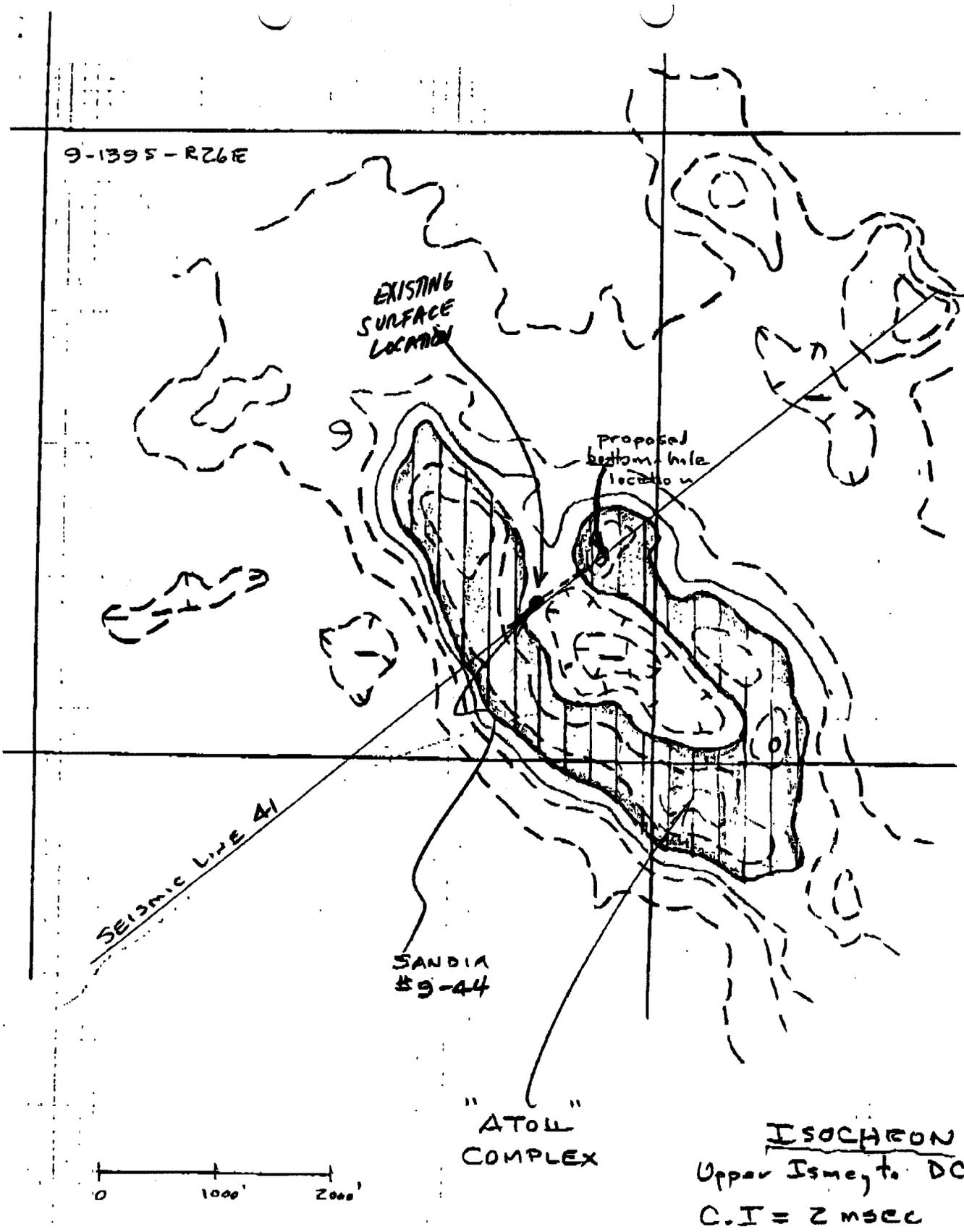


FIG. 3

**ATTACHMENT #4**

**VERIFICATION and AFFIDAVIT**

STATE OF COLORADO    )  
                                  )        ss  
COUNTY OF DENVER    )

Kevin E. O'Connell, of lawful age, being first duly sworn on his oath, deposes and says:

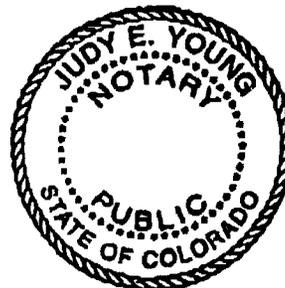
That he is employed in an engineering capacity by Hallwood Petroleum, Inc. in its Denver, office; that he has responsibilities for Utah permitting matters; that Hallwood's Application for re-drilling the Sandia Federal #9-44 well, to test the Upper Ismay and Desert Creek formations in the Cajon <sup>LAKE</sup> Creek Field located in San Juan County, Utah, has been prepared under his direction and supervision; that the matters and things therein set forth are true and correct to the best of his knowledge and belief; that Hallwood Petroleum, Inc. (operator) and Hallwood's working interest owners are the only affected party and does not object to locating the Sandia Federal #9-44 re-drill closer than 460 feet to the section line (between Sections 9 and 10), but this location is more than 660 feet from the common Federal Lease (U-50439) that includes these sections, and pursuant to General Rules R649-3-2 and R649-3-3; and that to the best of his knowledge and belief these parties (Hallwood, et al) are the only owners to whom notice of such Application is required to be given in accordance with the provisions of the Rules and Regulations of the Department of Natural Resources, Division of Oil, Gas and Mining of the State of Utah.

*Kevin E. O'Connell*  
\_\_\_\_\_  
Kevin E. O'Connell

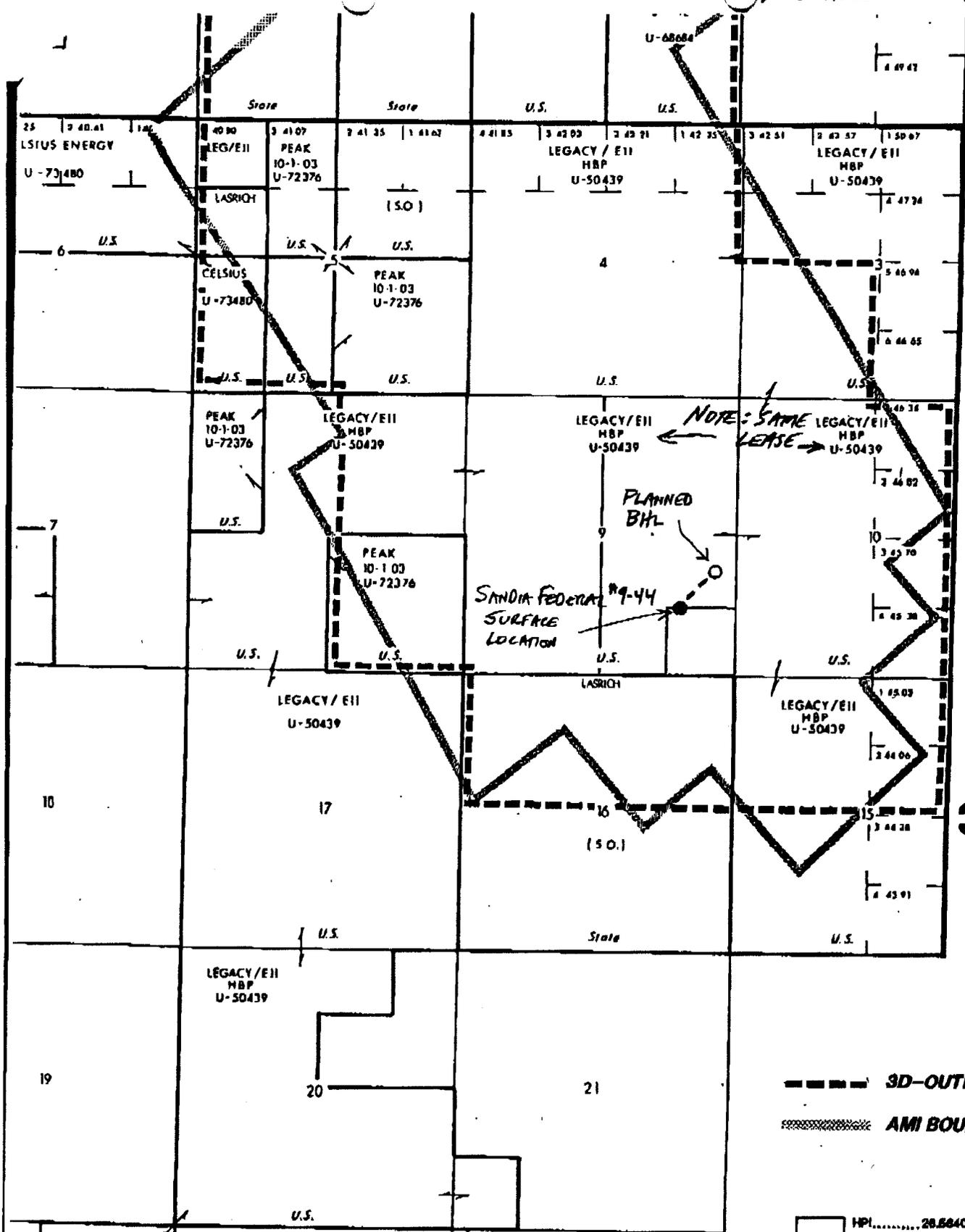
Subscribed and sworn to before me this 18th day of August 1998.

*Judy E. Young*  
\_\_\_\_\_  
Judy E. Young  
Notary Public

My Commission Expires:  
April 19, 2001



ATTACHMENT #4



NOTE: SAME LEASE

PLANNED BHL

SANDIA FEDERAL SURFACE LOCATION #9-44

T 39 S

R26E

--- 3D-OUTLINE  
 AMI BOUNDARY

□	HPI.....28.56401%
□	LEGACY.....28.66799%
□	EII.....28.66799%
□	PARADIS.....7.77777%
□	ELAND.....3.66668%
□	YATES.....8.55556%
□	HPI.....7.49920%
□	LEGACY.....7.50000%
□	EII.....7.50000%
□	TOLA.....74.99995%
□	YATES.....2.50001%

□	NOMINATE-OPEN	□	HPI.....29.99700%
□	HPI.....29.10010%	□	LEGACY.....30.00160%
□	LEGACY.....29.10445%	□	EII.....30.00160%
□	EII.....29.10445%	□	YATES.....10.00000%
□	PETRAL.....2.90000%	□	HPI.....14.99850%
□	YATES.....9.70100%	□	LEGACY.....15.00075%
□	HPI.....9.25919%	□	EII.....15.00075%
□	LEGACY.....11.11099%	□	PETRAL.....50.00000%
□	EII.....7.40739%	□	YATES.....5.00000%
□	OTHER.....72.22270%	□	HPI.....23.06442%
□	HPI.....21.41482%	□	LEGACY.....23.06791%
□	LEGACY.....21.41774%	□	EII.....23.06791%
□	EII.....21.41774%	□	PARADIS.....19.44440%
□	PARADIS.....19.44442%	□	ELAND.....3.66665%
□	ELAND.....9.16889%	□	YATES.....7.66890%
□	YATES.....7.13889%		

Hallwood Petroleum, Inc.

CAJON LAKE PROSPECT  
**LAND MAP**

SAN JUAN COUNTY, UTAH

SCALE: 1"=2,000'

# Hallwood Petroleum, Inc.

4582 South Ulster Street Parkway • Stanford Place III • Suite 1700  
Post Office Box 378111 • Denver, Colorado 80237



8/25/98  
Date

4:00

Time

**From:** Hallwood Petroleum, Inc.  
 Company  
Kevin O'Connell - Drilling & Production Mgr.  
 Person  
Direct (303) 850-6303 Fax# (303) 850-6290  
 Phone Number and Extension

**To:** STATE OF UTAH  
 Company  
LISHA CORDOVA  
 Person  
Fax (801) 359-3940  
 Phone Number and Extension

Number of pages to follow: 6

If there is a problem with the transmitted information please contact:  
 (303) 850-7373  
Kevin O'Connell or Judy Young or 1-800-382-4833 Ext.275  
 Person Number

Re: SANDIA FEDERAL #9-44 Redmill



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor  
Ted Stewart  
Executive Director  
Lowell P. Braxton  
Division Director

1594 West North Temple, Suite 1210  
PO Box 145801  
Salt Lake City, Utah 84114-5801  
801-538-5340  
801-359-3940 (Fax)  
801-538-7223 (TDD)

August 25, 1998

Hallwood Petroleum, Inc.  
P.O. 378111  
Denver, Colorado 80237

Re: Sandia Federal 9-44 Well, 1300' FSL, 1000' FEL, SE SE,  
Sec. 9, T. 39 S., R. 26 E., San Juan County, Utah

Gentlemen:

Pursuant to the provisions and requirements of Utah Code Ann. 40-6-1 et seq., Utah Administrative Code R649-3-1 et seq., and the attached Conditions of Approval, approval to drill the referenced well is granted.

Appropriate information has been submitted to DOGM by Hallwood Petroleum, Inc. and administrative approval of the requested exception location is hereby granted.

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-037-31371.

Sincerely,

A handwritten signature in black ink that reads "John R. Baza".

John R. Baza  
Associate Director

lwp

Enclosures

cc: San Juan County Assessor  
Bureau of Land Management, Moab District Office

Operator: Hallwood Petroleum, Inc.  
Well Name & Number: Sandia Federal 9-44  
API Number: 43-037-31371  
Lease: UTU-50439  
Location: SE SE Sec. 9 T. 39 S. R. 26 E.

### Conditions of Approval

1. General

Compliance with the requirements of Utah Admin. R. 649-1 et seq., the Oil and Gas Conservation General Rules, and the applicable terms and provisions of the approved Application for Permit to Drill.

2. Notification Requirements

Notify the Division within 24 hours prior to spudding the well. Contact Jim Thompson at (801)538-5336.

Notify the Division prior to commencing operations to plug and abandon the well. Contact Dan Jarvis at (801) 538-5338 or Robert Krueger at (801) 538-5274.

3. Reporting Requirements

All required reports, forms and submittals shall be promptly filed with the Division, including but not limited to the Entity Action Form (Form 6), Report of Water Encountered During Drilling (Form 7), Weekly Progress Reports for drilling and completion operations, and Sundry Notices and Reports on Wells requesting approval of change of plans or other operational actions.

4. State approval of this well does not supersede the required federal approval which must be obtained prior to drilling.

5. In accordance with Utah Admin. R.649-3-11, Directional Drilling, submittal of a complete angular deviation and directional drilling survey report is required.

**UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT**

SUBMIT IN DUPLICATE\*  
(Other Instructions on  
reverse side)

FORM APPROVED  
OMB NO. 1004-0136  
Expires: February 28, 1995

**APPLICATION FOR PERMIT TO DRILL OR DEEPEN**

1a. TYPE OF WORK <b>DRILL</b> <input checked="" type="checkbox"/> (RE-ENTER & SIDETRACK) <b>DEEPEN</b> <input type="checkbox"/>		5. LEASE DESIGNATION AND SERIAL NO. UTU-50439	
b. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>		6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
2. NAME OF OPERATOR <b>HALLWOOD PETROLEUM, INC.</b>		7. UNIT AGREEMENT NAME	
3. ADDRESS AND TELEPHONE NO. <b>P. O. BOX 378111, DENVER, CO 80237 (303) 850-7373</b>		8. FARM OR LEASE NAME, WELL NO. <b>SANDIA FEDERAL #9-44</b>	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements. *) At surface <b>1300' FSL &amp; 1000' FEL</b> At proposed prod. zone <b>1750' FSL &amp; 425' FEL</b>		9. API WELL NO. <b>43-037-31371</b>	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE * <b>5 miles from Hovenweep National Monument</b>		10. FIELD AND POOL, OR WILDCAT <b>Cajon Lake</b>	
15. DISTANCE FROM PROPOSED * LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any) <b>425'</b>		11. SEC., T., R., OR BLK. AND SURVEY OR AREA <b>Section 9-T39S-R26E</b>	
16. NO. OF ACRES IN LEASE <b>4886.38</b>		12. COUNTY OR PARISH <b>San Juan</b>	
17. NO. OF ACRES ASSIGNED TO THIS WELL <b>40 (NE of SE)</b>		13. STATE <b>UT</b>	
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WEL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. <b>N/A</b>		20. ROTARY OR CABLE TOOLS <b>Rotary</b>	
21. ELEVATIONS (Show whether DF, RT, GR, etc.) <b>5408' GR 5420' KB</b>		22. APPROX. DATE WORK WILL START* <b>8/25/98</b>	

**RECEIVED**  
**AUG 31 1998**  
**DIV. OF OIL, GAS & MINING**

23. **PROPOSED CASING AND CEMENTING PROGRAM**

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	8 5/8"	24#	1960	1160 sxs (existing in well)
7 7/8"	J or K-55	15.5 & 17#	6400	1025 sxs in 2 stages

Hallwood plans to sidetrack and re-drill to a new BHL approximately 750' NE to test the Ismay at 6000'. This well was a 1988 Ismay discovery at 58 BOPD and produced only 18 MBO and is shut-in.

Hallwood plans to do this work as soon as approval is recieved.

Please see attached for procedures.

Bond coverage for this well is provided by Hallwood Oil and Gas BLM Nationwide Bond #B1729366 filed with the BLM in the amount of \$150,000 via surety consent as provided for in 43 CFR 3104.2. BLM Bond #MT 0735.

**CONDITIONS OF APPROVAL ATTACHED**

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED *Kevin E. O'Connell* TITLE Kevin E. O'Connell DATE 8/18/98  
Drilling and Production Manager

(This space for Federal or State office use)

PERMIT NO. \_\_\_\_\_ APPROVAL DATE \_\_\_\_\_

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY *William C. Stringer* TITLE Assistant Field Manager, DATE AUG 26 1998  
Resource Management

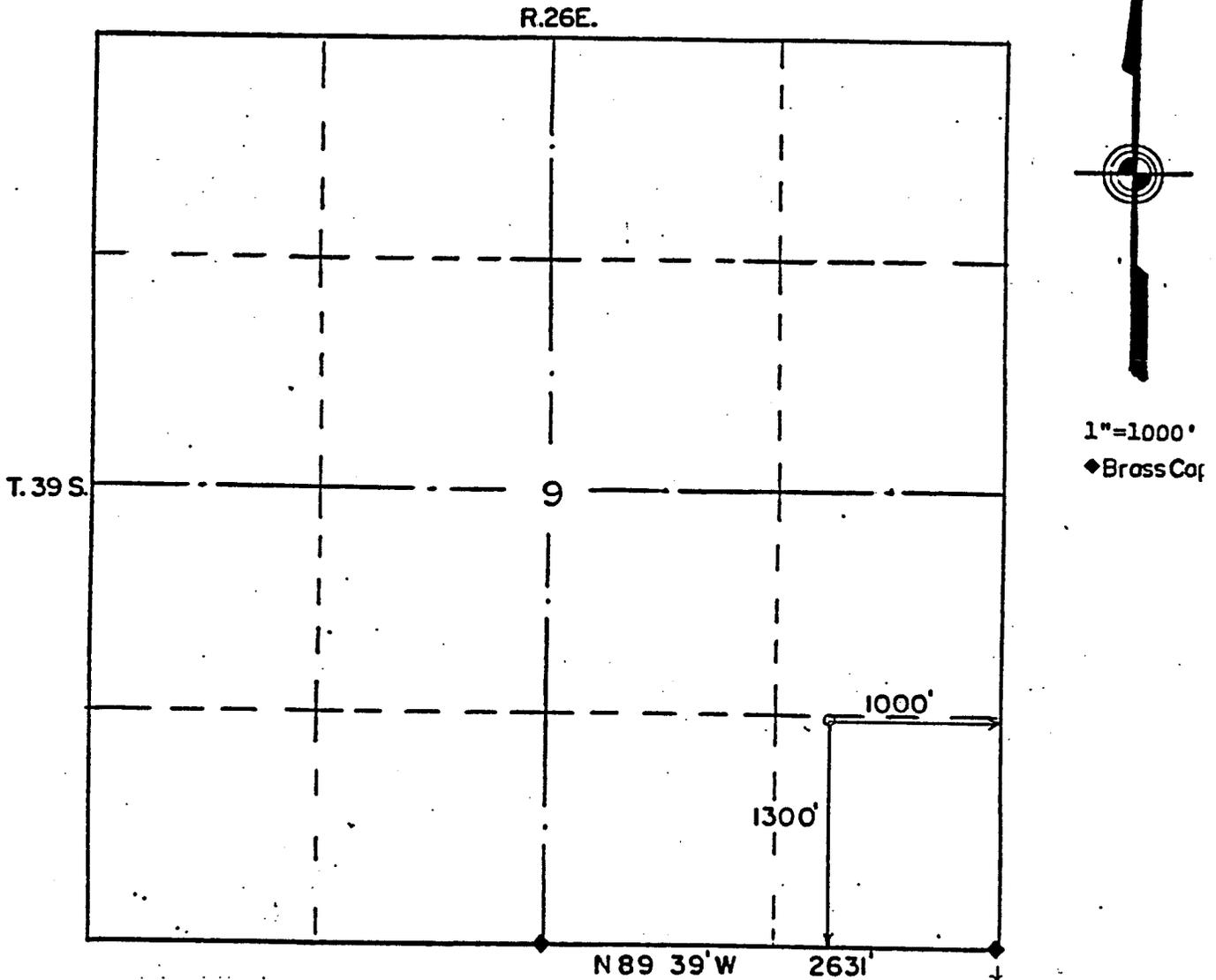
\*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

RECEIVED  
 DEPT. OF THE INTERIOR  
 BUREAU OF LAND MANAGEMENT  
 1998 AUG 19 PM 12:30  
 RECEIVED OFFICE

*Dham*

WELL LOCATION AND ACREAGE DEDICATION PLAT



WELL LOCATION DESCRIPTION:  
 BWAB, Inc., Sandia Federal #9-44  
 1300' FSL & 1000' FEL  
 Section 9, T.39 S., R.26 E., SLM  
 San Juan County, Utah  
 5408' ground elevation  
 Reference: N.31 E., 502', 5431' grd. elev.

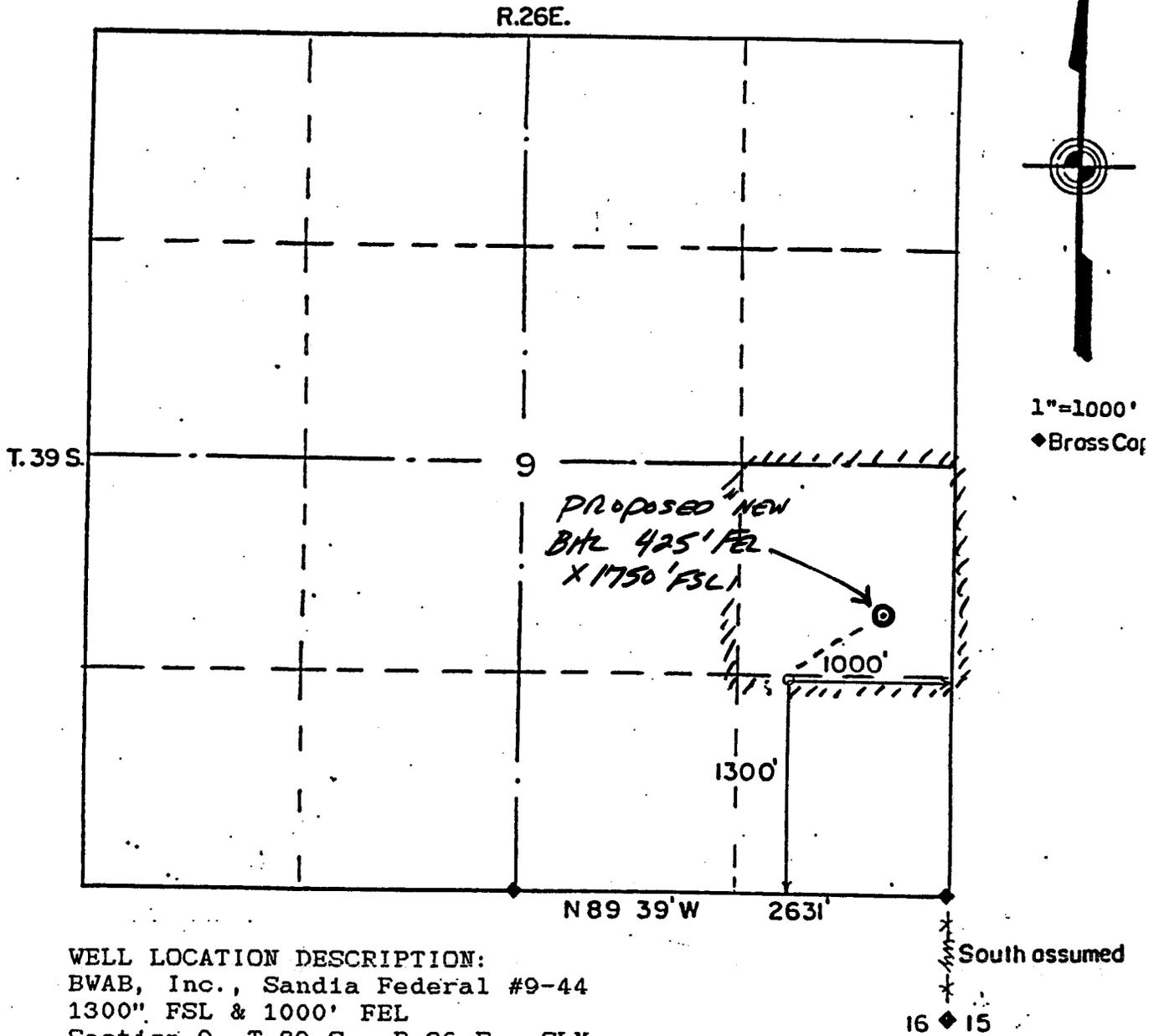
South assumed  
 16 ♦ 15

The above plat is true and correct to my knowledge and belief.

5 October 1987

REGISTERED LAND SURVEYOR  
 No. 5705  
 GERALD G. HUDDLESTON  
*Gerald G. Huddleston*  
 Gerald G. Huddleston, LS  
 STATE OF UTAH

WELL LOCATION AND ACREAGE DEDICATION PLAT



WELL LOCATION DESCRIPTION:  
 BWAB, Inc., Sandia Federal #9-44  
 1300" FSL & 1000' FEL  
 Section 9, T.39 S., R.26 E., SLM  
 San Juan County, Utah  
 5408' ground elevation  
 Reference: N.31 E., 502', 5431' grd. elev.

The above plat is true and correct to my knowledge and belief.

5 October 1987

REGISTERED LAND SURVEYOR  
 No. 5705  
 GERALD G. HUDDLESTON  
*Gerald G. Huddleston*  
 Gerald G. Huddleston, LS  
 STATE OF UTAH

Hallwood Petroleum, Inc.  
Re-entry and Sidetrack  
Sandia Federal No 9-44  
Lease U-50439

Location - Surface: SESE Sec. 9, T39S, R26E  
Proposed Bottomhole: NESE Sec. 9, T39S, R26E  
San Juan County, Utah

#### CONDITIONS OF APPROVAL

1. This permit will be valid for a period of one year from the date of approval. After permit termination, a new application must be filed for approval.
2. All lease operations will be conducted in full compliance with applicable regulations (43 CFR § 3100), Onshore Oil and Gas Orders, lease terms, notices to lessees, and the approved plan of operations. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions and the approved plan will be made available to field representatives to insure compliance.
3. This location does not fall within a "spacing window" as defined by the State of Utah, Division of Oil, Gas and Mining. State approval is required prior to re-entry.
4. The proposed BOP system is adequate. Installation, testing and operation of the system shall be in conformance with Onshore Oil and Gas Order No. 2.
5. All surface use conditions applied to this location in the original APD and subsequent sundry notices remain in effect.
6. Notify Mobil Oil Corporation prior to doing any heavy equipment work in the vicinity of their CO2 line.

#### REQUIRED APPROVALS, REPORTS AND NOTIFICATIONS

Required verbal notifications are summarized in Table 1, attached.

Spud- The spud/re-entry date will be reported to BLM 24 hours prior to spudding. Written notification in the form of a Sundry Notice (Form 3160-5) will be submitted to the Moab BLM Office within 24 hours after spudding.

Daily Drilling Reports- Daily drilling reports shall detail the progress and status of the well and shall be submitted to the Moab BLM Office on a weekly basis.

Sundry Notices- There will be no deviation from the proposed drilling and/or workover program without prior approval. "Sundry Notices and Reports on Wells" (Form 3160-5) will be filed for approval for all changes of plans and other operations in accordance with 43 CFR § 3162.3-2. Safe drilling and operating practices must be observed.

Drilling Suspensions- Operations authorized by this permit shall not be suspended for more than 30 days without prior approval of the Moab BLM Office. All conditions of this approval shall be applicable during any operations conducted with a replacement rig.

Undesirable Events- Spills, blowouts, fires, leaks, accidents, or any other unusual occurrences shall be immediately reported to the BLM in accordance with requirements of NTL-3A.

First Production- Should the well be successfully completed for production, the Moab BLM Office will be notified when the well is placed in producing status. Such notification may be made by phone, but must be followed by a sundry notice or letter not later than five (5) business days following the date on which the well is placed into production.

A first production conference will be scheduled as soon as the productivity of the well is apparent. This conference should be coordinated through the local BLM Field Office. The local BLM Field Office shall be notified prior to the first sale.

Well Completion Report- Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log" (Form 3160-4) will be submitted to the Moab BLM Office not later than thirty (30) days after completion of the well or after completion of operations being performed, in accordance with 43 CFR § 3162.4-1. Two copies of all logs, core descriptions, core analyses, well test data, geologic summaries, sample description, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations, will be filed with Form 3160-4. When requested, samples (cuttings and/or samples) will be submitted to the Moab BLM Office.

Venting/Flaring of Gas- Gas produced from this well may not be vented/flared beyond an initial, authorized test period of 30 days or 50 MMcf, whichever first occurs, without the prior, written approval of the BLM. Should gas be vented or flared without approval beyond the authorized test period, the well may be ordered shut-in until the gas can be captured or approval to continue the venting/flaring as uneconomic is granted. In such case, compensation to the lessor shall be required for that portion of the gas that is vented/flared without approval and which is determined to have been avoidably lost.

Produced Water- Produced waste water may be confined to an unlined pit for a period not to exceed 90 days after initial production. During the 90 day period, an application for approval of a permanent disposal method and location, along with the required water analysis, will be submitted to the Moab BLM Office for approval pursuant to Onshore Oil and Gas Order No. 7.

Off-Lease Measurement, Storage, Commingling- Prior approval must be obtained from the Moab BLM Office for off-lease measurement, off-lease storage and/or commingling (either down-hole or at the surface).

Plugging and Abandonment- If the well is completed as a dry hole, plugging instructions must be obtained from the Moab BLM Office prior to initiating plugging operations.

A "Subsequent Report of Abandonment" (Form 3160-5) will be filed with the Moab BLM Office within thirty (30) days following completion of the well for abandonment. This report will indicate where plugs were placed and the current status of surface restoration. Upon completion of approved plugging, a regulation marker will be erected in accordance with 43 CFR § 3162.6. Final abandonment will not be approved until the surface reclamation work required by the approved APD or approved abandonment notice has been completed to the satisfaction of the BLM, or the appropriate surface managing agency.

TABLE 1

NOTIFICATIONS

Notify Jeff Brown (435-587-1525) of the BLM, Monticello Office, for the following:

1 day prior to initiating re-entry;

3 hours prior to testing BOPE

If the person at the above number cannot be reached, notify the Moab Office at (801) 259-6111. If unsuccessful, contact one of the people listed below.

Well abandonment operations require 24 hour advance notice and prior approval. In the case of newly drilled dry holes, verbal approval can be obtained by calling the Moab Office at (801) 259-6111. If approval is needed after work hours, you may contact the following:

Eric Jones, Petroleum Engineer	Office:	(801) 259-2117
	Home:	(801) 259-2214

Gary Torres, Petroleum Engineer	Office:	(801) 587-2141
	Home:	(801) 587-2705

DIVISION OF OIL, GAS AND MINING

SPUDDING INFORMATION

Name of Company: HALLWOOD PETROLEUM CO.

Well Name: SANDIA FEDERAL 9-44 (RE-ENTRY)

Api No. 43-037-31371 Lease Type: FEDERAL

Section 9 Township 39S Range 26E County SAN JUAN

Drilling Contractor \_\_\_\_\_ RIG # \_\_\_\_\_

SPUDDED:

Date 9/1/98

Time \_\_\_\_\_

How ROTARY

Drilling will commence \_\_\_\_\_

Reported by JIM BONAVENTURA

Telephone # 1-970-259-1374

Date: 8/31/98 Signed: JLT

**OPERATOR CHANGE WORKSHEET**

Routing:	
1-IP <i>[initials]</i>	6-MAC <i>[initials]</i>
2-GHHZ <i>[initials]</i>	7-KAS
3-DFA <i>[initials]</i>	8-SI
4-VLD <input checked="" type="checkbox"/>	9-FILE
5-JRB <input checked="" type="checkbox"/>	

Attach all documentation received by the division regarding this change.  
Initial each listed item when completed. Write N/A if item is not applicable.

- Change of Operator (well sold)       Designation of Agent  
 Designation of Operator               Operator Name Change Only

The operator of the well(s) listed below has changed, **effective:** 6-1-98

<b>TO:</b> (new operator) <u>HALLWOOD PETROLEUM INC</u> (address) <u>PO BOX 378111</u> <u>DENVER CO 80237</u> <u>CONNIE HEATH/LAND</u> Phone: <u>(303)850-6227</u> Account no. <u>N5100</u>	<b>FROM:</b> (old operator) (address)	<b>TOLA PRODUCTION COMPANY</b> <u>1919 S SHILOH STE 308LB28</u> <u>GARLAND TX 75042</u> Phone: <u>(972)840-3450</u> Account no. <u>N7335</u>
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**WELL(S)** attach additional page if needed:

Name: <u>SANDIA FED 9-44</u>	API: <u>43-037-31371</u>	Entity: <u>10847</u>	S <u>9</u>	T	<u>39S</u>	R <u>26E</u>	Lease: <u>U50439</u>
Name: _____	API: _____	Entity: _____	S _____	T _____	_____	R _____	Lease: _____
Name: _____	API: _____	Entity: _____	S _____	T _____	_____	R _____	Lease: _____
Name: _____	API: _____	Entity: _____	S _____	T _____	_____	R _____	Lease: _____
Name: _____	API: _____	Entity: _____	S _____	T _____	_____	R _____	Lease: _____
Name: _____	API: _____	Entity: _____	S _____	T _____	_____	R _____	Lease: _____

**OPERATOR CHANGE DOCUMENTATION**

- [initials]* 1. (r649-8-10) Sundry or other legal documentation has been received from the **FORMER** operator (attach to this form). *(rec'd 6-22-98)*
- [initials]* 2. (r649-8-10) Sundry or other legal documentation has been received from the **NEW** operator (Attach to this form). *(rec'd 6-22-98)*
- N/A* 3. The **Department of Commerce** has been contacted if the new operator above is not currently operating any wells in Utah. Is the company **registered with the state?** (yes/no) \_\_\_\_\_ If yes, show company file number: \_\_\_\_\_
- [initials]* 4. **FOR INDIAN AND FEDERAL WELLS ONLY.** The BLM has been contacted regarding this change. Make note of BLM status in comments section of this form. BLM approval of **Federal** and **Indian** well operator changes should ordinarily take place prior to the division's approval, and before the completion of **steps 5 through 9** below.
- [initials]* 5. Changes have been entered in the **Oil and Gas Information System** (3270) for each well listed above. *(7-8-98)*
- [initials]* 6. **Cardex** file has been updated for each well listed above. *(7-8-98)*
- [initials]* 7. Well **file labels** have been updated for each well listed above. *(7-8-98)*
- [initials]* 8. Changes have been included on the monthly "Operator, Address, and Account Changes" **memo** for distribution to Trust Lands, Sovereign Lands, UGS, Tax Commission, etc. *(7-8-98)*
- [initials]* 9. A folder has been set up for the **Operator Change file**, and a copy of this page has been placed there for reference during routing and processing of the original documents.

**ENTITY REVIEW**

- Yes 1. (r649-8-7) **Entity assignments have been reviewed** for all wells listed above. Were entity changes made? (yes/no) \_\_\_\_ If entity assignments were changed, attach copies of Form 6, Entity Action Form.
- N/A 2. Trust Lands, Sovereign Lands, Tax Commission, etc., have been **notified** through normal procedures of entity changes.

**BOND VERIFICATION - (FEE WELLS ONLY)**

- N/A Yes 1. (r649-3-1) The **NEW** operator of any fee lease well listed above has furnished a proper bond.
- \_\_ 2. A **copy of this form** has been placed in the new and former operator's bond files.
- \_\_ 3. The **FORMER** operator has requested a release of liability from their bond (yes/no) \_\_\_\_, as of today's date \_\_\_\_\_. If yes, division response was made to this request by letter dated \_\_\_\_\_.

**LEASE INTEREST OWNER NOTIFICATION OF RESPONSIBILITY**

- N/A Yes 1. Copies of documents have been sent on \_\_\_\_\_ to \_\_\_\_\_ at Trust Lands for changes involving State leases, in order to remind that agency of their responsibility to review for proper bonding.
- N/A Yes 2. (r649-2-10) The former operator of any fee lease wells listed above has been contacted and informed by letter dated \_\_\_\_\_ 19 \_\_\_\_, of their responsibility to notify all interest owners of this change.

**FILMING**

- \_\_ 1. All attachments to this form have been **microfilmed**. Today's date: \_\_\_\_\_.

**FILING**

- \_\_ 1. **Copies** of all attachments to this form have been filed in each **well file**.
- \_\_ 2. The **original of this form**, and the **original attachments** are now being filed in the Operator Change file.

**COMMENTS**

980708 BLM Appr. 6-29-98.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**UNITES STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT**

SUBMIT IN DUPLICATE \*

(See other instructions on reverse side)

FORM APPROVED  
OMB NO. 1004-0137  
Expires: February 28, 1995

**WELL COMPLETION OR RECOMPLETION REPORT AND LOG \***

1a. TYPE OF WELL: OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> DRY <input type="checkbox"/> OTHER _____		5. LEASE DESIGNATION AND SERIAL NO. UTU-50439	
b. TYPE OF COMPLETION: NEW WELL <input type="checkbox"/> WORK OVER <input type="checkbox"/> DEEP-EN <input type="checkbox"/> PLUG BACK <input checked="" type="checkbox"/> DIFF. RESVR. <input type="checkbox"/> OTHER Sidetrack		6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
2. NAME OF OPERATOR Hallwood Petroleum, Inc.		7. UNIT AGREEMENT NAME	
3. ADDRESS AND TELEPHONE NO. P. O. Box 378111, Denver, CO 80237 PH: (303) 850-6257		8. FARM OR LEASE NAME, WELL NO. Sandia Federal 9-44 (ST)	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements) * At surface 1300' FSL & 1000' FEL SESE At top prod. interval reported below 1698' FSL & 470' FEL At total depth 1698' FSL & 470' FEL		9. API WELL NO. 43-037-31371	
14. PERMIT NO. _____ DATE ISSUED _____		10. FIELD AND POOL, OR WILDCAT Cajon Lake	
15. DATE SPUNDED 9-2-98 Start		11. SEC., T., R., M., OR BLOCK AND SURVEY OR AREA Section 9-T39S-R26E	
16. DATE TD REACHED 9-24-98		12. COUNTY OR PARISH San Juan	
17. DATE COMPL. (Ready to prod.) 10-16-98		13. STATE UT	
18. ELEVATIONS (DF, RKB, RT, GR, ETC.) * 5408' GR, 5420' KB		19. ELEV. CASINGHEAD 5420'	
20. TOTAL DEPTH, MD & TVD 6278' MD 6220' TVD		21. PLUG, BACK T.D., MD & TVD 6240'	
22. IF MULTIPLE COMPL., HOW MANY* No		23. INTERVALS DRILLED BY ROTARY TOOLS Yes CABLE TOOLS No	
24. PRODUCING INTERVAL(S), OF THIS COMPLETION—TOP, BOTTOM, NAME (MD AND TVD) * 6024'-6050' MD - Ismay 5966'-5992' TVD			25. WAS DIRECTIONAL SURVEY MADE Yes
26. TYPE ELECTRIC AND OTHER LOGS RUN Borehole Comp. Sonic, Spectral Density Dual Spaced Neutron, Dual Induction, Mud Log 11-998			27. WAS WELL CORED No

**28. CASING RECORD (Report all strings set in well)**

CASING SIZE/GRADE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE	TOP OF CEMENT, CEMENTING RECORD	AMOUNT PULLED
8-5/8"	24#	1960'	12-1/4"	0'/1050 sxs (set in 1988)	
5-1/2"	15-1/2#	6276'	7-7/8"	2360'/1st stage 390 sxs; 2nd stage 435 sxs	
DV tool @ 2406'					

29. LINER RECORD				30. TUBING RECORD			
SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT*	SCREEN (MD)	SIZE	DEPTH SET (MD)	PACKER SET (MD)
					2-7/8"	5903'	5896'

31. PERFORATION RECORD (Interval, size and number) 6024'-6050' 4 SPF 104 holes		32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC. DEPTH INTERVAL (MD) 6024'-6050' AMOUNT AND KIND OF MATERIAL USED 1500 gal 15% MCA III Acid	
---	--	--	--

**33.\* PRODUCTION**

DATE FIRST PRODUCTION 10/9/98		PRODUCTION METHOD (Flowing, gas lift, pumping - size and type of pump) Flowing - (Waiting on gas pipeline) - SI			WELL STATUS (Producing or shut-in) SI		
DATE OF TEST 10/15/98	HOURS TESTED 13 hrs	CHOKE SIZE 18/64"	PROD'N. FOR TEST PERIOD	OIL-BBL. 153	GAS-MCF 774	WATER-BBL 0	GAS-OIL RATIO 5058.824
FLOW. TUBING PRESS. 135	CASING PRESSURE 0	CALCULATED 24-HOUR RATE	OIL-BBL. 282	GAS-MCF 1429	WATER-BBL 0	OIL GRAVITY-API (CORR.)	

34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.)  
Flared - waiting on pipeline

35. LIST OF ATTACHMENTS  
Logs, Deviation Survey, Wellbore Diagram

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records.

SIGNED Nonya K. Durham TITLE Nonya K. Durham, Production Reporting Supervisor DATE 10/20/98

\*(See Instructions and Spaces for Additional Data on Reverse Side)

37. SUMMARY OF POROUS ZONES: (Show all important zones of porosity and contents thereof; cored intervals; and all drill-stem, tests, including depth interval tested, cushion used, time tool open, flowing and shut-in pressures, and recoveries):

38. GEOLOGIC MARKERS

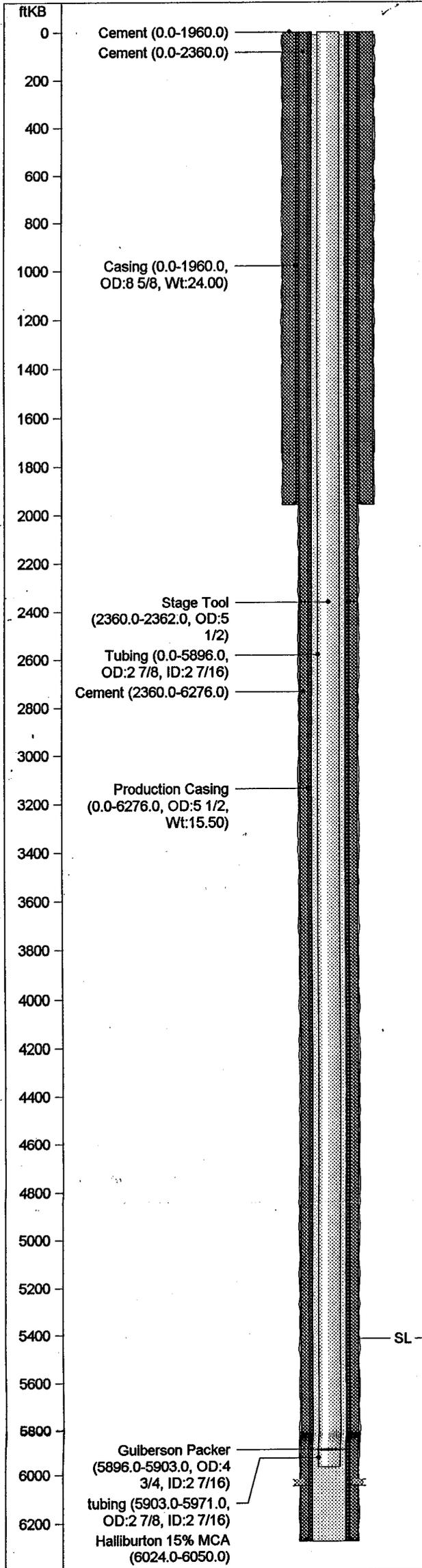
FORMATION	TOP	BOTTOM	DESCRIPTION, CONTENTS, ETC.	NAME	TOP	
					MEAS. DEPTH	TRUE VERT. DEPTH
See mud log.				Bluff	874'	874'
				Entrada	1,140'	1,140'
				Navajo	1,288'	1,288'
				Chinle	1,900'	1,900'
				Moen Kopi	2,950'	2,936'
				Cutler	3,060'	3,045'
				Hermosa	4,870'	4,820'
				Upper Ismay	5,900'	5,842'
				Hovenweep	6,075'	6,017'
				Lower Ismay	6,108'	6,050'
				Desert Creek	6,148'	6,100'
				Akah	6,210	6,162'
				Total Depth	6,278'	6,220'

# **DRILLED FOOTAGE CALCULATION FOR DIRECTIONAL AND HORIZONTAL WELLS**

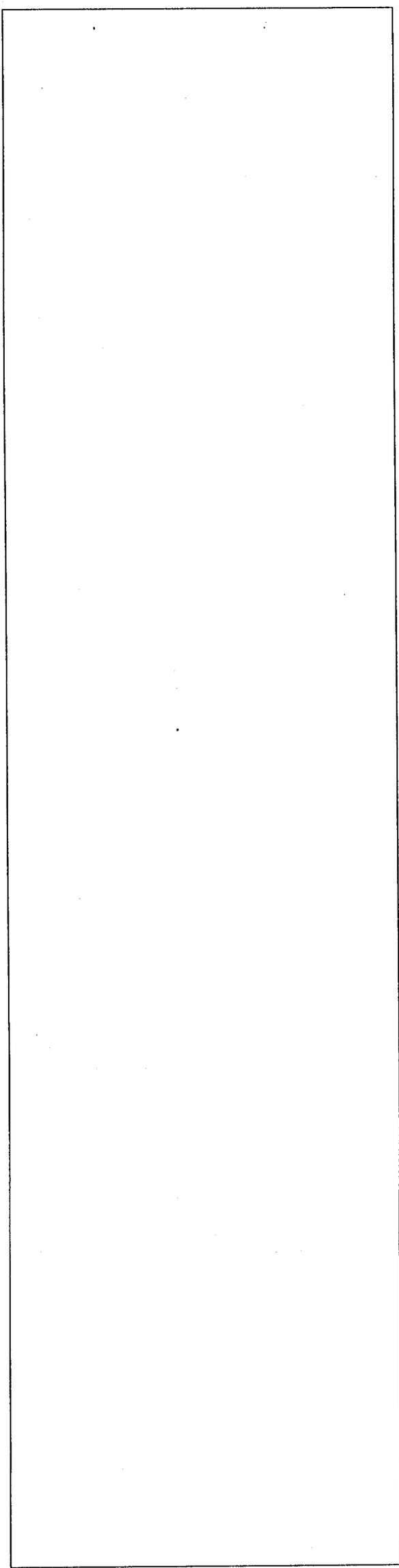
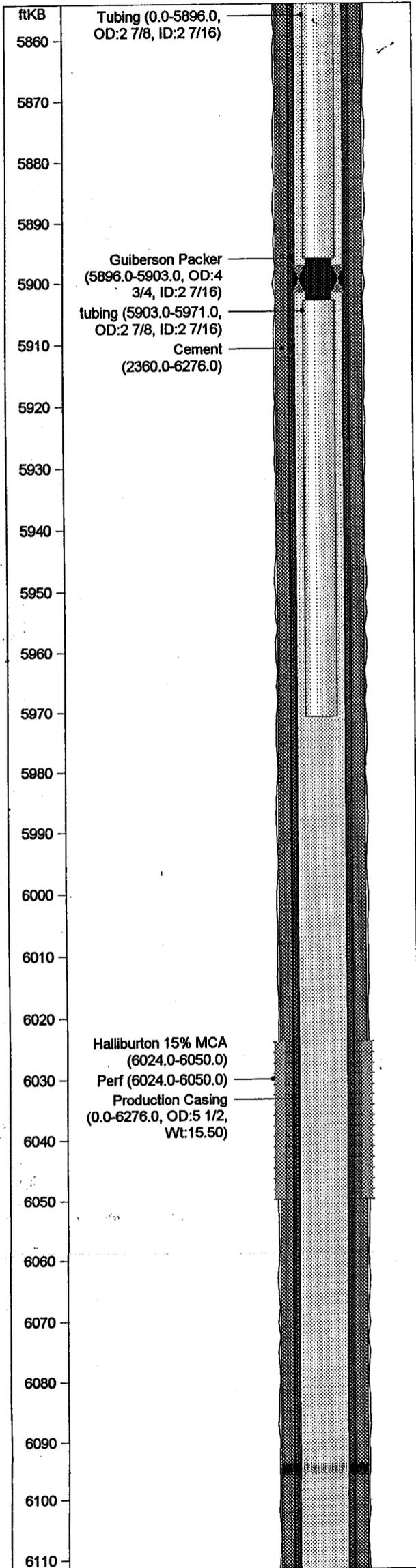
Unit, Well Name: Cajon Lake, Sandia Federal 9-44(ST)  
API Well #: 43-037-31371  
Well Completion: Sidetrack, Producer

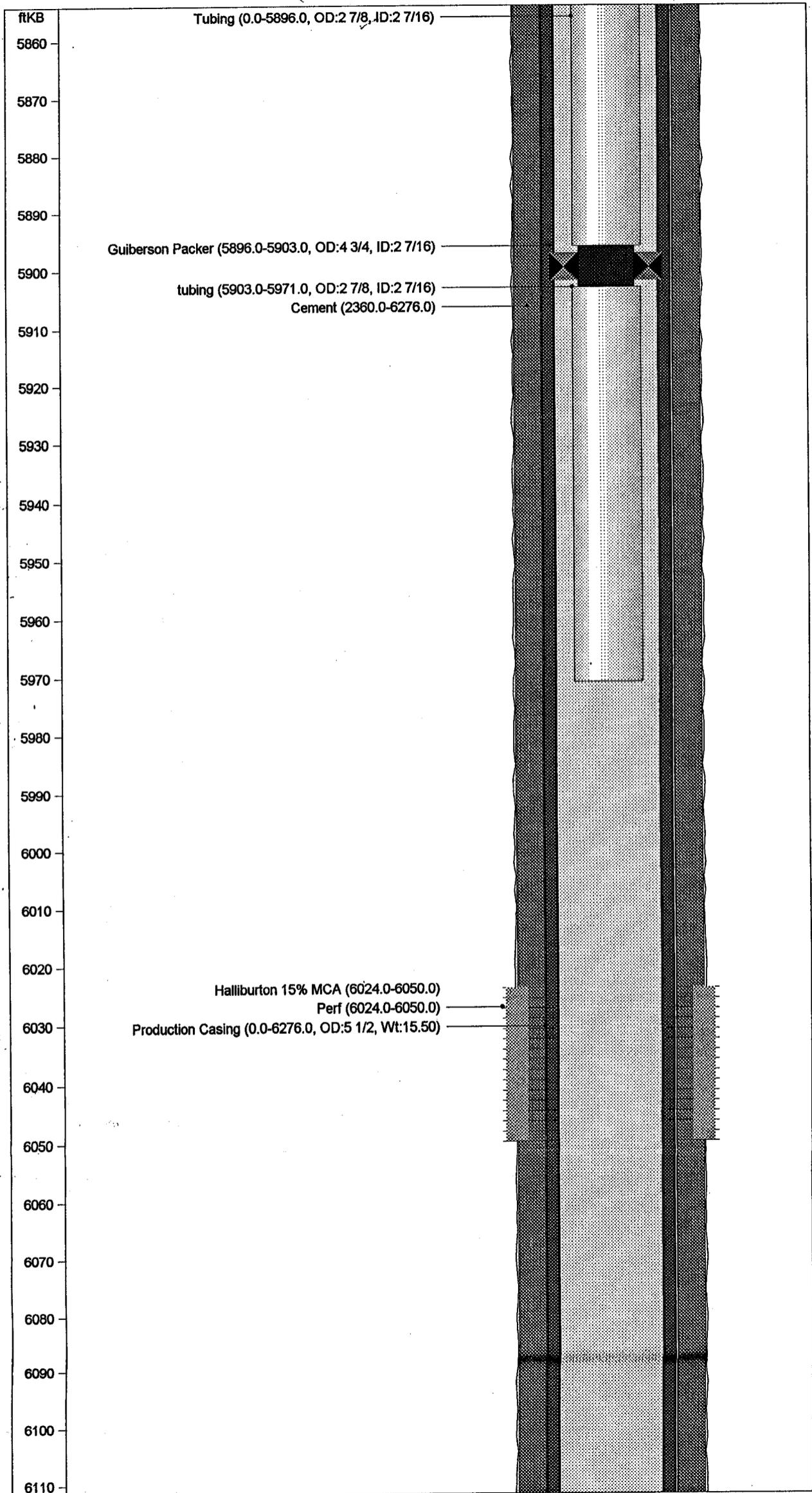
First leg description:	Lateral #1
KOP MD:	0.00
EOL MD:	6278.00
Footage drilled:	6278.00
Max. TVD Recorded	6220.00

<b>Total Footage Drilled (MD):</b>	<b>6278.00</b>
<b>Deepest point (TVD):</b>	<b>6220.00</b>



Sandia Federal #9-44 (ST)							
UWI	43-037-31371	Field Code					
TD	6278.0 ftKB	Pool	Ismay				
PBTD	6278.0 ftKB	Pool Code					
Province	San Juan Co., Utah	License	26-Aug-98				
Licensee		Spud	02-Sep-98				
License No.		Finish Drl	24-Sep-98				
Surf. Rights		RR	26-Sep-98				
Class.		On Prod					
Agent		Abandon					
Field	Cajon Lake						
Elevations							
KB	5420.0 ft	Cas Flng					
Grd	5408.0 ft	Tab Head					
KB-Grd	12.0 ft						
Bore Hole Data							
Depth (ftKB)		Size (in)					
1960.0		12 1/4					
6278.0		7 7/8					
Casing String - Surface Casing							
Item (in)	Btm (ftKB)	Jnts	ID	Wt	Grd	Thd	
8 5/8 in Casing	1960.0	47	8 3/32	24.00	J & K-55	STXC	
Casing String - Production Casing							
Item (in)	Btm (ftKB)	Jnts	ID	Wt	Grd	Thd	
5 1/2 in Production Casing	6276.0	143	4 61/64	15.50	J-55	LTXC	
Casing Cement							
Casing String	Top (ftKB)	Amount (sx)	Comments				
Surface Casing	0.0	1050					
Production Casing	0.0	435	second stage job				
Production Casing	2360.0	390	first stage job				
Perforations							
Date	Int	Shots (ft)	Type				
08-Oct-98	6024.0 - 6050.0	4.0	32gram, 90 phasing				
Other (plugs, equip., etc.) - Untitled							
Date	Item	Int (ftKB)					
25-Sep-98	Stage Tool	2360.0 - 2362.0					
25-Sep-98	Float Collar	6231.0 - 6232.0					
25-Sep-98	Float Sfoe	6275.0 - 6276.0					
Stimulations & Treatments							
Date	Type	Zone	Int	Fluid	Comments		
13-Oct-98	Halliburton 15% MCA	Ism	6024.0 - 6050.0	15% MCA Acid	Pressure went to 0 psi when acid hit perms		
Tubing String - Production Tubing							
Item (in)	Top (ftKB)	Len (ft)	Jnts	ID (in)	Wt	Grd	Thd
2 7/8 in Tubing	0.0	5896.0	187	2 7/16	6.50	J-55	EUE
4 3/4 in Gulberson Packer	5896.0	7.0	1	2 7/16			
2 7/8 in tubing	5903.0	68.0	2	2 7/16	6.50	J-55	EUE



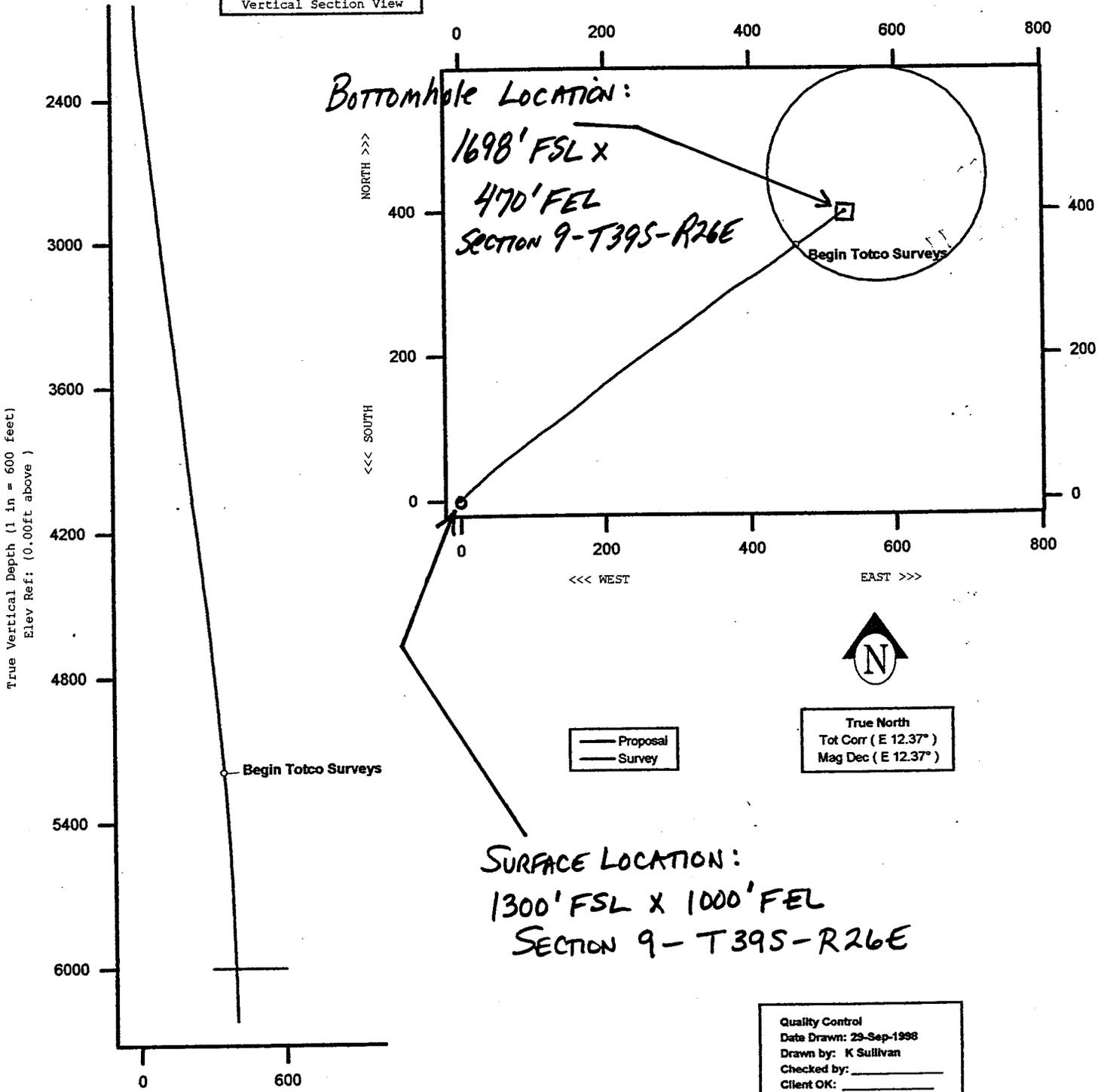


Section 5

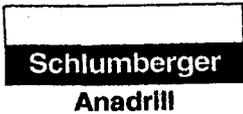
**Well Plot & Survey Listing**

PLAN VIEW Scale (1 in = 200 feet)

Vertical Section View



Vertical Section Departure at 0.00 deg from (0.0, 0.0). (1 in = 600 feet)



# Survey

<p> <b>Client:</b> Hallwood Petroleum, Inc.  <b>Field:</b> UT, San Juan County  <b>Structure:</b> Hallwood Petroleum, Inc.  <b>Well:</b> Sandia Federal 9-44 S/T  <b>Borehole:</b> New Borehole  <b>API #:</b>  <b>Date:</b> September 29, 1998  <b>Grid Convergence:</b> 1.07220284°  <b>Scale Factor:</b> 0.99995960   <b>Location:</b> N 37 33 0.000, W 109 45 0.000  <b>Coordinate System:</b> NAD83 Utah State Planes, Southern Zone, US Feet         </p>	<p> <b>Survey Computation Method:</b> Minimum Curvature  <b>DLS Computation Method:</b> Lubinski  <b>Vertical Section Azimuth:</b> 0.000°  <b>Vertical Section Origin:</b> N 0.000 ft, E 0.000 ft  <b>TVD Reference:</b> 0.0 ft above  <b>Magnetic Declination:</b> 12.368°  <b>Total Field Strength:</b> 52237.860 nT  <b>Dip:</b> 64.101°  <b>Declination Date:</b> September 15, 1998  <b>Magnetic Declination Model:</b> BGS 1998  <b>North Reference:</b> True North  <b>Coordinate Reference To:</b> Well Head         </p>
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Station ID	MD (ft)	Incl (°)	Azim (°)	TVD (ft)	VSec (ft)	N-S (ft)	E-W (ft)	Closure (ft)	at Azim (°)	DLS (°/100ft)	TF (°)
	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0MTF
	1960.00	0.00	0.0	1960.00	0.00	0.00	0.00	0.00	0.00	0.00	-108.9MTF
	1997.00	0.50	251.1	1997.00	-0.05	-0.05	-0.15	0.16	251.10	1.35	15.9MTF
	2028.00	1.20	15.9	2028.00	0.22	0.22	-0.19	0.29	318.41	4.97	28.5MTF
	2059.00	2.70	28.5	2058.98	1.17	1.17	0.25	1.20	11.85	5.00	39.2MTF
	2091.00	4.20	39.2	2090.92	2.74	2.74	1.35	3.05	26.16	5.08	41.6MTF
	2122.00	5.20	41.6	2121.82	4.67	4.67	3.00	5.55	32.68	3.29	6.7
	2152.00	6.10	42.6	2151.67	6.86	6.86	4.98	8.48	35.96	3.02	28.1
	2215.00	7.50	48.2	2214.23	12.07	12.07	10.31	15.87	40.51	2.46	0.0
	2245.00	8.30	48.2	2243.94	14.81	14.81	13.38	19.96	42.09	2.67	7.6
	2275.00	9.40	49.1	2273.58	17.86	17.86	16.85	24.55	43.33	3.70	-19.2

Station ID.	MD (ft)	Incl (°)	Azim (°)	TVD (ft)	VSec (ft)	N/S (ft)	E/W (ft)	Closure (ft)	at Azim (°)	DLS (°/100ft)	TF (°)
2305.00	10.00	47.9	2303.15	21.21	21.21	20.63	29.59	44.21	2.11	152.7	
2337.00	9.90	48.2	2334.67	24.91	24.91	24.75	35.11	44.81	0.35	-27.8	
2369.00	10.10	47.6	2366.19	28.63	28.63	28.87	40.66	45.23	0.70	-28.3	
2401.00	10.30	47.0	2397.68	32.48	32.48	33.03	46.32	45.49	0.71	-90.0	
2432.00	10.30	46.1	2428.18	36.29	36.29	37.06	51.87	45.60	0.52	118.3	
2463.00	10.10	48.3	2458.69	40.02	40.02	41.08	57.35	45.75	1.41	17.2	
2496.00	10.70	49.3	2491.15	43.94	43.94	45.57	63.30	46.04	1.90	63.1	
2526.00	11.20	54.0	2520.60	47.47	47.47	50.03	68.97	46.51	3.41	-26.3	
2558.00	11.40	53.5	2551.98	51.18	51.18	55.09	75.19	47.11	0.70	-131.0	
2589.00	11.20	52.3	2582.38	54.84	54.84	59.94	81.24	47.54	1.00	126.4	
2621.00	10.80	55.3	2613.79	58.45	58.45	64.86	87.31	47.98	2.18	-113.0	
2652.00	10.70	54.0	2644.25	61.79	61.79	69.58	93.05	48.39	0.85	140.2	
2683.00	10.40	55.4	2674.73	65.07	65.07	74.21	98.70	48.75	1.27	-77.0	
2714.00	10.50	53.2	2705.21	68.35	68.35	78.77	104.29	49.05	1.33	17.0	
2744.00	11.20	54.3	2734.68	71.69	71.69	83.33	109.92	49.29	2.43	-65.1	
2776.00	11.40	52.2	2766.06	75.44	75.44	88.35	116.18	49.51	1.43	113.5	
2808.00	11.30	53.4	2797.43	79.25	79.25	93.37	122.47	49.67	0.80	174.5	
2839.00	11.10	53.5	2827.84	82.84	82.84	98.20	128.47	49.85	0.65	-90.0	
2871.00	11.10	53.1	2859.24	86.52	86.52	103.14	134.62	50.01	0.24	63.1	
2903.00	11.20	54.1	2890.64	90.19	90.19	108.12	140.80	50.17	0.68	90.0	
2965.00	11.20	56.0	2951.46	97.09	97.09	117.99	152.80	50.55	0.60	-122.3	
2997.00	11.00	54.3	2982.86	100.61	100.61	123.05	158.94	50.73	1.20	60.3	
3028.00	11.10	55.2	3013.28	104.04	104.04	127.90	164.87	50.87	0.64	-90.0	
3057.00	11.10	54.1	3041.74	107.27	107.27	132.45	170.44	51.00	0.73	-159.1	
3088.00	11.00	53.9	3072.17	110.76	110.76	137.26	176.37	51.10	0.35	164.3	
3119.00	10.80	54.2	3102.61	114.20	114.20	142.01	182.23	51.19	0.67	-40.8	
3148.00	11.00	53.3	3131.08	117.44	117.44	146.43	187.71	51.27	0.91	143.6	
3180.00	10.70	54.5	3162.51	120.99	120.99	151.29	193.72	51.35	1.17	-82.4	
3212.00	10.80	51.2	3193.95	124.60	124.60	156.05	199.69	51.39	1.95	36.3	

Station ID	MD (ft)	Incl (°)	Azim (°)	TVD (ft)	VSec (ft)	N/S (ft)	E/W (ft)	Closure (ft)	at Azim (°)	DLS (°/100ft)	TF (°)
3244.00	11.20	52.7	3225.36	128.36	128.36	160.86	205.79	51.41	1.54	-44.1	
3275.00	11.60	50.8	3255.75	132.15	132.15	165.67	211.92	51.42	1.77	168.7	
3306.00	11.50	50.9	3286.12	136.07	136.07	170.48	218.13	51.40	0.33	141.7	
3336.00	11.40	51.3	3315.53	139.81	139.81	175.12	224.08	51.40	0.43	-90.0	
3368.00	11.40	48.8	3346.89	143.87	143.87	179.96	230.40	51.36	1.54	134.6	
3400.00	11.10	50.4	3378.28	147.92	147.92	184.72	236.64	51.31	1.35	125.7	
3430.00	10.90	51.9	3407.73	151.51	151.51	189.17	242.37	51.31	1.16	-102.5	
3461.00	10.80	49.2	3438.17	155.22	155.22	193.68	248.20	51.29	1.67	150.9	
3492.00	10.70	49.5	3468.63	158.98	158.98	198.07	253.98	51.25	0.37	90.0	
3523.00	10.70	52.5	3499.09	162.60	162.60	202.54	259.73	51.24	1.80	-2.8	
3555.00	11.10	52.4	3530.51	166.29	166.29	207.33	265.78	51.27	1.25	134.2	
3607.00	10.90	53.5	3581.56	172.27	172.27	215.25	275.70	51.33	0.56	-49.5	
3639.00	11.10	52.3	3612.97	175.95	175.95	220.12	281.80	51.36	0.95	112.5	
3701.00	10.90	55.0	3673.83	182.97	182.97	229.65	293.62	51.45	0.89	-74.6	
3732.00	11.00	53.2	3704.27	186.42	186.42	234.42	299.50	51.51	1.15	132.0	
3763.00	10.80	54.4	3734.71	189.88	189.88	239.15	305.36	51.55	0.98	-155.3	
3794.00	10.60	53.9	3765.17	193.25	193.25	243.81	311.11	51.60	0.71	109.1	
3824.00	10.40	57.4	3794.67	196.34	196.34	248.32	316.56	51.67	2.23	-21.0	
3855.00	11.00	56.2	3825.13	199.49	199.49	253.14	322.29	51.76	2.06	-44.8	
3887.00	11.30	54.7	3856.52	203.00	203.00	258.23	328.47	51.83	1.30	136.3	
3917.00	11.10	55.7	3885.95	206.33	206.33	263.02	334.29	51.89	0.93	30.3	
3970.00	11.20	56.0	3937.95	212.08	212.08	271.50	344.51	52.01	0.22	-90.0	
4000.00	11.20	54.9	3967.38	215.38	215.38	276.30	350.33	52.06	0.71	-60.8	
4032.00	11.30	54.0	3998.77	219.01	219.01	281.38	356.57	52.10	0.63	122.0	
4063.00	11.10	55.7	4029.18	222.48	222.48	286.30	362.58	52.15	1.25	-90.0	
4093.00	11.10	55.1	4058.62	225.76	225.76	291.05	368.35	52.20	0.39	-20.5	
4124.00	11.70	54.0	4089.00	229.31	229.31	296.04	374.47	52.24	2.06	-57.6	
4154.00	12.10	51.1	4118.36	233.08	233.08	300.95	380.65	52.24	2.40	105.1	
4217.00	12.00	53.0	4179.97	241.16	241.16	311.32	393.80	52.24	0.65	-90.0	
4280.00	12.00	52.5	4241.59	249.09	249.09	321.75	406.90	52.25	0.17	-176.1	

Station ID	MD (ft)	Incl (°)	Azim (°)	TVD (ft)	VSec (ft)	N/S (ft)	E/W (ft)	Closure (ft)	at Azim (°)	DLS (°/100ft)	TF (°)
	4343.00	11.70	52.4	4303.25	256.98	256.98	332.00	419.84	52.26	0.48	174.3
	4406.00	11.50	52.5	4364.96	264.70	264.70	342.05	432.51	52.26	0.32	11.4
	4469.00	11.60	52.6	4426.69	272.37	272.37	352.06	445.12	52.27	0.16	-149.2
	4532.00	11.50	52.3	4488.41	280.06	280.06	362.06	457.73	52.28	0.19	122.6
	4595.00	11.10	55.7	4550.19	287.31	287.31	372.04	470.07	52.32	1.23	27.9
	4656.00	11.40	56.5	4610.02	293.95	293.95	381.92	481.94	52.42	0.55	169.0
	4718.00	11.20	56.7	4670.82	300.64	300.64	392.06	494.06	52.52	0.33	90.0
	4780.00	11.20	59.6	4731.64	306.99	306.99	402.29	506.04	52.65	0.91	-153.8
	4848.00	10.40	57.4	4798.43	313.64	313.64	413.15	518.72	52.80	1.32	-136.1
	4909.00	9.80	53.9	4858.49	319.66	319.66	421.99	529.39	52.86	1.41	180.0
Begin Totco Surveys	5247.00	8.25	53.9	5192.29	350.90	350.90	464.83	582.40	52.95	0.46	180.0
	5524.00	6.00	53.9	5467.14	371.14	371.14	492.58	616.76	53.00	0.81	180.0
	5702.00	4.00	53.9	5644.45	380.29	380.29	505.12	632.27	53.03	1.12	53.9MTF
	5950.00	3.00	53.9	5891.99	389.21	389.21	517.35	647.40	53.05	0.40	53.9MTF
	6278.00	2.50	53.9	6219.61	398.48	398.48	530.07	663.14	53.07	0.15	

BHL is 663' N53°E OF SURFACE

TOTAL DEPTH

$$1300' \text{ FSL} + 398' = 1698' \text{ FSL (FROM SOUTH LINE)}$$

$$1000' \text{ FEL} - 530' = 470' \text{ FEL (FROM EAST LINE)}$$

BOTTOM HOLE LOCATION RELATIVE TO SECTION LINES OF

**SUNDRY NOTICES AND REPORTS ON WELLS**

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.  
Use "APPLICATION FOR PERMIT --" for such proposals

**SUBMIT IN TRIPLICATE**

1. Type of Well

Oil Well  Gas Well  Other

2. Name of Operator **HALLWOOD PETROLEUM, INC.**

3. Address and Telephone No. **P. O. Box 378111, Denver, CO 80237 (303) 850-6257**

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

**Sec. 9-T39S-R26E SESE 1300' FSL & 1000' FEL**

5. Lease Designation and Serial No.

**UTU-50439**

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No

**Sandia Federal #9-44**

9. API Well No.

**43-037-31371**

10. Field and Pool, or Exploratory Area

**Undesignated**

11. County or Parish, State

**San Juan County, Utah**

12. CHECK APPROPRIATE BOX (s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

TYPE OF ACTION

- Notice of Intent  
 Subsequent Report  
 Final Abandonment Notice

- Abandonment  
 Recompletion  
 Plugging Back  
 Casing Repair  
 Altering Casing  
 Other \_\_\_\_\_

- Change of Plans  
 New Construction  
 Non-Routine Fracturing  
 Water Shut-Off  
 Conversion to Injection  
 Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.) \*

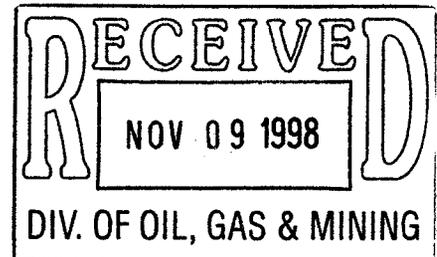
Hallwood plugged back this well in preparation for sidetrack, with the following procedures:

8/18/98 Set 5-1/2" CIBP @ 5950', capped w/40' cement.

8/19/98 Set 5-1/2" CIBP @ 3400', capped w/50' cement.

8/20/98 Cut 5-1/2" csg @ 2170', pulled 57 jts 5-1/2" 15.5# J-55 csg (2170.56'). Pumped 200 sks Class 'B' cement, est. top of cement 1730'; 319' up inside 8-5/8" casing.

Plug back complete, wait for drilling rig to commence sidetracking operation.



14. I hereby certify that the foregoing is true and correct

Signed

*Nonya K. Durham*

Title

**Nonya K. Durham  
Production Reporting Supervisor**

Date

**10/21/98**

(This space for Federal or State office use)

Approved by

Title

Date

Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States, any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

**SUNDRY NOTICES AND REPORTS ON WELLS**

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.  
Use "APPLICATION FOR PERMIT --" for such proposals

**SUBMIT IN TRIPLICATE**

1. Type of Well

Oil Well  Gas Well  Other

2. Name of Operator **HALLWOOD PETROLEUM, INC.**

3. Address and Telephone No. **P. O. Box 378111, Denver, CO 80237 (303) 850-6257**

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

**Section 9-T39S-R26E 1300' FSL & 1000' FEL (Surface Location)**

5. Lease Designation and Serial No.

**UTU-50439**

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

**Sandia Federal #9-44 (ST)**

9. API Well No.

**43-037-31371**

10. Field and Pool, or Exploratory Area

**Cajon Lake**

11. County or Parish, State

**San Juan County, UT**

12. CHECK APPROPRIATE BOX (S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- Notice of Intent  
 Subsequent Report  
 Final Abandonment Notice

TYPE OF ACTION

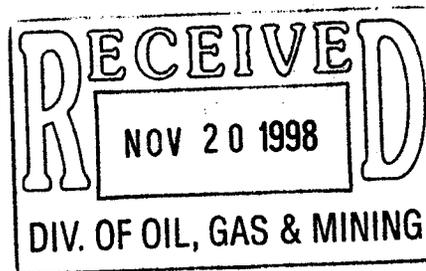
- Abandonment  
 Recompletion  
 Plugging Back  
 Casing Repair  
 Altering Casing  
 Other First Oil Sales

- Change of Plans  
 New Construction  
 Non-Routine Fracturing  
 Water Shut-Off  
 Conversion to Injection  
 Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.) \*

Hallwood Petroleum, Inc., as operator of the sidetracked Sandia Federal #9-44 (ST) first sold oil on October 21, 1998. An estimated 201 bbls of oil was sold from a temporary test tank, Number 001. This oil was purchased by Giant Refining Company. Detailed accounting of the oil sales will be through the monthly Report of Operations, Form 3160.



14. I hereby certify that the foregoing is true and correct

Signed Kevin E. O'Connell

Title Kevin E. O'Connell  
Drilling and Production Manager

Date 10/23/98

(This space for Federal or State office use)

Approved by \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

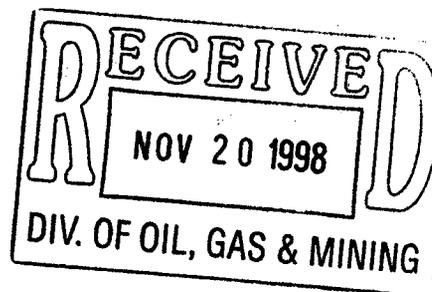
Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States, any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

# Hallwood Petroleum, Inc.

4582 S. Ulster St. Pkwy • Suite 1700 • Stanford Place III • P.O. Box 378111  
Denver, Colorado 80237 • (303) 850-7373

November 18, 1998



State of Utah  
1594 W. North Temple, Suite 1210  
Salt Lake City, UT 84114-5801  
Attn: Lisha Cordova

RE: Sandia Federal #9-44  
API #43-037-31371

Dear Ms. Cordova:

Enclosed please find the Sundry Notices and Reports on Wells (Form 3160-5), to notify BLM of our date of first sales. This also serves as notice to the State of Utah. Giant Refining Company plans to purchase our oil production. We plan to file the State of Utah's Form 10 and Form 11 on a monthly basis to account for our oil and gas sales.

If you have any questions please feel free to contact me at 303-850-6257.

Sincerely,

A handwritten signature in cursive script that reads "Nonya K. Durham".

Nonya K. Durham  
Production Reporting Supervisor

Enclosures

Division of Oil, Gas and Mining  
PHONE CONVERSATION DOCUMENTATION FORM

Route original/copy to:

Well File Sandia Fed.  
#9-44 (ST)  
(Loc.) Sec \_\_\_\_\_ Twp \_\_\_\_\_ Rng \_\_\_\_\_  
(API No.) 43-037-31371

Suspense  
(Return Date) \_\_\_\_\_  
(To-Initials) \_\_\_\_\_

Other  
\_\_\_\_\_  
\_\_\_\_\_

1. Date of Phone Call: \_\_\_\_\_ Time: \_\_\_\_\_

2. DOGM Employee (name) RJK ( Initiated Call)  
Talked to: Eric Jones  
Name BLM ( Initiated Call) - Phone No. 435 259-6111  
of (Company/Organization) \_\_\_\_\_

3. Topic of Conversation: Halwood Sundry to flare/vent  
gas.

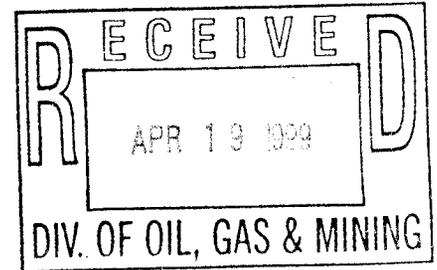
4. Highlights of Conversation: Eric said his letter will  
indicate that Halwood is responsible for  
royalty payments until they receive BLM  
approval to flare. Also, he will say that  
DOGM approval is independent of BLM action.  
He will cc: us on his letter. I said  
we would send a letter saying Board  
approval is required. at volumes over 1,800 MCF/mo.  
per R 649-3-20.

# Hallwood Petroleum, Inc.

4582 South Ulster Street Parkway • Stanford Place III • Suite 1700 • Post Office Box 378111  
Denver, Colorado 80237 • (303) 850-7373

## OVERNIGHT MAIL

April 14, 1999



Bureau of Land Management  
Moab District Office  
82 East Dogwood  
Moab, Utah 84532

State of Utah  
Attn: Lisha Cordova  
1594 W. North Temple, Suite 1210  
Salt Lake City, Utah 84114-5801

RE: Commence Production & Flare Gas  
Sandia Federal #9-44 *T39S R26E Sec-09*  
API #43-037-31371  
San Juan County, Utah

Ladies and Gentlemen:

Enclosed is a Sundry Notice (Form 3160-5) for the above captioned well giving our Notice of Intent to commence oil production, oil sales and flare gas. Also enclosed for your review and files is a copy of the State of Utah DEQ Approval Order Number DAQE-272-99 authorizing this action.

If you have any questions please feel free to contact me at (303) 850-6303.

Sincerely,

A handwritten signature in cursive script that reads "Kevin E. O'Connell".

Kevin E. O'Connell  
Drilling & Production Manager

KEO/jey

Enclosures

cc: Bureau of Land Management  
324 S. State, Suite 301  
Salt Lake City, UT 84111-2303

KEO99.009

**SUNDRY NOTICES AND REPORTS ON WELLS**

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.  
Use "APPLICATION FOR PERMIT -- " for such proposals

**SUBMIT IN TRIPLICATE**

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other	5. Lease Designation and Serial No. <b>UTU-50439</b>
2. Name of Operator <b>HALLWOOD PETROLEUM, INC</b>	6. If Indian, Allottee or Tribe Name
3. Address and Telephone No. <b>P.O. BOX 378111 DENVER, CO 303-850-6257</b>	7. If Unit or CA, Agreement Designation
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) <b>Sec. 9-T39S-R26E      1300' FSL &amp; 1000' FEL (Surface Location)</b>	8. Well Name and No. <b>Sandia Federal #9-44 (ST)</b>
	9. API Well No. <b>43-037-31371</b>
	10. Field and Pool, or Exploratory Area <b>Cajon Lake</b>
	11. County or Prish, State <b>San Juan County, UT</b>

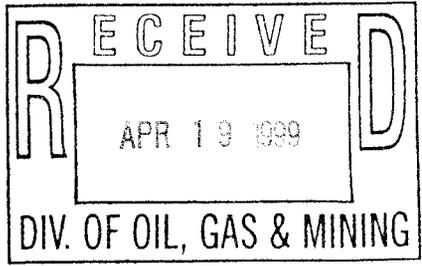
12. CHECK APPROPRIATE BOX (s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent <input type="checkbox"/> Subsequent Report <input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Abandonment <input type="checkbox"/> Recompletion <input type="checkbox"/> Plugging Back <input type="checkbox"/> Casing Repair <input type="checkbox"/> Altering Casing <input checked="" type="checkbox"/> Other <u>re-start prod &amp; flare gas</u> <input type="checkbox"/> Change of Plans <input type="checkbox"/> New Construction <input type="checkbox"/> Non-Routine Fracturing <input type="checkbox"/> Water Shut-Off <input type="checkbox"/> Conversion to Injection <input type="checkbox"/> Dispose Water <small>(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)</small>

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.) \*

Hallwood Petroleum, Inc., as operator of the sidetracked Sandia Federal #9-44 (ST), plans to re-start oil production and oil sales and will be flaring the excess produced natural casinghead gas from this oil well. Attached for your review and files is a copy of the State of Utah, Department of Environmental Quality Division of Air Quality, Approval Order Number DAQE-272-99, authorizing this action.

Hallwood has investigated and analyzed the possibility of installing a 4.53 mile gas sales line but it is uneconomical presently. Hallwood will report the flared gas volumes on a monthly basis.



14. I hereby certify that the foregoing is true and correct

Signed Kevin E. O'Connell Title Kevin E. O'Connell Drilling & Production Manager Date 4/14/99

(This space for Federal or State office use)

Approved by \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_  
Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States, any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.



State of Utah  
DEPARTMENT OF ENVIRONMENTAL QUALITY  
DIVISION OF AIR QUALITY

Michael O. Leavitt  
Governor

Dianne R. Nielson, Ph.D.  
Executive Director

Ursula K. Trueman  
Director

150 North 1950 West  
P.O. Box 144820  
Salt Lake City, Utah 84114-4820  
(801) 536-4000 Voice  
(801) 536-4099 Fax  
(801) 536-4414 T.D.D.  
Web: www.deq.state.ut.us

DAQE-272-99

April 8, 1999

Chris R. Williams  
Hallwood Petroleum Inc.  
4582 South Ulster Street Parkway  
Suite 1700  
P. O. Box 378111  
Denver, Colorado 84237

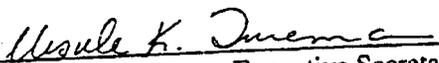
Dear Mr. Williams:

Re: Approval Order for Sandia Federal 9-44  
San Juan County CDS-B

The attached document is an Approval Order for the above-referenced project.

Future correspondence on this Approval Order should include the engineer's name as well as the DAQE number as shown on the upper right-hand corner of this letter. Please direct any technical questions you may have on this project to Mr. Tad Anderson. He may be reached at (801) 536-4456.

Sincerely,

  
Ursula K. Trueman, Executive Secretary  
Utah Air Quality Board

UKT:TDA:dn

cc: Southeastern Utah District Health Department

**STATE OF UTAH**  
**Department of Environmental Quality**  
**Division of Air Quality**

**APPROVAL ORDER FOR SANDIA FEDERAL 9-44**

**Prepared By: Tad Anderson, Engineer**  
**(801) 536-4456**

**APPROVAL ORDER NUMBER**

**DAQE-272-99**

**Date: April 8, 1999**

**Source**

**Hallwood Petroleum Inc.**

**Chris R. Williams**  
**(970) 259-1374**

**Ursula K. Trueman**  
**Executive Secretary**  
**Utah Air Quality Board**

*Abstract*

*Hallwood Petroleum Inc. submitted a Notice of Intent (NOI) dated February 11, 1999, requesting an Approval Order (AO) for their existing Sandia Federal #9-44 site. The site consists of the following equipment: one natural gas fueled internal combustion pump engine, one flare, one line heater, two crude oil storage tanks, and one saltwater storage tank. The proposed flare will meet the New Source Performance Standard (NSPS) for Flares (40 CFR 60.18, General Control Device Requirements). The tanks are exempt from the NSPS Subpart Kb under 40 CFR 60.110b (d) (4). This source is not subject to Title V. This facility is located in San Juan County which is an attainment area with respect to PM<sub>10</sub>, CO, Ozone and SO<sub>2</sub> emissions. This facility is classified as a minor source of air pollution. The estimated yearly emissions from the site are as follows: 0.34 Tons Per Year (TPY) of PM<sub>10</sub>, 7.64 TPY of NO<sub>x</sub>, 5.12 TPY of VOC, 14.99 TPY of CO and 0.67 of HAPs.*

*Since the proposed modification involves a new Best Available Control Technology (BACT) application, this project required a 10-day public comment period.*

The project has been evaluated and found to be consistent with the requirements of the Utah Air Quality Rules (UAQR) and the Utah Air Conservation Act. This air quality AO authorizes the project with the following conditions, and failure to comply with any of the conditions may constitute a violation of this order.

**General Conditions:**

1. This AO applies to the following company:

Facility Office

Hallwood Petroleum, Inc.  
463 Turner Drive, Unit 101  
Durango, Colorado 81301  
Phone Number (970) 259-1374  
Fax Number (970) 259-1418

Corporate Office Location

Hallwood Petroleum, Inc.  
4582 South Ulster Street Parkway  
Denver, Colorado 80237  
Phone Number (303) 850-7373  
Fax Number (303) 850-6290

The equipment listed below in this AO shall be operated at the following location:

**PLANT LOCATION:**

Go one (1) mile west of Cortez, Colorado and then take McElmo Canyon Road 41 miles to Hovenweep National Monument. Go three (3) miles past the Monument entrance then turn right onto lease road. Follow the lease road to location.

Universal Transverse Mercator (UTM) Coordinate System:  
4,141.83 kilometers Northing; 672.15 kilometers Easting; Zone 12

2. Definitions of terms, abbreviations, and references used in this AO conform to those used in the Utah Administrative Code Rule 307 (UAC R307), and Series 40 of the Code of Federal Regulations (40 CFR). These definitions take precedence, unless specifically defined otherwise herein.
3. Hallwood Petroleum, Inc. shall operate the flare, line heater, internal combustion engine and storage tanks at the Hallwood Petroleum, Inc., Sandia Federal #9-44 site, located in the Cajun Lake Field, San Juan County, according to the terms and conditions of this AO as requested in the NOI dated February 11, 1999.

DAQE-272-99  
Page 3

4. At least once per calendar year, all employees who operate equipment (operator) that produces and/or controls emissions to the air shall receive proper training as to their responsibilities in operating that equipment according to all relevant conditions of this AO. The training for each operator shall be for all equipment that operator operates and the required training shall only be for pollution control equipment and/or procedures that have a direct effect on emissions to the ambient air. The equipment shall include all of the equipment listed below in Condition #5.A through 5.C and any other equipment that affects or produces air emissions that the operator operates. Within 60 days of every time this AO is modified or reissued, those employees who operate equipment that produces and/or controls emissions to the air that is affected by the AO changes shall receive proper training as to their responsibilities in operating equipment according to all relevant conditions of this AO. Within 60 days of a new operator being employed or assigned with the job responsibility to operate any of the equipment that produces and/or controls emissions to the air, the new operator shall receive proper training as to their responsibilities in operating the equipment according to all relevant conditions of this AO. Records of operator training shall be made available to the executive secretary or executive secretary's representative upon request and the records shall include the two-year period prior to the date of the request. This AO shall be made available to all employees who operate the equipment listed in this AO.

5. The approved installations shall consist of the following equipment or equivalent\*:

A. Flare (1)

Manufacturer:	Owner Manufactured*
Flare Type:	Smokeless
Flare Pilot:	Automatic Igniter(Pilot Absent*)

B. Natural Gas Engine

Manufacturer:	Ajax*
Model Number:	CMA E-42
Engine Design:	Lean-burn
Rated:	46 hp(site rated).

C. Line Heater

Burner Rating:	0.5 MMBTU/hr
----------------	--------------

D. Storage Tanks (2)

Manufacturer:	American Tank & Steel*
Capacity:	300 bbls
Roof Type:	Fixed Roof

\* Equivalency shall be determined by the executive secretary.

Any future changes or modifications to the equipment and processes approved by this AO that could affect the emissions covered by this AO must be approved in accordance with R307-401-1, UAC.

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Page 4

6. The flares shall meet the following criteria:
- A. The igniter shall continuously spark every 20 seconds to ensure that the gas existing the flare stays lit.
  - B. The net heating value of the gas being burned shall be no less than 300 BTU/scf.

In addition to the criteria above, Hallwood Petroleum Inc., Sandia Federal #9-44 site, shall comply and maintenance in accordance with 40 CFR 60.18 General Control Requirements for Flares.

7. The executive secretary shall be notified in writing upon start-up of the Hallwood Petroleum Inc., Sandia Federal #9-44 site, as an initial compliance inspection is required. Eighteen months from the date of this AO the executive secretary shall be notified in writing of the status of construction/installation if construction/installation is not completed. At that time, the executive secretary shall require documentation of the continuous construction/installation of the operation and may revoke the AO in accordance with R307-401-11, UAC. If construction is complete and operation has commenced, a notice is not required on the status of the construction/installation.

#### Limitations and Tests Procedures

8. Visible emissions from any stationary point or fugitive emission source associated with the source or with the control facilities shall not exceed 20% opacity except for periods not to exceed five minutes during any continuous two-hour period and in the case of 40 CFR 60.18 located in appendix B. Opacity observations of emissions from stationary sources shall be conducted in accordance with 40 CFR 60, Appendix A, Method 9. Visible emissions from mobile sources and intermittent sources shall use procedures similar to Method 9, but the requirement for observations to be made at 15-second intervals over a six-minute period shall not apply. Any time-interval with no visible emissions shall not be included.
9. The following natural gas throughput limits shall not be exceeded without prior approval in accordance with R307-401, UAC:

- A. 2.3 MMscf of natural gas per rolling 12-month period for the Ajax pump

Compliance with the annual limitations shall be determined on a rolling 12-month total. The owner/operator shall calculate a new 12-month total by the twentieth day of each month using data from the previous 12 months. Records of gasoline throughput shall be kept for all periods when the plant is in operation. Records of gasoline throughput, including rolling 12-month totals, shall be made available to the executive secretary or executive secretary's representative upon request and the records shall include the two-year period prior to the date of the request. The records of gasoline throughput shall be kept on a daily basis. Hours of operation shall be determined by supervisor monitoring and maintaining of an operations log.

#### Records & Miscellaneous

10. All installations and facilities authorized by this AO shall be adequately and properly maintained. All pollution control equipment approved by this AO shall be installed, maintained, and operated according to standard operating practices that will ensure that the

DAQE-272-99  
Page 5

air quality limits set forth in this AO will be met. Instructions from the vendor or established maintenance practices that maximize pollution control shall be used. All maintenance performed on equipment authorized by this AO shall be recorded, and the records shall be maintained for a period of two years. All necessary equipment control and operating devices, such as pressure gauges, amp meters, volt meters, flow-rate indicators, temperature gauges, CEMS, etc., shall be installed and operated properly and easily accessible to compliance inspectors. A copy of all the manufacturers' and company's own subsequent operating instructions for pollution control equipment and pollution emitting equipment shall be kept on site. These instructions shall be available to all employees who operate the equipment and shall be made available to compliance inspectors upon their request. Maintenance records shall be made available to the executive secretary or executive secretary's representative upon request, and the records shall include the two-year period prior to the date of the request.

11. The owner/operator shall comply with R307-107, UAC located in appendix A. This rule addresses unavoidable breakdown reporting requirements. Any breakdown lasting longer than two hours shall be reported to the executive secretary within three hours of the breakdown if reasonable, but in no case longer than 18 hours after the beginning of the breakdown. During times other than normal office hours, breakdowns for any period longer than two hours shall be initially reported to the Environmental Health Emergency Response Coordinator. Within seven calendar days of the beginning of any breakdown lasting longer than two hours, a written report shall be submitted to the executive secretary. The owner/operator shall calculate/estimate the excess emissions (amount above AO limits) whenever a breakdown occurs. The total of excess emissions per calendar year shall be reported to the executive secretary with the inventory submittal (when applicable), as directed by the executive secretary. The owner or operator of an installation suffering an unavoidable breakdown shall assure that emission limitations and visible emission limitations are exceeded for only as short a period of time as reasonable. The owner or operator shall take all reasonable measures which may include but are not limited to the immediate curtailment of production, of operations, or activities at all installations of the source if necessary to limit the total aggregate emissions from the source to be no greater than the aggregate allowable emissions averaged over the periods provided in the source's AOs or R307.

All records referenced in this AO are required to be kept by the owner/operator, shall be made available to the executive secretary or executive secretary's representative upon request, and the records shall include the two-year period prior to the date of the request. All records shall be kept for a period of two years. A summary of those records that are required as part of this AO is included herein. This summary shall not be considered an additional requirement, but is included for informational purposes only. The condition that requires that these records be kept as part of the compliance with this AO is listed following the individual record. Examples of records to be kept at this source shall include the following as applicable:

Operator Training	(Condition number 4)
Natural Gas Throughput Rate	(Condition number 9)
Maintenance Records	(Condition number 10)
Upset, Breakdown Episodes	(Condition number 11)

The list above may not be a complete list of all records that are required to be kept by Hallwood Petroleum Inc.. For a complete list of required records check all AO conditions, and all applicable Federal regulations such as NSPS standards that apply to this source.

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Page 6

Any future modifications to the equipment approved by this order must also be approved in accordance with R307-401-1, UAC.

The executive secretary shall be notified in writing if the company is sold or changes its name. The notification shall be submitted within 30 days of such action.

Organizations have the responsibility to take whatever steps are necessary to ensure continued full compliance with environmental laws and regulations including undertaking whatever steps are necessary and appropriate to assure the accuracy of information and data required to be reported to the U.S. EPA and state programs. This includes a full Y2K issues assessment of the possible vulnerabilities of data systems, monitoring and operating systems and embedded computer chips that are relied upon for business operation or as part of the data gathering and reporting process. Failure to comply with requirements because of Year 2000 problems may be considered violations and may result in enforcement.

This AO in no way releases the owner or operator from any liability for compliance with all other applicable federal, state, and local regulations including UAC R307.

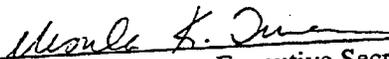
Reorganization or change of rules of the Utah Air Quality Board may result in the Utah Administrative Code (UAC) numbering being changed for rules cited in this AO. There will be a document available that will cross reference old numbering with the new numbering. A change in numbering does not eliminate the requirement to comply with the referenced rule.

Annual emissions for Hallwood Petroleum Inc., Sandia Federal #9-44 site are currently calculated at the following values:

	<u>Pollutant</u>	<u>Tons/yr</u>
A.	PM <sub>10</sub> .....	0.34
B.	NO <sub>x</sub> .....	7.64
C.	CO .....	14.99
D.	VOC .....	5.12
E.	HAPs .....	0.67

The annual emission estimations above are for the purpose of determining the applicability of Prevention of Significant Deterioration, nonattainment area, Maintenance area, and Title V source requirements of the UAC R307. Not to be used for purposes of determining compliance.

Approved By:

  
\_\_\_\_\_  
Ursula K. Trueman, Executive Secretary  
Utah Air Quality Board



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor  
Kathleen Clarke  
Executive Director  
Lowell P. Braxton  
Division Director

1594 West North Temple, Suite 1210  
PO Box 145801  
Salt Lake City, Utah 84114-5801  
801-538-5340  
801-359-3940 (Fax)  
801-538-7223 (TDD)

May 4, 1999

Mr. Kevin E. O'Connell  
Hallwood Petroleum Inc.  
P.O. Box 378111  
Denver, Colorado 80237

Re: Request to Flare Gas - Sandia Federal #9-44, API No. 43-037-31371, San Juan County, Utah

395 208 01

Dear Mr. O'Connell:

The Division of Oil, Gas and Mining ("The Division") recently received a sundry notice on federal Form 3160-5 notifying the Division of your intent to re-start production and flare gas from the referenced well. This letter notifies you that *the Division cannot approve your request to vent or flare gas in excess of the amount allowed by Rule R649-3-20 (copy attached)*. Any authorization for gas venting or flaring which exceeds the limitations of the referenced rule must be presented to the Board of Oil, Gas and Mining ("Board") in accordance with the rules and orders of the Board. Therefore, your request will be filed unapproved in the Division's records.

Please note that the referenced rule limits venting or flaring gas from a well to 1,800 MCF per month without prior approval by the Division or the Board. For venting or flaring gas from a well above the amount allowed by Rule R649-3-20, the operator must submit an appropriate Request for Agency Action for notice and formal hearing before the Board. Also, note that there are specific requirements to be included the gas flaring request to the Board and these requirements are stated in Paragraph 5 of the referenced rule. The request should include:

1. A statement justifying the need to vent or flare more than the allowable amount;
2. A description of production test results;
3. A chemical analysis of the produced gas;
4. The estimated oil and gas reserves;
5. A description of the reinjection potential or other conservation oriented alternatives for disposition of the produced gas;
6. A description of the amount of gas used in lease operations;
7. An economic evaluation supporting the operator's determination that conservation of the gas is not economically viable; and
8. Any other information pertinent to a determination of whether marketing or otherwise conserving the produced gas is economically feasible.

Page 2  
Hallwood Petroleum Inc.  
May 4, 1999

The Division is aware of the approval which you have obtained from the Utah Department of Environmental Quality ("DEQ") specifying conditions for gas flaring. The approval from DEQ is primarily for air quality issues related to atmospheric emissions from the well location. DEQ approval does not represent state approval for the purpose of conservation of the hydrocarbon resource. Such approval can only be obtained from this Division and the Board, and you must be careful not to characterize DEQ's approval as representing complete state approval of your proposed gas flaring.

If it is determined through reporting of monthly production and disposition or through onsite inspection that the referenced well is flaring gas in excess of Rule R649-3-20, the Division may initiate an action before the Board to require compliance by Hallwood Petroleum Inc. Such compliance action will be coordinated with the authorizing officer of the U.S. Bureau of Land Management.

If you have questions regarding this matter, please contact Mr. Robert Krueger, Petroleum Engineer for the Division, at telephone no. (801) 538-5274 or myself at (801) 538-5334.

Sincerely,

A handwritten signature in cursive script that reads "John R. Baza". The signature is written in dark ink and is positioned above the printed name and title.

John R. Baza  
Associate Director

Enclosure

cc: Eric Jones, U.S. BLM - Moab  
L. Braxton  
R. Krueger  
Well file



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

Moab Field Office  
82 East Dogwood  
Moab, Utah 84532

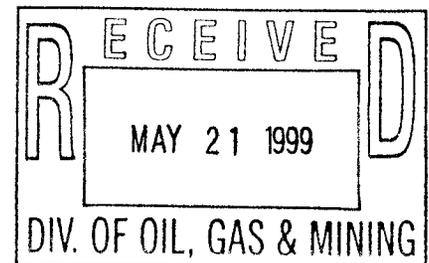
3160  
(U-50439)  
(UT-062)

CERTIFIED MAIL--RETURN RECEIPT REQUESTED  
Certified No. Z 409 098 356

MAY 14 1999

Mr. Kevin O'Connell  
Hallwood Petroleum, Inc.  
P.O. Box 378111  
Denver, Colorado 80237

Re: Resumed Production/Gas Flaring  
Sandia Federal No. 9-44 <sup>37</sup> 43-047-31371  
Lease U-50439  
Sec. 9, T39S, R26E  
San Juan County, Utah



Dear Mr. O'Connell:

We have reviewed your sundry notice dated April 14, 1999 (received April 19) in which you advised of your intention to commence oil production/sales, and to flare the associated natural gas (production has, in fact, commenced since that time). We have made note of your sundry notice and have returned a copy to you as an enclosure of this letter.

Included with your sundry notice was an approval order for gas flaring from the State of Utah, Department of Environmental Quality, Division of Air Quality. In addition to the issue of air quality are the concerns of resource waste prevention and maximum economic recovery. These matters are under the jurisdiction of the Bureau of Land Management (BLM) and the State of Utah, Division of Oil, Gas and Mining, neither of which has granted approval to flare gas.

The volume of casinghead gas being flared is a concern to us. The completion report for this well shows an initial production rate of 1429 thousand cubic feet of gas per day (Mcf/d). Production reports for the 34 days of production last fall show an average of 220 Mcf/d. The flaring of such a high volume of gas must be closely scrutinized.

In reviewing gas flaring cases, BLM will refer to Notice to Lessees 4A (NTL-4A), which requires that royalty be paid on all gas that is flared without prior approval. Automatic flaring authorization is granted by NTL-4A for situations such as emergencies, well purging and initial production tests (30

day maximum). These conditions do not appear applicable to the subject well, and no justified request for approval to flare was received before flaring commenced as part of routine production; therefore, royalty is due on all gas flared after the initial 30 day testing period.

Beyond the above referenced conditions, gas flaring can only be approved when it is justified by a thorough review of engineering, geologic and economic data. Within 60-days of receipt of this letter, you must submit the necessary information to enable this office to assess whether gas flaring is justified. Of particular interest to us are the economic aspects of the property such as capital investments and operational costs. We will need you to provide the cost of the sidetrack/recompletion that was done last fall. We will also need your estimated costs to install a gas pipeline. In addition, we will need to compare your current (oil recovery) operating costs versus your estimated operating costs if oil and gas were being recovered.

The State of Utah, Division of Oil, Gas & Mining, in their May 4 letter to you (copy attached), listed the information that would be needed for a hearing on this matter before the Board of Oil, Gas & Mining. This office will require the same information to complete our review. Please be aware that BLM and the State of Utah are both responsible for conservation of resources, and therefore, both have authority over gas flaring matters.

Should you have any questions, please call Eric Jones at (435) 259-2117.

Sincerely,

/s/ William Stringer

Assistant Field Manager,  
Division of Resources

cc: Jeff Brown  
Monticello Field Office, (UT-070)  
P.O. Box 7  
Monticello, Utah 84535  
Robert Krueger ✓  
Utah, Division of Oil, Gas & Mining  
P.O. Box 145801  
Salt Lake City, Utah 84114-5801  
Minerals Management Service  
Attn: Elaine Sawall  
Royalty Management Program  
P.O. Box 17110  
Denver, Colorado 80217-0110

Is your RETURN ADDRESS completed on the reverse side?

DOGV VB SANDIA FEDERAL #9-44

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1.  Addressee's Address
2.  Restricted Delivery

Consult postmaster for fee.

**3. Article Addressed to:**

KEVIN E O'CONNELL  
 HALLWOOD PETROLEUM INC  
 4582 S ULSTER ST PKWY  
 STANFORD PL III STE 1700  
 P O BOX 378111  
 DENVER CO 80237

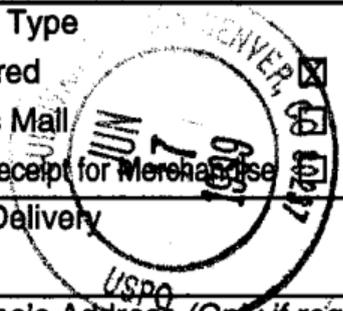
**4a. Article Number**

P 074 976 912

**4b. Service Type**

- Registered
- Express Mail
- Return Receipt for Merchandise
- Certified
- Insured
- COD

**7. Date of Delivery**



**5. Received By: (Print Name)**

**8. Addressee's Address (Only if requested and fee is paid)**

**6. Signature: (Addressee or Agent)**

X

Thank you for using Return Receipt Service.

UNITED STATES POSTAL SERVICE



First-Class Mail  
Postage & Fees Paid  
USPS  
Permit No. G-10

● Print your name, address, and ZIP Code in this box ●

**RECEIVED**  
JUN 21 1999  
DIV. OF OIL, GAS & MINING

DIVISION  
OF  
OIL GAS & MINING

1994 W NORTH TEMPLE STE 1210  
SALT LAKE CITY UT 84114 5801



P 074 976 912

**RECEIPT FOR CERTIFIED MAIL**

NO INSURANCE COVERAGE PROVIDED

NOT FOR INTERNATIONAL MAIL

*(See Reverse)*

DOG M VB SANDIA FEDERAL #9-44

~~KEVIN O'CONNELL~~

~~HALLWOOD PETROLEUM INC~~

Street and No.

4582 S ULSTER ST PKWY

STANFORD BL III STE 1700

P.O., State and ZIP Code

P O BOX 378111

DENVER CO 80237 S

Certified Fee

Special Delivery Fee

Restricted Delivery Fee

Return Receipt showing  
to whom and Date Delivered

Return Receipt showing to whom  
Date, and Address of Delivery

TOTAL Postage and Fees S

Postmark or Date



PS Form 3800, June 1985



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor  
Kathleen Clarke  
Executive Director  
Lowell P. Braxton  
Division Director

1594 West North Temple, Suite 1210  
PO Box 145801  
Salt Lake City, Utah 84114-5801  
801-538-5340  
801-359-3940 (Fax)  
801-538-7223 (TDD)

June 10, 1999

CERTIFIED RETURN RECEIPT REQUESTED  
No. P 074 976 912

Kevin E. O'Connell  
Drilling and Production Manager  
Hallwood Petroleum, Inc.  
4582 South Ulster Street Parkway  
Stanford Place III, Suite 1700  
P. O. Box 378111  
Denver, Colorado 80237

393 268 9

Re: Request for Agency Action, Sandia Federal #9-44, API No. 43-037-31371, San Juan County, Utah

Dear Mr. O'Connell:

The Division of Oil, Gas and Mining received your Request for Agency Action dated June 2, 1999. As per our conversation on June 9, wherein I explained to you that your request was not in a form required by the Procedural Rules of the Board, and except as provided in R641-102-100, representation at hearings before the Board will be by attorneys licensed to practice law in the state of Utah or attorneys licensed to practice law in another jurisdiction which meet the rules of the Utah State Bar for practicing law before the courts of the State of Utah, I am returning this information to you. Enclosed is a copy of the R641 Oil, Gas and Mining Board Rules and R649 Oil and Gas Conservation Rules.

If I can be of further assistance, give me a call at (801) 538-5327.

Sincerely,

Victoria A. Bailey  
Secretary of the Board.

vb

Enclosures

cc: J. Baza  
G. Hunt  
R. Krueger

P:\GROUPS\ADMIN\CARTER\BOARD\HALLWOOD.LTR

# Hallwood Petroleum, Inc.

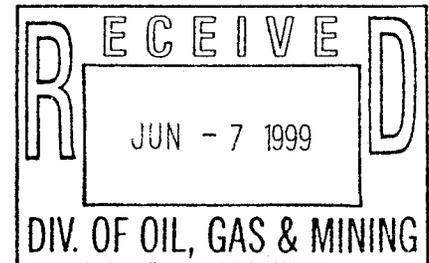
4582 South Ulster Street Parkway · Stanford Place III · Suite 1700 · Post Office Box 378111  
Denver, Colorado 80237 · (303) 850-7373

June 2, 1999

## Certified Mail- Return Receipt #P 212 222 274

John R. Baza, Associate Director  
State of Utah-Dept. of Natural Resources  
Division of Oil, Gas and Mining  
1594 West North Temple, Suite 1210  
P.O. Box 125801  
Salt Lake City, Utah 84114-5801

RE: Request for Agency Action  
Sandia Federal #9-44  
API No. 43-037-31371  
San Juan County, Utah



Dear Mr. Baza:

Hallwood Petroleum Inc. has received your letter dated May 4, 1999 pertaining to the subject well and flaring of gas. A copy of that letter is included as Attachment 1. Hallwood Petroleum would like to proceed with obtaining Division of Oil, Gas and Mining approval to flare gas volumes above the amount allowed by Rule R-649-3-20, and thus submits our Request for Agency Action.

As outlined in your correspondence of May 4, 1999 there are eight (8) specific requirements to be included with this request that will be discussed below:

- 1) A statement justifying the need to vent or flare more than the allowable amount (1800 MCF/month);
- Hallwood Petroleum currently needs to flare more than the 1800 MCF/mo. (approximately 60 MCFD) allowable rate as the Sandia Federal is capable of producing approximately 170-200 MCFD of natural gas (casinghead gas) along with produced crude oil. There is currently no natural gas gathering or sales line within nearly 5 miles of the Sandia Federal #9-44. This well is located on a 4886-acre lease and Hallwood Petroleum is considering drilling additional wells. However, we need to produce and evaluate the performance of this Sandia Federal #9-44 well for several months prior to proceeding with any offset drilling. If successful offset wells are developed and additional gas volumes were established we would most likely proceed with the proposed gas sales line.

- 2) A description of production test results;
  - During a recent 7 day test period the Sandia Federal #9-44 well averaged 92 BOPD X 201 MCFD X 0 BWPD pumping at 50 psig tubing and casing pressure.
- 3) A chemical analysis of the produced gas;
  - Chemical analysis of the produced gas is included as Attachments 2 and 3.
- 4) The estimated oil and gas reserves;
  - The estimated oil reserves for the Sandia Federal #9-44 are 31,614 BO and the estimated gas reserves are 60,484 MCF.
- 5) A description of the reinjection potential or other conservation oriented alternatives for disposition of the produced gas;
  - There is no reinjection potential in the immediate vicinity of the Sandia Federal #9-44, as there are no existing wellbores within close proximity. Hallwood Petroleum is not aware of any other conservation oriented alternatives for this produced gas presently.
- 6) A description of the amount of gas used in lease operations;
  - The Sandia Federal #9-44 uses approximately 16 MCFD in lease operations presently to run an Ajax engine on the pumping unit and a heater treater at the tank battery. The State of Utah –Department of Environmental Quality permit that was obtained is based upon these volumes for gas usage on the lease and an annualized flared volume of 160 MCFD.
- 7) An economic evaluation supporting the operator's determination that conservation of the gas is not economically viable; and
- 8) Any other information pertinent to a determination of whether marketing or otherwise conserving the produced gas is economically feasible.
  - Please refer to Attachment 4, which contains a well history, reserve estimate and gas pipeline construction economic feasibility projection. Also enclosed, as Attachment 5, is a letter from Western Gas Resources, Inc. with their proposal and cost estimate. With the reserves scenario projected for this well, the gas pipeline economics are a negative rate of return and no payout of the pipeline, when oil and gas revenue are both included.

State of Utah-Dept. of Natural Resources  
June 2, 1999  
Page 3

Please let us know if any additional information or data is required for your review of this request. Could you also please advise us as to the date that this issue will be heard before the Board and what type of representation or presentation (if any) is required on behalf of Hallwood Petroleum.

I can be reached at (303) 850-7373 or (303) 850-6403 in our Denver, Colorado office.

Sincerely,

**HALLWOOD PETROLEUM, INC.**



Kevin E. O'Connell  
Drilling & Production Manager

Attachments

cc: Chris Williams  
Nonya Durham  
Well file

State of Utah-Department of Environmental Quality  
Division of Air Quality  
Attn: Mr. Tad Anderson  
150 North 1950 West  
P.O. Box 144820  
Salt Lake City, Utah 84114-4820



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor  
Kathleen Clarke  
Executive Director  
Lowell P. Braxton  
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1594 West North Temple, Suite 1210  
PO Box 145801  
Salt Lake City, Utah 84114-5801  
801-538-5340  
801-359-3940 (Fax)  
801-538-7223 (TDD)

ATTACHMENT 1

May 4, 1999

RECEIVED

MAY 10 1999

DRLG & PROD.

Mr. Kevin E. O'Connell  
Hallwood Petroleum Inc.  
P.O. Box 378111  
Denver, Colorado 80237

Re: Request to Flare Gas - Sandia Federal #9-44, API No. 43-037-31371, San Juan County, Utah

Dear Mr. O'Connell:

The Division of Oil, Gas and Mining ("The Division") recently received a sundry notice on federal Form 3160-5 notifying the Division of your intent to re-start production and flare gas from the referenced well. This letter notifies you that *the Division cannot approve your request to vent or flare gas in excess of the amount allowed by Rule R649-3-20 (copy attached)*. Any authorization for gas venting or flaring which exceeds the limitations of the referenced rule must be presented to the Board of Oil, Gas and Mining ("Board") in accordance with the rules and orders of the Board. Therefore, your request will be filed unapproved in the Division's records.

Please note that the referenced rule limits venting or flaring gas from a well to 1,800 MCF per month without prior approval by the Division or the Board. For venting or flaring gas from a well above the amount allowed by Rule R649-3-20, the operator must submit an appropriate Request for Agency Action for notice and formal hearing before the Board. Also, note that there are specific requirements to be included the gas flaring request to the Board and these requirements are stated in Paragraph 5 of the referenced rule. The request should include:

1. A statement justifying the need to vent or flare more than the allowable amount;
2. A description of production test results;
3. A chemical analysis of the produced gas;
4. The estimated oil and gas reserves;
5. A description of the reinjection potential or other conservation oriented alternatives for disposition of the produced gas;
6. A description of the amount of gas used in lease operations;
7. An economic evaluation supporting the operator's determination that conservation of the gas is not economically viable; and
8. Any other information pertinent to a determination of whether marketing or otherwise conserving the produced gas is economically feasible.

Page 2  
Hallwood Petroleum Inc.  
May 4, 1999

The Division is aware of the approval which you have obtained from the Utah Department of Environmental Quality ("DEQ") specifying conditions for gas flaring. The approval from DEQ is primarily for air quality issues related to atmospheric emissions from the well location. DEQ approval does not represent state approval for the purpose of conservation of the hydrocarbon resource. Such approval can only be obtained from this Division and the Board, and you must be careful not to characterize DEQ's approval as representing complete state approval of your proposed gas flaring.

If it is determined through reporting of monthly production and disposition or through onsite inspection that the referenced well is flaring gas in excess of Rule R649-3-20, the Division may initiate an action before the Board to require compliance by Hallwood Petroleum Inc. Such compliance action will be coordinated with the authorizing officer of the U.S. Bureau of Land Management.

If you have questions regarding this matter, please contact Mr. Robert Krueger, Petroleum Engineer for the Division, at telephone no. (801) 538-5274 or myself at (801) 538-5334.

Sincerely,

A handwritten signature in cursive script that reads "John R. Baza". The signature is written in dark ink and is positioned above the printed name and title.

John R. Baza  
Associate Director

Enclosure

cc: Eric Jones, U.S. BLM - Moab  
L. Braxton  
R. Krueger  
Well file

2. The division may request subsurface pressure measurements on a sufficient number of wells in any pool to provide adequate data to determine reservoir characteristics.

3. Upon written request, the division may waive or extend the time for conducting any test.

4. A gas-oil ratio "GOR" test shall be conducted not later than 15 days following the completion or recompletion of each well in a pool which contains both oil and gas. The average daily oil production, the average daily gas production and the average GOR shall be recorded. The results of the GOR test shall be reported in writing to the division within 15 days after completion of the test. A GOR test of at least 24 hours duration shall satisfy the requirements of R649-3-19-1.

5. When the results of a multipoint test or other approved test for the determination of gas well potential have not been submitted to the division within 30 days after completion or recompletion of any producible gas well, the division may order that this test be made. All data pertinent to the test shall be submitted to the division in legible, written form within 15 days after completion of the test. The performance of a multipoint or other approved test shall satisfy the requirements of R649-3-19-1.

6. All tests of any producible gas well will be taken in accordance with the Manual of Back-Pressure Testing of Gas Wells published by the Interstate Oil Compact Commission, with necessary modifications as approved by the division.

#### **R649-3-20. Gas Flaring Or Venting.**

1. Produced gas from an oil well, also known as associated gas or casinghead gas, may be flared or vented only in the following amounts:

1.1. Up to 1,800 MCF of oil well gas may be vented or flared from an individual well on a monthly basis at any time without approval.

1.2. During the period of time allowed for conducting the stabilized production test or other approved test as required by R649-3-19, the operator may vent or flare all produced oil well gas as needed for conducting the test. The operator shall not vent or flare gas which is not necessary for conducting the test or beyond the time allowed for conducting the test.

1.3. During the first calendar month immediately following the time allowed for conducting the initial stabilized production

test as required by R649-3-19.1, the operator may vent or flare up to 3,000 MCF of oil well gas without approval.

1.4. Unavoidable or short-term oil well gas venting or flaring may occur without approval in accordance with R649-3-20.4, 4.1, 4.2, and 4.3.

2. Produced gas from a gas well may be vented or flared only in the following amounts:

2.1. During the period of time allowed for conducting the stabilized production test, the multipoint test, or other approved test as required by R649-3-19, the operator may vent or flare all produced gas well gas as needed for conducting the test. The operator shall not vent or flare gas which is not necessary for conducting the tests or beyond the time allowed for conducting the tests.

2.2. Unavoidable or short-term gas well gas venting or flaring may occur without approval in accordance with R649-3-20.4, 4.1, 4.2, and 4.3.

3. If an operator desires to produce a well for the purpose of testing and evaluation beyond the time allowed by R649-3-19 and vent or flare gas in excess of the aforementioned limits of gas venting or flaring, the operator shall make written request for administrative action by the division to allow gas venting or flaring during such testing and evaluation. The operator shall provide any information pertinent to a determination of whether marketing or otherwise conserving the produced gas is economically feasible. Upon such request and based on the justification information presented, the division may authorize gas venting or flaring at unrestricted rates for up to 30 days of testing or no more than 50 MMCF of gas vented or flared, whichever is less.

4. Once a well is completed for production and gas is being transported or marketed, the operator is allowed unavoidable or short-term gas venting or flaring without approval only in the following cases:

4.1. Gas may be vented or released from oil storage tanks or other low pressure oil production vessels unless the division determines that the recovery of such vapors is warranted.

4.2. Gas may be vented or flared from a well during periods of line failures, equipment malfunctions, blowouts, fires, or other emergencies if shutting in or restricting production from the well would cause waste or create adverse impact on the well or producing reservoir. The operator shall provide immediate notification to the division in all such cases in accordance with

R649-3-32, Reporting of Undesirable Events. Upon notification, the division shall determine if gas venting or flaring is justified and specify conditions of approval if necessary.

4.3. Gas may be vented or flared from a well during periods of well purging or evaluation tests not exceeding a period of 24 hours or a maximum of 144 hours per month. The operator shall provide subsequent written notification to the division in all such cases.

5. If an operator wishes to flare or vent a greater amount of produced gas than allowed by this rule, the operator must submit a Request for Agency Action to the board to be considered as a formal board docket item. The request should include the following items:

5.1. A statement justifying the need to vent or flare more than the allowable amount.

5.2. A description of production test results.

5.3. A chemical analysis of the produced gas.

5.4. The estimated oil and gas reserves.

5.5. A description of the reinjection potential or other conservation oriented alternative for disposition of the produced gas.

5.6. A description of the amount of gas used in lease operations.

5.7. An economic evaluation supporting the operator's determination that conservation of the gas is not economically viable. The evaluation should utilize any engineering or geologic data available and should consider total well production, not just gas production, in presenting the profitability and costs for beneficial use of the gas.

5.8. Any other information pertinent to a determination of whether marketing or otherwise conserving the produced gas is economically feasible.

6. Upon review of the request for approval to vent or flare gas from a well, the board may elect to:

6.1. Allow the requested venting or flaring of gas.

6.2. Restrict production until the gas is marketed or otherwise beneficially utilized.

6.3. Take any other action the board deems appropriate in the circumstances.

7. When gas venting or flaring from a well has not been approved by the division or the magnitude and duration of venting or flaring exceeds the amounts specified in these rules or any division or board approval, then the board may issue a formal

order to alleviate the noncompliance and/or require the operator to appear before the board to provide justification of such venting or flaring. The division shall notify the appropriate governmental taxing and royalty agencies of any unapproved venting or flaring and of any subsequent board action.

8. No extraction plant processing gas in Utah shall flare or vent such gas unless such venting or flaring is made necessary by mechanical difficulty of a very limited temporary nature or unless the gas vented or flared is of no commercial value. In the event of a more prolonged mechanical difficulty or in the event of plant shut-downs or curtailment because of scheduled or nonscheduled maintenance or testing operations or other reasons, or in the event a plant is unable to accept, process, and market all of the casinghead gas produced by wells connected to its system, the plant operator shall notify the division as soon as possible of the full details of such shut-down or curtailment, following which the division shall take such action as is necessary.

**R649-3-21. Well Completion And Filing Of Well Logs.**

1. For the purposes of this rule only, a well shall be determined to be completed when the well has been adequately worked to be capable of producing oil or gas or when well testing as required by the division is concluded.

2. Within 30 days after the completion of any well drilled or redrilled for the production of oil or gas, Form 8, Well Completion or Recompletion Report and Log, shall be filed with the division, together with a copy of the electric and radioactivity logs, if run.

3. In addition, one copy of all drillstem test reports, formation water analyses, porosity, permeability or fluid saturation determinations, core analyses and lithologic logs or sample descriptions if compiled, shall be filed with the division.

4. As prescribed under R649-2-12, Test and Surveys, the directional, deviation and/or measurement-while-drilling (MWD) survey for a horizontal well shall be filed within 30 days of being run. Such directional, deviation and/or MWD survey specifically related to well location or well bore path shall not be held confidential. Other MWD survey data which presents well log, or other geological, geophysical, or engineering information may be held confidential as provided in R649-2-11, Confidentiality of Well Log Information.

HALLWOOD PETROLEUM  
463 TURNER DRIVE #101  
DURANGO, CO 81301

Attachment 2

Source: HALLWOOD  
Station #: SANDIA FED. #9-44  
Station Name:  
Field:

Report Date: 05/13/1999  
Sample Date: 05/13/1999  
Flowing Pressure: 0 psig  
Flowing Temp.: 0 F

Method: c:\ezchrom\methods\btu7.met  
File: c:\ezchrom\chrom\SF\_9\_44.2

Gas Analysis by Chromatograph

Name	Mole %	BTU	SG	GPM
	0.000	0.000	0.000	
Nitrogen	2.823	0.000	0.027	
Methane	70.538	714.082	0.391	
CO2	0.008	0.000	0.000	
Ethane	14.327	254.117	0.149	
Propane	7.707	194.364	0.117	2.124
i-Butane	0.857	27.933	0.017	0.280
n-Butane	2.235	73.081	0.045	0.705
i-Pentane	0.465	18.647	0.012	0.170
n-Pentane	0.590	23.707	0.015	0.214
Hexanes	0.357	17.018	0.011	0.147
Heptanes	0.081	4.467	0.003	0.037
Octanes	0.007	0.438	0.000	0.004
Nonanes	0.005	0.351	0.000	0.003
Ideal Total	100.000	1328.207	0.786	3.683

Gross BTU/Real Cu. Ft.  
(@ 60 deg F, 14.730)  
Dry = 1333.794  
Sat. = 1311.990  
Actual = 1333.794  
( 0.000 lbs. water/MMCF)

Gasoline Content  
Propane GPM = 2.124  
Butane GPM = 0.985  
Gasoline GPM = 0.572  
26# Gasoline GPM = 1.276  
Total GPM = 3.680

Real Specific Gravity Calculated = 0.7895  
On-Site Specific Gravity = 0.0000

Gas Compressibility = 0.9958

Remarks: 2:19 PM

FROM : Gas Analysis Service

PHONE NO. : 505 326 2500

P02

Attachment 3

2030 AFTON PLACE  
FARMINGTON, N.M. 87401  
(805) 326-8822

ANALYSIS NO. HWP80002  
CUST. NO. 34500-10005

**WELL/LEASE INFORMATION**

CUSTOMER NAME	HALLWOOD PETROLEUM INC.	SOURCE	TEST UNIT
WELL NAME	SANDIA FED 9-44	PRESSURE	47 PSIG
COUNTY/STATE	SAN JUAN UT	SAMPLE TEMP	74 DEG.F
LOCATION		WELL FLOWING	Y
FIELD		DATE SAMPLED	10/14/98
FORMATION	ISMAY	SAMPLED BY	B.C. SERVICES
CNST.SYN.NO.		FOREMAN/ENGR.	

REMARKS 10 HOURS OF FLOW TEST.

**ANALYSIS**

COMPONENT	MOLE %	GPM**	B.T.U.*	SP.GR.*
NITROGEN	3.288	0.0000	0.00	0.0318
CO2	0.140	0.0000	0.00	0.0021
METHANE	70.684	0.0000	718.37	0.3931
ETHANE	13.758	3.6802	244.02	0.1428
PROPANE	7.272	2.0041	183.39	0.1107
I-BUTANE	0.791	0.2587	25.78	0.0159
N-BUTANE	2.044	0.6445	66.83	0.0410
I-PENTANE	0.427	0.1582	17.12	0.0108
N-PENTANE	0.660	0.1992	22.10	0.0137
HEXANE PLUS	0.766	0.3342	39.35	0.0248
TOTAL	100.000	7.2772	1,318.00	0.7885

\* @ 14.730 PSIA DRY &amp; UNCORRECTED FOR COMPRESSIBILITY

\*\* @ 14.730 PSIA &amp; 60 DEG. F.

COMPRESSIBILITY FACTOR	(1/2)	1.0042
BTU/CU.FT (DRY) CORRECTED FOR	(1/2)	1,322.5
BTU/CU.FT (WET) CORRECTED FOR	(1/2)	1,299.5
REAL SPECIFIC GRAVITY		0.7886

ANALYSIS RUN AT 14.730 PSIA &amp; 60 DEGREES F

DRY BTU @ 14.650	1,315.4
DRY BTU @ 14.698	1,319.5
DRY BTU @ 14.730	1,322.5
DRY BTU @ 15.025	1,349.0

CYLINDER #	051
CYLINDER PRESSURE	40 PSIG
DATE RUN	10/15/98
ANALYSIS RUN BY	DAVE MARTIN

## ATTACHMENT 4

### **Sandia Federal 9-44 (Sidetrack) – San Juan County, Utah**

#### *Well history, reserve estimate, gas pipeline construction economic feasibility projection*

The Sandia Federal 9-44 (Sidetrack) is a sidetrack of a 1988 well which penetrated the edge of an Ismay mound, subsequently defined by seismic. The original Sandia Federal 9-44 well IP'ed at 58 BOPD, and produced approximately 17,600 STBO before being shut-in in 1995 as uneconomic.

In September and October 1998, the original Sandia Federal 9-44 wellbore was sidetracked, and completed in the Upper Ismay (approximately 663' northeast of the original penetration) for initial production rates of 323 BOPD and 814 MCFD (flowing). The well was produced for approximately two weeks before being shut-in, waiting on pipeline connection. At the end of the test period, flow rates had fallen to 155 BOPD and 209 MCFD. A pressure build-up test performed shortly after completion indicated an average reservoir pressure of approximately 1462 psia. This pressure was essentially the same as that recorded by a drill stem test of the Ismay zone in the original well. It was hoped that this indicated a reservoir of sufficient extent that little depletion resulted from the production of the 17,600 BO from the original Sandia Federal well.

Unfortunately, subsequent pressure tests of the Sandia Federal 9-44 (Sidetrack) have shown that the reason for the similar initial pressure in both the original well and the sidetrack is most likely because the two wells are completed in separate small Ismay reservoirs. After a six-day shut-in, a bottom hole pressure of 1038 psia was measured on December 23, 1998, following production of only 4872 STBO and 9578 MCF. By May 2, 1999, following total production of 6476 STBO and 12762 MCF, shut-in bottom hole pressure had declined to 977 psia. Fluid property correlations indicate a bubble point pressure for the fluid in this reservoir of 1449 psia, just slightly below the initial reservoir pressure of 1462 psia. However, the pressures recorded on December 23, 1998, and May 2, 1999, indicate reservoir pressures well under the bubble point, and allow for a material balance calculation to estimate original oil-in-place. Based on these calculations (attached) it appears the Ismay reservoir currently producing had approximately 158,000 STBO in place initially. If a rather optimistic recovery factor of 20% is assumed, then estimated ultimate recovery of about 31,600 STBO may be projected.

To project a rate-time forecast for this well, the decline character of the original Sandia Federal 9-44 well was used as an analogy. (Plot attached). This decline character was then matched to the producing rate of the sidetrack as of May 1999 (~105 BOPD), and projected to an ultimate recovery of 31,600 STBO. As the gas-oil ratio has been fairly constant at approximately 2290 scf per stock tank barrel, this ratio was used to project gas production.

To connect the Sandia Federal 9-44 (Sidetrack) to gas sales would require constructing a 4.53 mile pipeline at an estimated cost of \$325,000. To evaluate the economics of constructing the pipeline, cash flow was projected for the estimated life of the well, assuming gas sales at the 5-year average El Paso San Juan price of \$1.96 per mmBtu, (\$2.25 per MCF following Btu adjustment), and a gathering fee of \$0.25 per MCF. Oil pricing used for the cash flow projection was the internal Hallwood evaluation scenario, which is a constant \$15.25 per BO through 2001, and escalated thereafter.

The cash flow projection (attached) shows that the economics of connecting this well to gas sales are not favorable. Even with the revenue from both gas and oil sales applied against this capital cost, the well will be depleted and sub-economic before the cost of the pipeline construction is paid out.

**Attachments:**

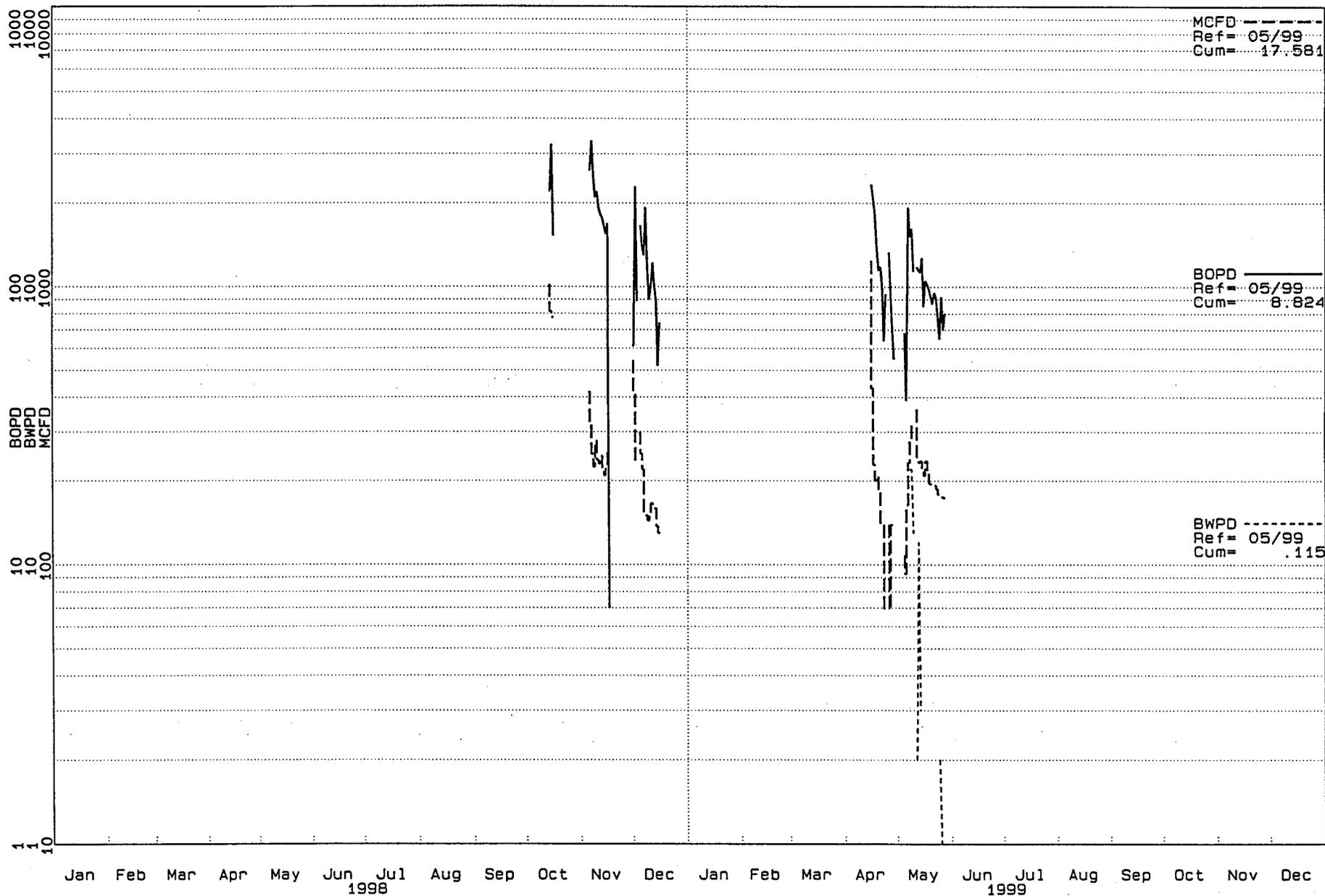
- 4A Sandia Federal 9-44 (Sidetrack) plot of daily production rates, current through 5/27/99
- 4B Sandia Federal 9-44 (Sidetrack) gas-oil ratio, current through 5/27/99
- 4C Material balance calculation of original oil-in-place
- 4D Plot of monthly rate vs. time for the original Sandia well, showing decline character.
- 4E Plot showing projected rate vs. time for the Sandia Federal 9-44 (Sidetrack)
- 4F Cash flow projection for Sandia Federal 9-44 (Sidetrack) including gas sales revenue, and the capital cost required to construct a pipeline to the nearest gas sales point.

INKS 5/28/99

# HALLWOOD - DAILY PLOT

SANDIA FEDERAL 9-44 SIDETRACK  
 CAJONE LAKE  
 UT SAN JUAN  
 HALLWOOD PETROLEUM INC.  
 ISMAY

DATE: 05/28/99  
 TIME: 10:31:27



01256 015551

PDP

MAJOR: OIL

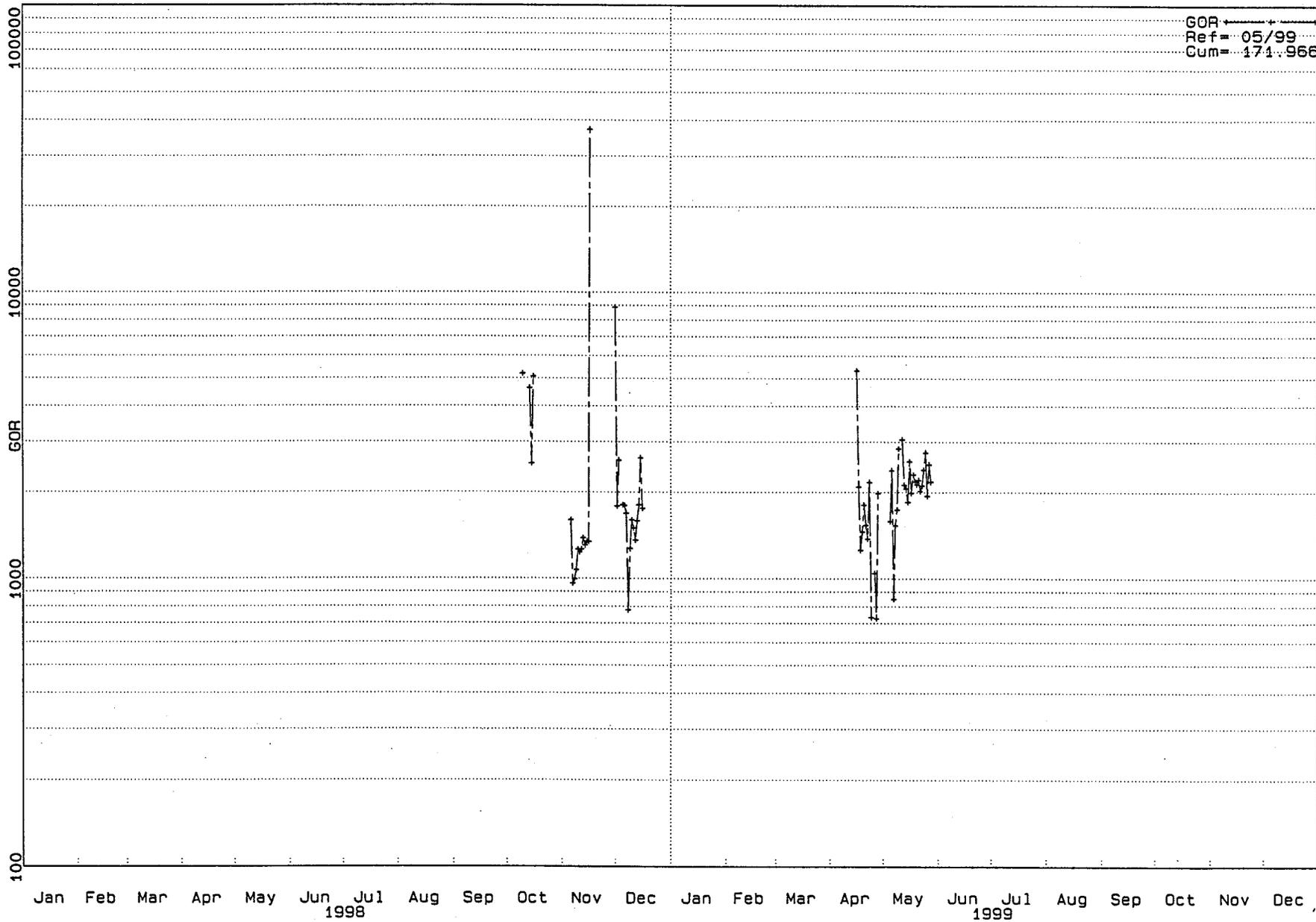
09-T39S-R26E

Attachment 4A

# HALLWOOD - DAILY PLOT

SANDIA FEDERAL 9-44 SIDETRACK  
CAJONE LAKE  
UT SAN JUAN  
HALLWOOD PETROLEUM INC.  
ISMAY

DATE: 05/28/99  
TIME: 10:31:21



01256 015551

PDP

MAJOR: OIL

09-T39S-R26E

Attachment 4B

# Hallwood Petroleum, Inc.

Subject Sandii Federal 9-44 (Sidetrack)

Material balance calculation

Date 5/11/99

By Tim/inks

Page

Attachment 4C

Assume  $p_1$  &  $p_2$  are below bubble point:

$$OOIP = \frac{\Delta Np [B_{O_2} + B_{G_2} (R_{p_2} - R_{s_2})]}{B_{O_2} - B_{O_1} + B_{G_2} (R_{s_1} - R_{s_2})}$$

$p_1 = 1038$  psia from 6-day S.I. BHP 12/23/98 ( $N_p = 4872$  STBO)  
 $G_p = 9578$  MCF

$p_2 = 977$  psia from 4-day S.I. BHP 5/2/99 ( $N_p = 6476$  STBO)  
 $G_p = 12762$  MCF

$$R_p = \frac{12762 - 9578}{6476 - 4872} (1000 \text{ scf/MCF}) = 1985 \text{ scf/STBO}$$

$\gamma_{gas} = 0.7896$       API = 41°       $T_{res} = 140^\circ F$

Assume:  $T_{sep} = 100^\circ F$        $P_{sep} = 120$  psia

From fluid property correlations:

$P_{bp} = 1449$  psia       $B_{obbp} = 1.2352$

At 1038 psia:  $R_s = 276$  scf/STBO,  $B_o = 1.1758$  RB/STB

At 977 psia:  $R_s = 257$  scf/STBO,  $B_o = 1.167$  RB/STB,  $B_{G_2} = 0.0147$

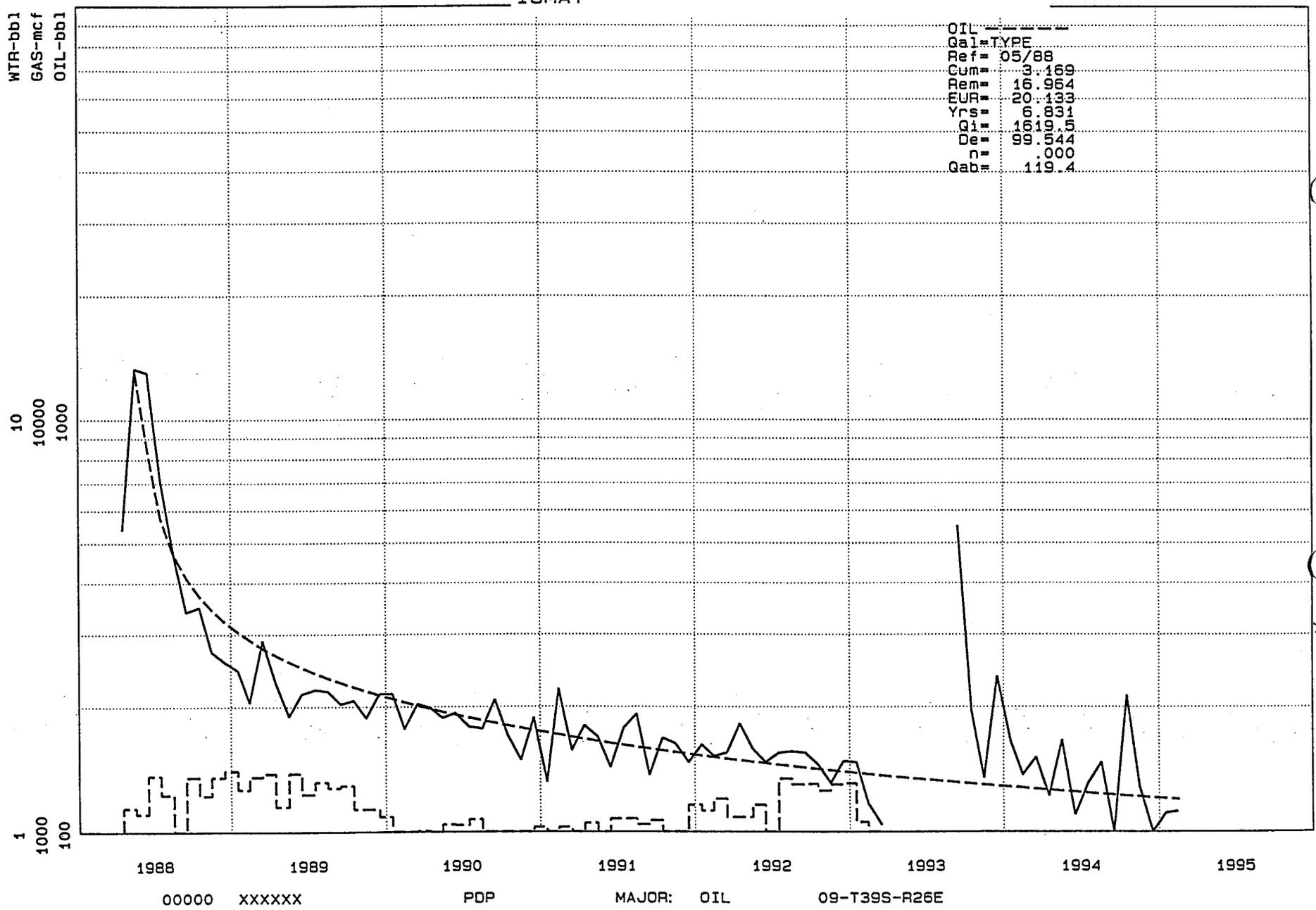
So,

$$OOIP = \frac{(6476 - 4872) [1.167 + 0.0147(1985 - 257)]}{1.167 - 1.1758 + 0.0147(-276 - 257)} = 158,000 \text{ STBO}$$

Assuming 20% recovery, estimated ultimate recovery = 31,600 STBO

SANDIA FEDERAL 9-44 (ORIGINAL VERTICAL WELLBORE)  
 UNKNOWN  
 UT SAN JUAN  
 TOLA PRODUCTION CON  
 ISMAY

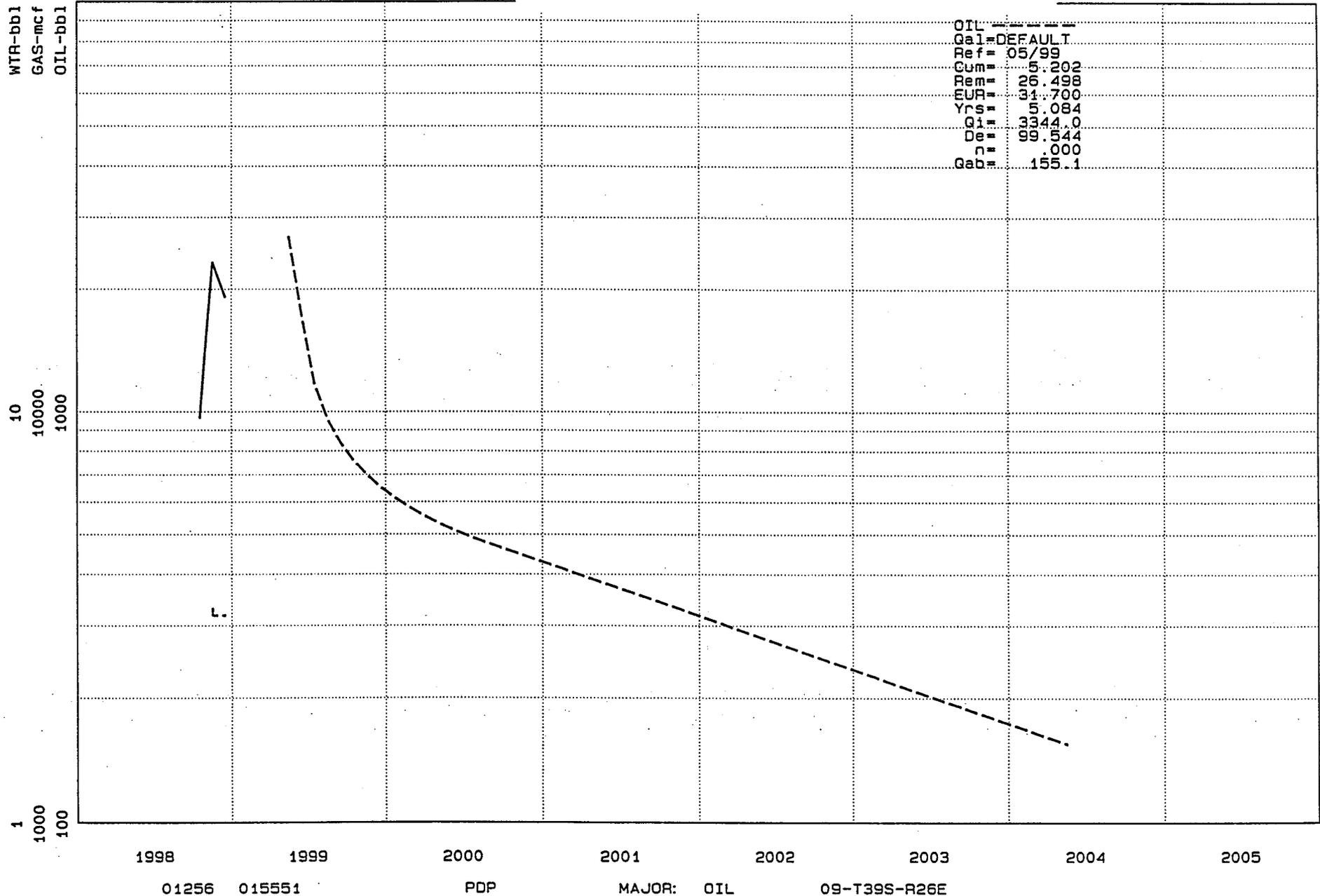
DATE: 05/17/99  
 TIME: 15:35:53



Attachment 4D

SANDIA FEDERAL 9-44 SIDETRACK  
 CAJONE LAKE  
 UT SAN JUAN  
 HALLWOOD PETROLEUM INC.  
 ISMAY

DATE: 05/17/99  
 TIME: 15:55:55



OIL  
 Gal=DEFAULT  
 Ref=05/99  
 Cum=5.202  
 Rem=26.498  
 EUR=34.700  
 Yrs=5.084  
 Qi=3344.0  
 De=99.544  
 n=.000  
 Qed=155.1

Attachment 4E

SANDIA FEDERAL 9-44 SIDETRACK  
 CAJONE LAKE  
 UT SAN JUAN  
 HALLWOOD PETROLEUM INC.  
 1256 15551  
 ISMAY OIL

DATE : 06/01/99  
 TIME : 14:12:28  
 DBS FILE : AUDIT199  
 SETUP FILE : AFE799  
 SEQ NUMBER : 70

RESERVES AND ECONOMICS

QUAL\_PROD : DEFAULT  
 QUAL\_OWNER : 8/8THS  
 QUAL\_OTHER : DEFAULT

AS OF DATE: 7/99

-END- MO-YR	--GROSS PRODUCTION--		---NET PRODUCTION---		---PRICES---		-----OPERATIONS M\$-----			NET OPER EXPENSES	CAPITAL COSTS M\$	CASH FLOW BTAX, M\$	CUM. DISC BTAX, M\$
	OIL, MBL	GAS, MMCF	OIL, MBL	GAS, MMCF	OIL \$/B	GAS \$/M	NET OPER REVENUES	SEV+ADV TAXES	TRANS. COSTS				
12-99	5.08	11.62	3.81	8.72	15.25	2.25	77.63	6.78	2.18	12.00	325.00	-268.33	-269.66
12-00	6.12	14.02	4.59	10.51	15.25	2.25	93.62	8.18	2.63	24.00	.00	58.82	-216.17
12-01	4.50	10.30	3.37	7.73	15.25	2.25	68.82	6.01	1.93	24.00	.00	36.88	-185.68
12-02	3.33	7.63	2.50	5.72	15.74	2.25	52.16	4.56	1.43	24.00	.00	22.17	-169.01
12-03	2.46	5.64	1.85	4.23	16.23	2.25	39.50	3.45	1.06	24.00	.00	10.99	-161.50
12-04	.51	1.16	.38	.87	16.72	2.25	8.34	.73	.22	6.00	.00	1.39	-160.61
12-05													
12-06													
12-07													
12-08													
12-09													
12-10													
12-11													
12-12													
12-13													
12-14													
12-15													
12-16													
12-17													
12-18													
S TOT	22.00	50.38	16.50	37.78	15.47	2.25	340.08	29.71	9.45	114.00	325.00	-138.08	-160.61
AFTER	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	-160.61
TOTAL	22.00	50.38	16.50	37.78	15.47	2.25	340.08	29.71	9.45	114.00	325.00	-138.08	-160.61

ASSUMPTIONS: A) \$325 M FOR CONSTRUCTION, INSTALLATION & Hook-up OF GAS SALES LINE.

B) GAS PRICE = \$1.96/MMBTU (EL PASO - SAN JUAN - 5yr. Ave.)

NOTE: NEGATIVE CASH FLOW

		PRESENT WORTH PROFILE	
		DISC RATE	PW OF NET BTAX, M\$
NET OIL REVENUES (M\$)	255.208		
NET GAS REVENUES (M\$)	84.868		
TOTAL REVENUES (M\$)	340.076		
PRODUCT LIFE (YEARS)	4.750	40.00	-200.437
DISCOUNT RATE (PCT)	10.000	50.00	-208.706
GROSS OIL WELLS	.0	60.00	-215.543
GROSS GAS WELLS	1.0	70.00	-221.290
GROSS WELLS	1.0	80.00	-226.191
		90.00	-230.423
		100.00	-234.116
		500.00	-275.106
BTAX RATE OF RETURN (PCT)	.00		
BTAX PAYOUT YEARS	4.75		
BTAX PAYOUT YEARS (DISC)	4.75		
BTAX NET PROFIT/INVEST	.58		
BTAX NET PROFIT/INVEST (DISC)	.51		
INITIAL W.I. %	100.0000		
FINAL W.I. %	100.0000		
PRODUCTION START DATE	5/99		
PLANT GROSS PROD (MU)	.000		
1ST REVERSION DATE:	7/99		
PDP			
PLANT NET REVENUES (M\$)	.000		

NOTE

NOTE

Attachment 4 F

SANDIA FEDERAL 9-44 SIDETRACK  
 CAJONE LAKE  
 UT SAN JUAN  
 HALLWOOD PETROLEUM INC.  
 1256 15551  
 ISMAY OIL

DATE : 06/01/99  
 TIME : 14:12:28  
 DBS FILE : AUDIT199  
 SETUP FILE : AFE799  
 SEQ NUMBER : 70

RESERVES AND ECONOMICS

QUAL\_PROD : DEFAULT  
 QUAL\_OWNER : 8/8THS  
 QUAL\_OTHER : DEFAULT

AS OF DATE: 7/99

-END- MO-YR	--GROSS PRODUCTION--		---NET PRODUCTION---		---PRICES---		-----OPERATIONS M\$-----			NET OPER EXPENSES	CAPITAL COSTS M\$	CASH FLOW BTAX, M\$	CUM. DISC BTAX, M\$
	OIL, MBL	GAS, MMCF	OIL, MBL	GAS, MMCF	OIL \$/B	GAS \$/M	NET OPER REVENUES	SEV+ADV TAXES	TRANS. COSTS				
12-99	5.08	11.62	3.81	8.72	15.25	2.25	77.63	6.78	2.18	12.00	325.00	-268.33	-269.66
12-00	6.12	14.02	4.59	10.51	15.25	2.25	93.62	8.18	2.63	24.00	.00	58.82	-216.17
12-01	4.50	10.30	3.37	7.73	15.25	2.25	68.82	6.01	1.93	24.00	.00	36.88	-185.68
12-02	3.33	7.63	2.50	5.72	15.74	2.25	52.16	4.56	1.43	24.00	.00	22.17	-169.01
12-03	2.46	5.64	1.85	4.23	16.23	2.25	39.50	3.45	1.06	24.00	.00	10.99	-161.50
12-04	.51	1.16	.38	.87	16.72	2.25	8.34	.73	.22	6.00	.00	1.39	-160.61
12-05													
12-06													
12-07													
12-08													
12-09													
12-10													
12-11													
12-12													
12-13													
12-14													
12-15													
12-16													
12-17													
12-18													
S TOT	22.00	50.38	16.50	37.78	15.47	2.25	340.08	29.71	9.45	114.00	325.00	-138.08	-160.61
AFTER	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	-160.61
TOTAL	22.00	50.38	16.50	37.78	15.47	2.25	340.08	29.71	9.45	114.00	325.00	-138.08	-160.61

ASSUMPTIONS: A) \$325 M FOR CONSTRUCTION, INSTALLATION & Hook-up OF GAS SALES LINE.

B) GAS PRICE = \$1.96/MMBTU (EL PASO - SAN JUAN - 5yr. Ave.)

NOTE: NEGATIVE CASH FLOW

		PRESENT WORTH PROFILE	
		DISC RATE	PW OF NET BTAX, M\$
NET OIL REVENUES (M\$)	255.208		
NET GAS REVENUES (M\$)	84.868		
TOTAL REVENUES (M\$)	340.076		
PRODUCT LIFE (YEARS)	4.750	40.00	-200.437
DISCOUNT RATE (PCT)	10.000	50.00	-208.706
GROSS OIL WELLS	.0	60.00	-215.543
GROSS GAS WELLS	1.0	70.00	-221.290
GROSS WELLS	1.0	80.00	-226.191
		90.00	-230.423
		100.00	-234.116
		500.00	-275.106
BTAX RATE OF RETURN (PCT)	.00		
BTAX PAYOUT YEARS	4.75		
BTAX PAYOUT YEARS (DISC)	4.75		
BTAX NET PROFIT/INVEST	.58		
BTAX NET PROFIT/INVEST (DISC)	.51		
INITIAL W.I. %	100.0000		
FINAL W.I. %	100.0000		
PRODUCTION START DATE	5/99		
PLANT GROSS PROD (MU)	.000		
1ST REVERSION DATE:	7/99		
PDP			
PLANT NET REVENUES (M\$)	.000		

NOTE

NOTE

Attachment 4 F

SANDIA FEDERAL 9-44 SIDETRACK  
 CAJONE LAKE  
 UT SAN JUAN  
 HALLWOOD PETROLEUM INC.  
 1256 15551  
 ISMAY OIL

DATE : 06/01/99  
 TIME : 14:12:28  
 DBS FILE : AUDIT199  
 SETUP FILE : AFE799  
 SEQ NUMBER : 70

INPUT DATA										CALCULATED DATA				
ITEM	SCHEDULING RATES			SCHEDULE UNTIL		PROCEDURE		ULTIMATE	LAST	EFF. DECL	INIT. RATE	FINAL RATE		
405 START	05/99													
410 OIL	3344.00	X	B/M	2.00	MOS	EXP	99.54	9.615	6/99	99.54	3344.	1362.		
415 "	X	X	B/M	26.00	EXP	H/2.543	99.04	18.729	8/00	99.04	1362.	480.		
420 "	X	X	B/M	31.70	MB	EXP	26.00	31.700	6/04	26.00	480.	155.		
425 GAS/OIL	2.29	2.29	M/B	TO	LIFE	LIN	TIME		6/04					
430 TRN/GAS	.25	.25	U/M	TO	LIFE	LIN	TIME		6/04					
505 ATX	4.05	X	%	TO	LIFE	PC	.00		6/04		.041	.041		
510 STX/GAS	5.00	X	%	TO	LIFE	PC	.00		6/04		.050	.050		
515 STX/OIL	5.00	X	%	TO	LIFE	PC	.00		6/04		.050	.050		
520 PRI/TRN	-1.0000	X	\$/U	TO	LIFE	PC	.00		6/04		-1.000	-1.000		
525 OPC/T	2000.00	X	\$/M	TO	LIFE	PC	.00		6/04		2000.000	2000.000		
550 S /36	15.50	X	\$/B	1/02	AD	PC	.00		12/01		15.500	15.500		
551 "	16.00	X	\$/B	1/03	AD	PC	.00		12/02		16.000	16.000		
552 "	16.50	X	\$/B	1/04	AD	PC	.00		12/03		16.500	16.500		
553 "	17.00	X	\$/B	TO	LIFE	PC	.00		6/04		17.000	17.000		
558 S /37	1.96	X	\$/M	TO	LIFE	PC	.00		6/04		1.960	1.960		
563 PRI/GAS	.0000	X	\$/M	TO	LIFE	PC	.00		6/04			1.960		
700 NET/WI	100.0000	D	%	TO	LIFE	FLAT	.00		6/04		1.000	1.000		
720 NET/NIC	75.0000	D	%	TO	LIFE	FLAT	.00		6/04		.750	.750		
740 NET/NIG	75.0000	D	%	TO	LIFE	FLAT	.00		6/04		.750	.750		
OVERLAYS	SCHEDULING RATES			SCHEDULE UNTIL		PROCEDURE		ULTIMATE	LAST	EFF. DECL	INIT. RATE	FINAL RATE		
905 S 36	.98	X	\$/B	TO	LIFE	MUL	36.00		6/04					
910 S /37	1.00	X	\$/M	TO	LIFE	MUL	37.00		6/04					
INVESTMENT	TANGIBLES & INTANGIBLES			TIME		PROCEDURE		TOTAL T&I	MONTH	RISK INV.	TOT. T&I&R	ESC. T&I&R		
800 INVEST	325.00	.00	M\$G	7/99	AD			325.000	7/99		325.0	325.0		
RESERVE PARAMETERS	ITEM			ITEM										
201 LOSS	NO													
205 OWNER														
210 WELLS	.00	1.00												
215 MAJOR	OIL													
220 CUMO, MB	5.20	CUMG, MMF			.00	CUML, MB								
225 BTU	1.15													
PROJECT ASSUMPTIONS														
BASE DATE	: 1/93	TIME FRAMES	: 1*78 1*6 35*12 600											
P.W. DATE	: 7/99	PW %-AGE	: 10.0	DISC. FREQUENCY	: 1.									
REPORT DATE	: 7/99	PROD QUAL	: DEFAULT	OWNER QUAL	: 8/8THS	OTHER QUAL	: DEFAULT							

ATTACHMENT 5

# Western Gas Resources, Inc.

April 7, 1999

Bob Slyter  
Hallwood Petroleum, Inc.  
4582S. Ulster St. Pkwy, Suite 1700  
Denver, Colorado 80237

Via Fax: 303.850.6530

**RE: Gathering and Processing of Sandia Federal 9-44 Well**

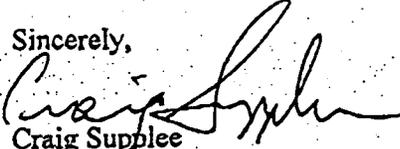
This letter is to give you two gathering and processing options on the Sandia Federal 9-44 Well. As discussed this morning, Western is in the process of purchasing ROW for the 4.53 miles of line. This is expected to cost \$23,000, but will not be completed until June at the earliest. Western is working with the BLM and the State of Utah, neither of which move very fast. Western has also received bids for materials and construction of \$283,000, for a total project cost of \$306,000.

1. The first and recommended option is for Hallwood to provide capital to pay for the gathering line, Western will construct, own and operate the line. Western and Hallwood will enter into a 75%-75% Percent of Index agreement. The gas index would be El Paso San Juan and the liquids index would be Opis minus actual T & F.
2. The second is for Western to pay for the pipeline, Hallwood to indemnify Western on a prorated basis if the field does not deliver 450mcf/d for the first three years. Western and Hallwood will enter into a 50%-50% Percent of Index agreement. The gas index would be El Paso San Juan and the liquids index would be Opis minus actual T & F.

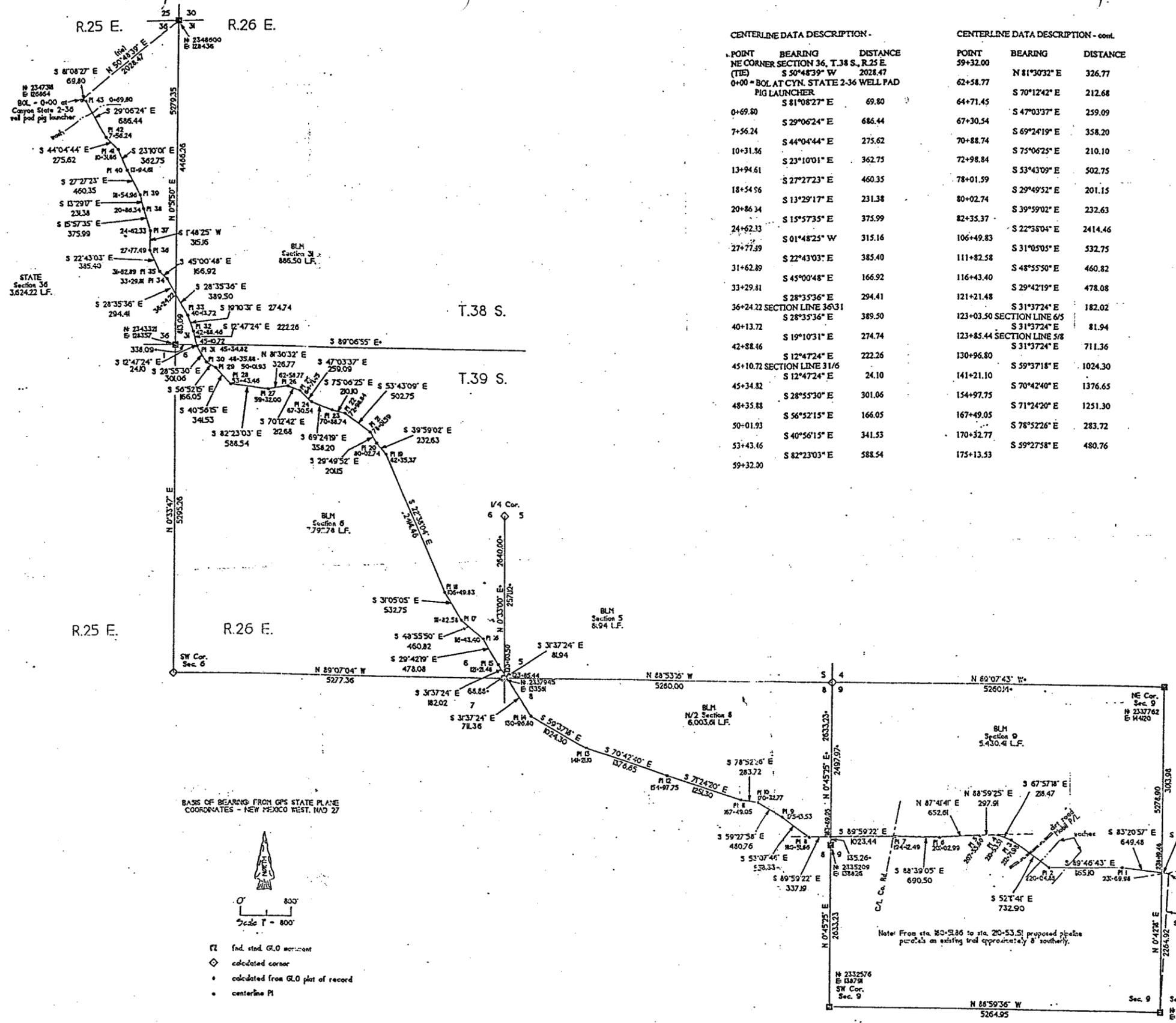
This is the first step, it will give you an idea of the economics involved. We can look at additional options, but they will be run on similar economics. The next step is for you to decide what option you would like and I will send you a letter agreement outlining more detail on the specific offer. This letter in no way commits Western to any of the above offers and all agreements must be approved and signed by Western management.

Call me with questions, 303.252.6231.

Sincerely,

  
Craig Supplee  
Business Development

12200 N. Pecos Street • Denver, Colorado 80234-3439 • (303) 452-5603



CENTERLINE DATA DESCRIPTION -

POINT	BEARING	DISTANCE
NE CORNER SECTION 36, T.38 S., R.25 E.		
(TIE)	S 50°48'39" W	2028.47
0+00 = BOL AT CYN. STATE 2-36 WELL PAD FIG LAUNCHER		
0+69.80	S 81°08'27" E	69.80
7+56.24	S 29°06'24" E	686.44
10+31.86	S 44°04'44" E	275.62
13+94.61	S 23°10'01" E	362.75
18+54.96	S 27°27'23" E	460.35
20+86.34	S 13°29'17" E	231.38
24+62.33	S 15°57'35" E	375.99
27+77.39	S 01°48'25" W	315.16
31+62.89	S 22°43'03" E	385.40
33+29.31	S 45°00'48" E	166.92
36+24.22 SECTION LINE 36/31	S 28°35'36" E	294.41
40+13.72	S 28°35'36" E	389.50
42+38.46	S 19°10'31" E	274.74
45+10.72 SECTION LINE 31/6	S 12°47'24" E	222.26
45+34.82	S 12°47'24" E	24.10
48+35.88	S 28°55'30" E	301.06
50+01.93	S 56°52'15" E	166.05
53+43.16	S 40°56'15" E	341.53
59+32.00	S 82°23'03" E	588.54

CENTERLINE DATA DESCRIPTION - cont.

POINT	BEARING	DISTANCE
59+32.00	N 81°30'32" E	326.77
62+58.77	S 70°12'42" E	212.68
64+71.45	S 47°03'37" E	259.09
67+30.54	S 69°24'19" E	358.20
70+88.74	S 75°06'25" E	210.10
72+98.84	S 53°43'09" E	502.75
78+01.59	S 29°49'52" E	201.15
80+02.74	S 39°59'02" E	232.63
82+35.37	S 22°35'04" E	2414.46
106+49.83	S 31°05'05" E	532.75
111+82.58	S 48°55'50" E	460.82
116+43.40	S 29°42'19" E	478.08
121+21.48	S 31°37'24" E	182.02
123+03.30 SECTION LINE 6/5	S 31°37'24" E	81.94
123+85.44 SECTION LINE 5/8	S 31°37'24" E	711.36
130+96.80	S 59°37'18" E	1024.30
141+21.10	S 70°42'40" E	1376.65
154+97.75	S 71°24'20" E	1251.30
167+49.05	S 78°52'26" E	283.72
170+32.77	S 59°27'58" E	480.76

CENTERLINE DATA DESCRIPTION - cont.

POINT	BEARING	DISTANCE
175+13.53	S 53°07'46" E	538.33
180+51.86	S 89°59'22" E	337.19
183+89.05 SECTION LINE 8/9	S 89°59'22" E	1023.44
194+12.49	S 88°39'05" E	690.50
201+02.99	N 87°41'41" E	652.61
207+55.60	N 88°59'25" E	297.91
210+53.51	S 67°57'18" E	218.47
212+71.98	S 52°11'41" E	732.90
220+04.88	S 89°46'43" E	1165.10
231+69.98	S 83°20'57" E	649.48
238+19.46 SECTION LINE 9/10	S 83°20'57" E	114.66
239+34.12 = BOL AT SANDIA FED. 9-44 TANK BATTERY	S 03°36'10" W	2255.96
(TIE) SW CORNER SECTION 10, T.39 S., R.26 E.		

BASE OF BEARING FROM GPS STATE PLANE COORDINATES - NEW MEXICO WEST, MAD 27



Scale 1" = 800'

- fnd. std. GLO monument
- ◇ calculated corner
- calculated from GLO plot of record
- centerline PI



**WESTERN GAS RESOURCES**

Proposed Sandia Federal 9-44 pipeline -  
 Sections 5, 6, 8, 9, and 10, T.39 S., R.26 E.  
 Section 31, T.38 S., R.25 E., and  
 Section 36, T.38 S., R.25 E., SLM  
 San Juan County, Utah

22 February 1999

HIDDLESTON LAND SURVEYING  
 P.O. BOX KK - CORTEZ, COLORADO 81321 - (970) 565-3330

**From:** Bob Krueger  
**To:** John Baza  
**Date:** Wed, Jul 19, 2000 1:44 PM  
**Subject:** Hallwood Annual Flaring Report: Scandia Federal #9-44 (037-

As required in Board Order (Cause 196-37), Hallwood has submitted their annual flaring report for the subject well. The 6-19-00 annual report indicates present flare/vent rates of 57 MCF/D. For a 31 day month this amounts to less than 1,800 MCF/month. Also, using PEEP, the well appears to be declining more rapidly with a lower EUR (and consequently less gas vented) than presented in the board hearing. Therefore, I suggest we take no action on the matter at the present time. This was also the BLM-Moab position (per Eric Jones 7-19-00). I'll route the report to the well and board files.

**CC:** Steve Schneider

# Hallwood Petroleum, Inc.

4610 S. Ulster Street • Suite 200 • P.O. Box 378111  
Denver, Colorado 80237 • (303) 850-7373

Well File  
Board File

43-037-31371

June 19, 2000

Mr. John R. Baza, Associate Director  
State of Utah - Dept. of Natural Resources  
Division of Oil, Gas and Mining  
1594 West North Temple, Suite 1210  
P.O. Box 125801  
Salt Lake City, Utah 84114-5801

**Subject:** Annual Flaring Report for the Sandia Federal #9-44  
San Juan County, Utah  
Docket No.: 99-009  
Cause No.: 196-37

Dear Mr. Baza:

As required in Docket No.: 99-009, Cause No.: 196-37 regarding the approval for Hallwood Petroleum, Inc to flare or vent associated gas produced from the Sandia Federal #9-44 located in San Juan County, Utah, this letter serves as our annual report updating the Division on the status of the subject well and our need for the continuation of gas flaring authorization.

Since the Board hearing on Wednesday, August 25, 1999, the subject well has produced a total of 4,522 barrels of crude oil and 19,210 MCF of gas. <sup>21800/mo w/ 31 days</sup> The well currently produces at an average rate of 9 barrels of crude oil and 57 MCF of gas per day. Hallwood Petroleum, Inc. has still been unable to connect a sales pipeline to the location due to the continued disinterest of the pipeline companies as well as economic reasons as outlined in our initial petition to flare the gas. Thus, we continue to flare excess produced gas that is not used on the lease to operate equipment. Failure to grant this authorization will result in the premature abandonment of this location.

Hallwood currently has an offset well permitted and approved for drilling by the State of Utah and the Bureau of Land Management. This well (the Sandia Federal #9-1) is to be drilled 990 feet northwest of the Sandia Federal #9-44. Hallwood anticipates drilling this well by year-end 2000 and a successful completion of the Sandia Federal #9-1 would utilize the existing tank battery (production facilities) to process the production stream.

Hallwood will mostly likely request permission to flare gas associated with this planned new well completion (Sandia Federal #9-1), but this action is highly dependent upon actual test rates and produced gas volumes. If gas rates are high enough, we may be able to attract a gas pipeline company to the area or another viable alternative maybe to utilize the now marginally producing Sandia Federal #9-44 as a gas injection (disposal) well.

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JUN 23 2000

DIVISION OF

Mr. John R. Baza, Associate Director  
Division of Oil, Gas and Mining  
June 19, 2000  
Page 2

If you have any question regarding this report, please feel free to contact either Mr. Kevin O'Connell at (303) 850-6403 or Mr. Chris R. Williams at (303) 850-6305.

Sincerely,

HALLWOOD PETROLEUM, INC



Chris R. Williams  
Environmental/Safety Manager



Kevin E. O'Connell  
Rocky Mountain Drilling  
& Production Manager

cc: Mr. Jim Bonaventrua  
Well File

Mr. Eric Jones  
United States Department of the Interior  
Bureau of Land Management  
Moab Field Office  
82 East Dogwood  
Moab, Utah 84532

**RECEIVED**

JUN 23 2000

DIVISION OF

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

FORM 9

<b>SUNDRY NOTICES AND REPORTS ON WELLS</b>			5. LEASE DESIGNATION AND SERIAL NUMBER: <b>UTU-50439</b>
Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.			6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
1. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER _____			7. UNIT or CA AGREEMENT NAME:
2. NAME OF OPERATOR: <b>Hallwood Petroleum, Inc.</b>			8. WELL NAME and NUMBER: <b>Sandia Federal #9-44</b>
3. ADDRESS OF OPERATOR: <b>P.O. Box 378111</b> CITY <b>Denver</b> STATE <b>CO</b> ZIP <b>80237</b>		PHONE NUMBER: <b>(303) 850-7373</b>	9. API NUMBER: <b>4303731371</b>
4. LOCATION OF WELL FOOTAGES AT SURFACE: <b>1,300 FSL &amp; 1,000 FEL</b>			10. FIELD AND POOL, OR WILDCAT: <b>Undesignated-Cajon Lake</b>
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN <b>SESE 9 39S 26E</b>			COUNTY: <b>San Juan</b>
			STATE: <b>UTAH</b>

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate)  Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only)  Date of work completion: _____	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input checked="" type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input type="checkbox"/> OTHER: _____
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Please be advised that effective December 1, 2000, the new operator of this well is as follows:

Daniels Petroleum Company  
717 17th Street, Suite 1545  
Denver, Colorado 80202

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NOV 21 2000

DIVISION OF  
OIL, GAS AND MINING

NAME (PLEASE PRINT) <u>Chris R. Williams</u>	TITLE <u>Environmental/Safety Manager</u>
SIGNATURE <u><i>Chris R. Williams</i></u>	DATE <u>11/17/2000</u>

(This space for State use only)



**State of Utah**  
**DEPARTMENT OF COMMERCE**  
 Division of Corporations & Commercial Code

File Number \_\_\_\_\_

Check Here If:	Non-Refundable Fee:
G Qualify	\$50.00
G *Re-Qualify	\$50.00

**Application for Certificate of Authority for a Foreign Profit Corporation**

Daniels Petroleum Company  
Actual Corporate Name

- A corporation of the state of Colorado incorporated 14<sup>th</sup> day of June, 20 1984
- The corporation's period of duration is perpetual (usually perpetual).
- The address of the corporation's principal office is:  
717-17th Street, Suite 1545, Denver CO 80031  
Street Address City State Zip
- The Registered Agent in Utah is: Anna Irons  
 The street address of the registered office in Utah is:  
4607 South Russell Street, Salt Lake City, Utah 84117  
Street Address City State Zip
- Anna Irons agrees to serve as a registered agent for the above mentioned foreign corporation. Signature of Registered Agent (Required): Anna Irons
- The business purposes to be pursued in Utah are: Oil and Gas Operations
- The corporation commenced or intends to commence business in Utah on: November 15, 2000
- The names and addresses of the corporation's officers and directors are:  

Name	Address	City	State	Zip
President: <u>Barrett D. Baker</u>	<u>717-17th St #1545</u>	<u>Denver</u>	<u>CO</u>	<u>80202</u>
Vice-President: <u>Barrett D. Baker</u>	<u>717-17th St #1545</u>	<u>Denver</u>	<u>CO</u>	<u>80202</u>
Secretary: <u>Sherry L Page</u>	<u>717-17th St #1545</u>	<u>Denver</u>	<u>CO</u>	<u>80202</u>
Treasurer: <u>Barrett D. Baker</u>	<u>717-17th St #1545</u>	<u>Denver</u>	<u>CO</u>	<u>80202</u>

- A certification of Good Standing/Existence from the State of Incorporation dated no earlier than ninety (90) days prior to filing with this office is attached to this application.
- \*A Certificate of Good Standing from the Utah State Tax Commission is attached to this application.
- The assumed business name (DBA), if the name of the corporation is not available in Utah  
(Please refer to (U.C.A. 16-10a-1506))

Under penalties of perjury, I declare that this application for Certificate of Authority has been examined by me and is, to the best of my knowledge and belief, true, correct and complete.

BY: Barrett D. Baker TITLE: President DATE: 11/3/00  
Corporate Officer

File in duplicate.

**FREE!** You may visit our Web Site to access this document and other information.

Mail In: 160 East 300 South, 2nd FL, Box 146705  
 Salt Lake City, UT 84114-6705  
 Walk In: 160 East 300 South, Main Floor  
 Service Center: (801) 530-4849  
 Toll Free Number: (877) 526-3994 (Utah Residents)  
 Fax: (801) 530-5111  
 Web Site: <http://www.commerce.state.ut.us>

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 DIVISION OF  
 OIL, GAS AND MINES

**STATE OF UTAH**  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

FORM 9

<b>SUNDRY NOTICES AND REPORTS ON WELLS</b>			5. LEASE DESIGNATION AND SERIAL NUMBER: <b>UTU-50439</b>
Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.			6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
1. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER _____			7. UNIT or CA AGREEMENT NAME:
2. NAME OF OPERATOR: <b>Daniels Petroleum Company</b>			8. WELL NAME and NUMBER: <b>Sandia Federal #9-44</b>
3. ADDRESS OF OPERATOR: <b>717 17th St. Ste. 1545</b> CITY <b>Denver</b> STATE <b>CO</b> ZIP <b>80202</b>		PHONE NUMBER: <b>(303) 293-9200</b>	9. API NUMBER: <b>4303731371</b>
4. LOCATION OF WELL FOOTAGES AT SURFACE: <b>1,300 FSL &amp; 1,000 FEL</b>			COUNTY: <b>San Juan</b>
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN <b>SESE 9 39S 26E</b>			STATE: <b>UTAH</b>

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA			
TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate)  Approximate date work will start: _____  <input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only)  Date of work completion: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input checked="" type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input type="checkbox"/> OTHER: _____
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Please be advised that effective December 1, 2000, Daniels Petroleum Company is the new operator of this well.

RECEIVED

NOV 24 2000

DIVISION OF  
OIL, GAS AND MINING

NAME (PLEASE PRINT) <b>Barrett D. Baker</b>	TITLE <b>President</b>
SIGNATURE <i>Barrett D. Baker</i>	DATE <b>11/17/2000</b>

(This space for State use only)

**SUNDRY NOTICES AND REPORTS ON WELLS**  
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

RECEIVED  
NOV 21 11:37  
BUREAU OF LAND MANAGEMENT

**SUBMIT IN TRIPLICATE - Other Instructions on reverse side**

1. Type of Well  
 Oil Well     Gas Well     Other

2. Name of Operator  
 Daniels Petroleum Company

3a. Address  
 717 17th Street, Ste. 1545, Denver, CO 80202

3b. Phone No. (include area code)  
 (303) 293-9200

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)  
 1,300' FSL & 1,000' FEL  
 SE SE Sec. 09-T39S-R26E

5. Lease Serial No.  
 UTU-50439

6. If Indian, Allottee or Tribe Name

7. If Unit or CA / Agreement, Name and/or No.

8. Well Name and No.  
 Sandia Federal #9-44

9. API Well No.  
 43-037-31371

10. Field and Pool, or Exploratory Area  
 Undesignated - Cajon Lake

11. County or Prish, State  
 San Juan County, Utah

**12. CHECK APPROPRIATE BOX (ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA**

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>Change of Operator</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operations (clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all the requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Please be advised that effective December 1, 2000, Daniels Petroleum Company is the new operator of this well.

BLM Bond # UT1202

**RECEIVED**

DEC 1 2000

DIVISION OF  
OIL, GAS AND MINING

14. I hereby certify that the foregoing is true and correct  
 Name (Printed/Typed) **Barrett D. Baker** Title **President**

Signature *Barrett D. Baker* Date **December 1, 2000**

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved by *William H.* **Assistant Field Manager, 12/6/2000**  
 Division of Resources  
 Office

Title 81 U.S.C. Section 1001 and Title 43 U.S.C., Section 1212, make it a crime for any person knowingly and willfully to make any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

cc: WJGm 12/6/00

**CONDITIONS OF APPROVAL ATTACHED**

Daniels Petroleum Company  
Well No. Sandia Federal 9-44  
SESE Sec. 9, T. 39 S., R. 26 E.  
Lease UTU50439  
San Juan County, Utah

CONDITIONS OF APPROVAL

Approval of this application does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Be advised that Daniels Petroleum Company is considered to be the operator of the above well and is responsible under the terms and conditions of the lease for the operations conducted on the leased lands.

Bond coverage for this well is provided by UT1202 (Principal -Daniels Petroleum Company) via surety consent as provided for in 43 CFR 3104.2.

This office will hold the aforementioned operator and bond liable until the provisions of 43 CFR 3106.7-2 continuing responsibility are met.

**RECEIVED**  
DEC 11 2000  
DIVISION OF  
OIL, GAS AND MINING

**OPERATOR CHANGE WORKSHEET**

**ROUTING**

1. GLH		4-KAS ✓
2. CDW ✓		5-SP ✓
3. JLT		6-FILE

Enter date after each listed item is completed

**X Change of Operator (Well Sold)**

Designation of Agent

Operator Name Change (Only)

Merger

The operator of the well(s) listed below has changed, effective: **12/1/2000**

<b>FROM:</b> (Old Operator):
HALLWOOD PETROLEUM INC
Address: P. O. BOX 37811
DENVER, CO 80237
Phone: 1-(303)-850-7373
Account No. N5100

<b>TO:</b> (New Operator):
DANIELS PETROLEUM COMPANY
Address: 717 17TH STREET STE 1545
DENVER, CO 80202
Phone: 1-(303)-293-920
Account No. N1455

**CA No.**

**Unit:**

**WELL(S)**

NAME	API NO.	ENTITY NO.	SEC. TWN RNG	LEASE TYPE	WELL TYPE	WELL STATUS
SANDIA FEDERAL 9-44	43-037-31371	10847	09-39S-26E	FEDERAL	OW	P

**OPERATOR CHANGES DOCUMENTATION**

- (R649-8-10) Sundry or legal documentation was received from the **FORMER** operator on: 11/21/2000
- (R649-8-10) Sundry or legal documentation was received from the **NEW** operator on: 11/24/2000
- The new company has been checked through the **Department of Commerce, Division of Corporations Database** on: 12/11/2000
- Is the new operator registered in the State of Utah: YES Business Number: SUBMITTED 11/3/00
- If **NO**, the operator was contacted on: \_\_\_\_\_
- Federal and Indian Lease Wells:** The BLM and or the BIA has approved the (merger, name change, or operator change for all wells listed on Federal or Indian leases on: 12/06/2000
- Federal and Indian Units:** The BLM or BIA has approved the successor of unit operator for wells listed on: N/A

8. **Federal and Indian Communization Agreements ("CA"):** The BLM or the BIA has approved the operator change for all wells listed involved in a CA on: N/A

9. **Underground Injection Control ("UIC") Prog:** The Division has approved UIC Form 5, **Transfer of Authority to Inject**, for the enhanced/secondary recovery unit/project for the water disposal well(s) listed on: N/A

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**DATA ENTRY:**

1. Changes entered in the **Oil and Gas Database** on: 12/11/2000
2. Changes have been entered on the **Monthly Operator Change Spread Sheet** on: 12/11/2000
3. Bond information entered in RBDMS on: N/A
4. Fee wells attached to bond in RBDMS on: N/A

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**STATE BOND VERIFICATION:**

1. State well(s) covered by Bond No.: N/A

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**FEE WELLS - BOND VERIFICATION/LEASE INTEREST OWNER NOTIFICATION:**

1. (R649-3-1) The **NEW** operator of any fee well(s) listed has furnished a bond: N/A
2. The **FORMER** operator has requested a release of liability from their bond on: N/A  
The Division sent response by letter on: \_\_\_\_\_
3. (R649-2-10) The **FORMER** operator of the Fee wells has been contacted and informed by a letter from the Division of their responsibility to notify all interest owners of this change on: N/A

---

**FILMING:**

1. All attachments to this form have been **MICROFILMED** on: 2-21-01

---

**FILING:**

1. **ORIGINALS/COPIES** of all attachments pertaining to each individual well have been filled in each well file on: \_\_\_\_\_

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**COMMENTS:**

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**UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT**

FORM APPROVED  
Budget Bureau No. 1004-0135  
Expires: March 31, 1993

**SUNDRY NOTICES AND REPORTS ON WELLS**

Do not use this form for proposals to drill or to deepen or reenter a different reservoir.  
Use "APPLICATION FOR PERMIT -" for such proposals

**SUBMIT IN TRIPLICATE**

**1. Type of Well**

Oil Gas  
 Well  Well  Other

**2. Name of Operator**

Daniel's Petroleum Company

**3. Address and Telephone No.**

c/o Crazy Mountain Inc, P.O. Box 577, Laurel, MT 59044 (407) 628-4164

**4. Location of Well (Footage, Sec., T., R., M., or Survey Description)**

1300' FSL & 1000' FEL NESE Section 9, T39S, R26E

**5. Lease Designation and Serial No.**

UTU-50439

**6. If Indian, Allottee or Tribe Name**

n/a

**7. If Unit or CA, Agreement Designation**

n/a

**8. Well Name and No.**

Sandia Federal #9-44

**9. API Well No.**

43-037-31371

**10. Field and Pool, or Exploratory Area**

Cajon Lake

**11. County or Parish, State**

San Juan County, UT

**12. CHECK APPROPRIATE BOX(es) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA**

**TYPE OF SUBMISSION**

Notice of Intent  
 Subsequent Report  
 Final Abandonment Notice

**TYPE OF ACTION**

Abandonment  
 Recompletion  
 Plugging Back  
 Casing Repair  
 Altering Casing  
 Other Shut Well In  
 Change of Plans  
 New Construction  
 Non-Routine Fracturing  
 Water Shut-Off  
 Conversion to Injection  
 Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

**13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)\***

Operator requests a shut-in status for a period of six (6) months to evaluate potential for rework or abandonment.

The well is currently in Producing status. In accordance with R649-3-36, the well may remain shut-in or temporarily abandoned until October 1, 2003 at which time the operator shall file a Sundry Notice providing the information specified in R649-3-36.

~~Federal Approval of This Action is Necessary~~

ACCEPTED BY: [Signature]  
Utah Division of Oil, Gas and Mining

**RECEIVED**  
OCT 03 2002

**DIVISION OF  
OIL, GAS AND MINING**

**14. I hereby certify that the foregoing is true and correct**

Signed [Signature]

Agent for Title Daniel's Petroleum Company Date 09/16/02

(This space for Federal or State office use)

Approved by \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_  
Conditions of approval, if any: \_\_\_\_\_

10-15-02  
[Signature]

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

\*See Instructions on Reverse Side

**STATE OF UTAH**  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

FORM 9

<b>SUNDRY NOTICES AND REPORTS ON WELLS</b>		5. LEASE DESIGNATION AND SERIAL NUMBER: <b>UTU-50439</b>
Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
		7. UNIT or CA AGREEMENT NAME:
1. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER _____	8. WELL NAME and NUMBER: <b>Sandia Federal #9-44</b>	
2. NAME OF OPERATOR: <b>Daniels Petroleum Company</b> <span style="margin-left: 50px;"><i>N1455</i></span>	9. API NUMBER: <b>4303731371</b>	
3. ADDRESS OF OPERATOR: <b>717 17th St, Ste 1545</b> CITY <b>Denver</b> STATE <b>CO</b> ZIP <b>80202</b>	PHONE NUMBER: <b>(303) 293-9200</b>	10. FIELD AND POOL, OR WILDCAT: <b>Undesignated - Cajon Lake</b>
4. LOCATION OF WELL FOOTAGES AT SURFACE: <b>1,300 FSL &amp; 1,000 FEL</b>		COUNTY: <b>San Juan</b>
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: <b>SESE 9 39S 26E</b>		STATE: <b>UTAH</b>

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate)  Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only)  Date of work completion: _____	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input checked="" type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input type="checkbox"/> OTHER: _____
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.  
 Please be advised that effective April 1, 2003, the new operator of this well is as follows: Cullum Oil and Gas, Inc., 17409 County Road G, Cortez, CO 81321

NAME (PLEASE PRINT) <b>Barrett D. Baker</b>	TITLE <b>President</b>
SIGNATURE	DATE <b>3/17/2003</b>

(This space for State use only)

**RECEIVED**  
**APR 08 2003**

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

5. LEASE DESIGNATION AND SERIAL NUMBER:

UTU-50439

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT or CA AGREEMENT NAME:

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL

OIL WELL  GAS WELL  OTHER

8. WELL NAME and NUMBER:

Sandia Federal 9-44

2. NAME OF OPERATOR:

Cullum Oil and Gas, Inc. N3125

9. API NUMBER:

4303731371

3. ADDRESS OF OPERATOR:

17409 Rd. G Cortez, CO. 81321

PHONE NUMBER:

970-565-8759

10. FIELD AND POOL, OR WILDCAT:

Undesignated-

4. LOCATION OF WELL

FOOTAGES AT SURFACE: 1300 FSL & 1000 FEL

Cajon Lake

COUNTY San Juan

QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SESE 9 39S 26E

STATE: Utah UTAH

CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start:	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: Change of Operator
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Please be advised that effective April 1, 2003, the new operator of this well is as follows: Cullum Oil and Gas, Inc.  
17409 Rd. G  
Cortez, Co. 81321

NAME (PLEASE PRINT)

Max Cullum

TITLE

President

SIGNATURE

*Max Cullum*

DATE

5/5/2003

(This space for State use only)

RECEIVED

MAY 09 2003

DIV. OF OIL, GAS & MINING

18047  
P

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

**SUNDRY NOTICES AND REPORTS ON WELLS**  
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

FORM APPROVED  
OMB No. 1004-0135  
Expires January 31, 2004

5. Lease Serial No.  
**UTU-50439** RECEIVED  
MOAB FIELD OFFICE

6. If Indian, Allottee or Tribe Name.

7. If Unit or CN/Agreement, Name and/or No.  
**2003 APR 14 A 10:46**

8. Well Name and No.  
**Sandia Federal #9-44**  
DEPT OF THE INTERIOR  
BUREAU OF LAND MGMT

9. API Well No.  
**43-037-31371**

10. Field and Pool, or Exploratory Area  
**Undesignated - Cajon Lake**

11. County or Parish, State  
**San Juan County, Utah**

**SUBMIT IN TRIPLICATE - Other instructions on reverse side**

1. Type of Well  
 Oil Well  Gas Well  Other

2. Name of Operator  
**Cullum Oil and Gas, Inc.**

3a. Address **17409 County Road G  
Cortez, CO 81321** 3b. Phone No. (include area code)  
**970-560-8759**

4. Location of Well (Footage, Sec. T., R., M. or Survey Description)  
**1,300' FSL & 1,000' FEL  
SESE Sec. 09-T39S-R26E**

**12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA**

TYPE OF SUBMISSION	TYPE OF ACTION				
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off	
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity	
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>Change of Operator</u>	
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon		
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal		

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Please be advised that effective April 1, 2003, Cullum Oil & Gas, Inc. is the new operator of this well.

RECEIVED

JUL 31 2003

DIV. OF OIL, GAS & MINING

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed) **MAX CULLUM** Title **PRESIDENT**

Signature *Max Cullum* Date **April 3, 2003**

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by **ACCEPTED** Title **Division of Resources** Date **MAY 1 2003**

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office **Moab Field Office**

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on reverse)

*Conditions Attached*

Cullum Oil and Gas, Inc.  
Well No. Sandia Federal 9-44  
Section 9, T. 39 S., R. 26 E.  
Leases UTU50439  
San Juan County, Utah

**CONDITIONS OF ACCEPTANCE**

Acceptance of this application does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Be advised that Cullum Oil and Gas, Inc is considered to be the operator of the above well effective April 1, 2003, and is responsible under the terms and conditions of the lease for the operations conducted on the leased lands.

Bond coverage for this well is provided by UTB000031 (Principal -- Cullum Oil and Gas, Inc.) via surety consent as provided for in 43 CFR 3104.2.

This office will hold the aforementioned operator and bond liable until the provisions of 43CFR 3106.7-2 continuing responsibility are met.



6. (R649-9-2)Waste Management Plan has been received on: IN PLACE

7. **Federal and Indian Lease Wells:** The BLM and or the BIA has approved the merger, name change, or operator change for all wells listed on Federal or Indian leases on: BLM 5/1/2003 BIA

8. **Federal and Indian Units:**  
The BLM or BIA has approved the successor of unit operator for wells listed on: n/a

9. **Federal and Indian Communization Agreements ("CA"):**  
The BLM or BIA has approved the operator for all wells listed within a CA on: n/a

10. **Underground Injection Control ("UIC")** The Division has approved UIC Form 5, **Transfer of Authority to Inject**, for the enhanced/secondary recovery unit/project for the water disposal well(s) listed on: N/A

**DATA ENTRY:**

1. Changes entered in the Oil and Gas Database on: 7/31/2003

2. Changes have been entered on the Monthly Operator Change Spread Sheet on: 7/31/2003

3. Bond information entered in RBDMS on: N/A

4. Fee wells attached to bond in RBDMS on: N/A

**STATE WELL(S) BOND VERIFICATION:**

1. State well(s) covered by Bond Number: n/a

**FEDERAL WELL(S) BOND VERIFICATION:**

1. Federal well(s) covered by Bond Number: UTB000031

**INDIAN WELL(S) BOND VERIFICATION:**

1. Indian well(s) covered by Bond Number: n/a

**FEE WELL(S) BOND VERIFICATION:**

1. (R649-3-1) The NEW operator of any fee well(s) listed covered by Bond Number n/a

2. The FORMER operator has requested a release of liability from their bond on: N/A  
The Division sent response by letter on: N/A

**LEASE INTEREST OWNER NOTIFICATION:**

3. (R649-2-10) The FORMER operator of the fee wells has been contacted and informed by a letter from the Division of their responsibility to notify all interest owners of this change on: N/A

**COMMENTS:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Division of Oil, Gas and Mining  
**OPERATOR CHANGE WORKSHEET (for state use only)**

**ROUTING**

CDW

**X - Change of Operator (Well Sold)**

Operator Name Change/Merger

The operator of the well(s) listed below has changed, effective:

**9/1/2011**

**FROM: (Old Operator):**  
 N3125-Cullum Oil & Gas Inc  
 18047 Road G  
 Cortez, CO 81321  
 Phone: 1 (970) 565-4289

**TO: ( New Operator):**  
 N3810-Oil & Gas Well Acquisitions, Inc  
 11479 S Pine Dr, Suite 29  
 Parker, CO 80134  
 Phone: 1 (303) 719-4094

**CA No.**

**Unit:**

WELL NAME	SEC	TWN	RNG	API NO	ENTITY NO	LEASE TYPE	WELL TYPE	WELL STATUS
FEDERAL 1-20	20	400S	230E	4303711068	8194	Federal	OW	P
SOUTH BLUFF FED 1	13	400S	220E	4303715491	1095	Federal	OW	P
HOLMES FED 34-13	13	400S	220E	4303730602	435	Federal	OW	P
SANDIA FED 9-44	09	390S	260E	4303731371	10847	Federal	OW	P

**OPERATOR CHANGES DOCUMENTATION**

Enter date after each listed item is completed

- (R649-8-10) Sundry or legal documentation was received from the **FORMER** operator on: 8/31/2011
- (R649-8-10) Sundry or legal documentation was received from the **NEW** operator on: 8/31/2011
- The new company was checked on the **Department of Commerce, Division of Corporations Database** on: 8/31/2011
- a. Is the new operator registered in the State of Utah:            Business Number: 8084767-0143
- 5a. (R649-9-2) Waste Management Plan has been received on:            Requested 9/21/2011
- 5b. Inspections of LA PA state/fee well sites complete on:            n/a
- 5c. Reports current for Production/Disposition & Sundries on:            n/a
- Federal and Indian Lease Wells:** The BLM and or the BIA has approved the merger, name change, or operator change for all wells listed on Federal or Indian leases on:            BLM not yet BIA n/a
- Federal and Indian Units:**  
 The BLM or BIA has approved the successor of unit operator for wells listed on:            n/a
- Federal and Indian Communization Agreements ("CA"):**  
 The BLM or BIA has approved the operator for all wells listed within a CA on:            n/a
- Underground Injection Control ("UIC")** Division has approved UIC Form 5 Transfer of Authority to **Inject**, for the enhanced/secondary recovery unit/project for the water disposal well(s) listed on:            n/a

**DATA ENTRY:**

- Changes entered in the **Oil and Gas Database** on:            9/20/2011
- Changes have been entered on the **Monthly Operator Change Spread Sheet** on:            9/20/2011
- Bond information entered in RBDMS on:            n/a
- Fee/State wells attached to bond in RBDMS on:            n/a
- Injection Projects to new operator in RBDMS on:            n/a
- Receipt of Acceptance of Drilling Procedures for APD/New on:            n/a

**BOND VERIFICATION:**

- Federal well(s) covered by Bond Number:            UTB000473
- Indian well(s) covered by Bond Number:            n/a
- a. (R649-3-1) The **NEW** operator of any state/fee well(s) listed covered by Bond Number            n/a
- b. The **FORMER** operator has requested a release of liability from their bond on:            n/a

**LEASE INTEREST OWNER NOTIFICATION:**

- (R649-2-10) The **NEW** operator of the fee wells has been contacted and informed by a letter from the Division of their responsibility to notify all interest owners of this change on:            n/a

**COMMENTS:**

RECEIVED  
AUG 31 2011

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

5. LEASE DESIGNATION AND SERIAL NUMBER:  
UTU-50439

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT or CA AGREEMENT NAME:

8. WELL NAME and NUMBER:  
Sandia Federal #9-44

9. API NUMBER:  
4303731371

10. FIELD AND POOL, OR WILDCAT:  
Cajon Lake

1. TYPE OF WELL  
OIL WELL  GAS WELL  OTHER \_\_\_\_\_

2. NAME OF OPERATOR:  
OIL AND GAS WELL ACQUISITIONS, INC N3810

3. ADDRESS OF OPERATOR:  
11479 S PINE DR STE 29 PARKER CO 80134 303 719-4094

4. LOCATION OF WELL  
FOOTAGES AT SURFACE: 1,300 FSL & 1,000 FEL  
COUNTY: SAN JUAN  
STATE: UTAH  
TOWNSHIP, RANGE, MERIDIAN: SESE 9 39S 26 E

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input checked="" type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT UR FLARE
	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input type="checkbox"/> OTHER: _____
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.  
 Oil and Gas Well Acquisitions, Inc. has Assumed Operatorship of the Referenced Well from:  
 Cullum Oil and Gas, Inc. N3125 BLM BOND UTR:000473  
 18047 Road G  
 Cortez, CO 81321  
 970-565-4289

Effective September 1st 2011

x Clay Cullum  
 Clay Cullum power of attorney for Max Cullum  
 Cullum Oil and Gas, Inc.

NAME (PLEASE PRINT) JASON HOACK TITLE Director  
 SIGNATURE Jason Hoack DATE 8/25/2011

(This space for State use only)

APPROVED 9/30/2011  
Earlene Russell  
 Division of Oil, Gas and Mining  
 Earlene Russell, Engineering Technician

(5/2/00)

(See Instructions on Reverse Side)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

**SUNDRY NOTICES AND REPORTS ON WELLS**  
*Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.*

FORM APPROVED  
OMB No. 1004-0137  
Expires Aug 31, 2010

**RECEIVED**  
**201 AUG 27 AM 9:58**  
**MCAS FIELD OFFICE**

5. Lease Serial No.  
UTU-50439

6. If Indian, Allottee or Tribe Name

**SUBMIT IN TRIPLICATE - Other instructions on page 2.**

1. Type of Well  
 Oil Well     Gas Well     Other

7. If Unit of CA/Agreement, Name and/or No.

2. Name of Operator  
Oil and Gas Well Acquisitions, Inc.

8. Well Name and No.  
Sandia Federal #9-44

3a. Address  
11479 S. Pine Drive Parker CO 80134  
Suite 28

3b. Phone No. (include area code)  
303-995-0826

9. API Well No.  
43-037-31371

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)  
1,300' FSL 1,000 FEL SESE Sec. 09 Township 39 South Range 26 East

10. Field and Pool or Exploratory Area  
Cajon Lake

11. Country or Parish, State  
San Juan, UTAH

**12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA**

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>Change of Operator</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

Sold 100% and Transferred Operations to:

Oil and Gas Well Acquisitions, Inc.  
11479 S. Pine Drive suite 28  
Parker CO 80134  
303-995-0826

*Effective September 1st 2011*

**RECEIVED**

**SEP 20 2011**

DIV. OF OIL, GAS & MINING

14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed)  
Jason Haack

Title Director

Signature *Jason Haack*

Date 08/25/2011

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved by

**ACCEPTED**

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Title Division of Resources

Office MCAS Field Office

Date 9/15/11

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

*cc: WDOGMM*

*Conditions Attached*

### Self-Certification Statement

Under the Federal regulations in effect as of June 15, 1988, an operator is now required to submit a self-certification statement to the appropriate Bureau office stating that said operator has the right to operate upon the leasehold premises. Said notification may be in the following format:

"Please be advised that Oil and Gas Well Acquisitions, Inc. is considered to be the operator of Well No. Federal #1 20; SE 1/4 SE 1/4, Section 20, Township 40, Range 23 East; Lease UTU- 27357; San Juan County,; and is responsible under the terms and conditions of the lease for the operations conducted upon the leased lands. Bond coverage is provided by Key Bank Cash Bond." *UTB000473*

Oil and Gas Well Acquisitions, Inc.  
Lease UTU056794, Wells #1, #34-13  
Lease UTU23757, Well #1-20  
Lease UTU50439, Well #9-44  
San Juan County, Utah

#### CONDITIONS OF ACCEPTANCE

Acceptance of these applications does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Be advised that Oil and Gas Well Acquisitions, Inc. is considered to be the operator of the above wells effective September 1, 2011, and is responsible under the terms and conditions of the lease for the operations conducted on the leased lands.

Bond coverage for these wells is provided by UTB000473 (Principal – Oil and Gas Well Acquisitions, Inc.) as provided for in 43 CFR 3104.2.

This office will hold the aforementioned operator and bond liable until the provisions of 43CFR 3106.7-2 continuing responsibility are met.

**X - Change of Operator (Well Sold)**

Operator Name Change/Merger

The operator of the well(s) listed below has changed, effective: **5/1/2012**

<b>FROM:</b> (Old Operator): N3810- Oil and Gas Well Acquisitions, Inc. 11479 S Pine Drive, Suite 29 Parker, CO 80134  Phone: 1 (303) 995-0826	<b>TO:</b> ( New Operator): N3875- Diversified Energy, LLC 18685 East Plaza Drive Parker, CO 80134  Phone: 1 (303) 995-0826
---	--

WELL NAME	CA No.			Unit:	API NO	ENTITY NO	LEASE TYPE	WELL TYPE	WELL STATUS
	SEC	TWN	RNG						
Holmes 34-13	13	40S	22E		4303730602	435	Federal	OW	P
South Bluff Fed 1	13	40S	22E		4303715491	1095	Federal	OW	P
Federal 1-20	20	40S	23E		4303711068	8194	Federal	OW	P
Sandia Fed 9-44	9	39S	26E		4303731371	10847	Federal	OW	P

**OPERATOR CHANGES DOCUMENTATION**

Enter date after each listed item is completed

- (R649-8-10) Sundry or legal documentation was received from the **FORMER** operator on: 6/14/2012
- (R649-8-10) Sundry or legal documentation was received from the **NEW** operator on: 6/14/2012
- The new company was checked on the **Department of Commerce, Division of Corporations Database** on: 8/6/2012
- Is the new operator registered in the State of Utah:        Business Number: 8360342-0161
- (R649-9-2) Waste Management Plan has been received on: Yes
- Inspections of LA PA state/fee well sites complete on: N/A
- Reports current for Production/Disposition & Sundries on: 8/7/2012
- Federal and Indian Lease Wells:** The BLM and or the BIA has approved the merger, name change, or operator change for all wells listed on Federal or Indian leases on: BLM Not Yet BIA N/A
- Federal and Indian Units:**  
The BLM or BIA has approved the successor of unit operator for wells listed on: N/A
- Federal and Indian Communization Agreements ("CA"):**  
The BLM or BIA has approved the operator for all wells listed within a CA on: N/A
- Underground Injection Control ("UIC")** Division has approved UIC Form 5 Transfer of Authority to Inject, for the enhanced/secondary recovery unit/project for the water disposal well(s) listed on: N/A

**DATA ENTRY:**

- Changes entered in the **Oil and Gas Database** on: 8/7/2012
- Changes have been entered on the **Monthly Operator Change Spread Sheet** on: 8/7/2012
- Bond information entered in RBDMS on: N/A
- Fee/State wells attached to bond in RBDMS on: N/A
- Injection Projects to new operator in RBDMS on: N/A
- Receipt of Acceptance of Drilling Procedures for APD/New on: N/A

**BOND VERIFICATION:**

- Federal well(s) covered by Bond Number: UTB000473
- Indian well(s) covered by Bond Number: N/A
- (R649-3-1) The **NEW** operator of any state/fee well(s) listed covered by Bond Number N/A
- The **FORMER** operator has requested a release of liability from their bond on: N/A

**LEASE INTEREST OWNER NOTIFICATION:**

- (R649-2-10) The **NEW** operator of the fee wells has been contacted and informed by a letter from the Division of their responsibility to notify all interest owners of this change on: N/A

**COMMENTS:**

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

FORM 9

5. LEASE DESIGNATION AND SERIAL NUMBER:  
See attached

**SUNDRY NOTICES AND REPORTS ON WELLS**

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT or CA AGREEMENT NAME:

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL  GAS WELL  OTHER \_\_\_\_\_

8. WELL NAME and NUMBER:  
See attached

2. NAME OF OPERATOR:  
Oil and Gas Well Acquisitions Inc Changing to Diversified Energy, LLC

9. API NUMBER:  
See attach

3. ADDRESS OF OPERATOR:  
11479 S. Pine Dr Ste 29 CITY Parker STATE CO ZIP 80134

PHONE NUMBER:  
(303) 995-0826

10. FIELD AND POOL, OR WILDCAT:  
See attached

4. LOCATION OF WELL  
FOOTAGES AT SURFACE: See attached  
COUNTY:  
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN:  
STATE: UTAH

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input checked="" type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input type="checkbox"/> OTHER: <u>Name Change</u>
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Effective April 30, 2012 Oil and Gas Acquisitions, Inc. (Operator N3810) is transferring ownership of these wells to:  
Diversified Energy, LLC  
18685 East Plaza Drive  
Parker CO 80134  
303-995-0826

UTB000473

N3875 - Diversified  
N3810 - Oil & Gas  
Diversified Energy, LLC Signatures:

Name: GARY Schlatter  
Signature: \_\_\_\_\_

Title: Manager

RECEIVED  
JUN 14 2012  
DIV. OF OIL, GAS & MINING

NAME (PLEASE PRINT) Jason Haack  
SIGNATURE: Jason Haack

TITLE President, OAG  
DATE 6/12/2012

(This space for State use only)

APPROVED  
AUG 07 2012

DIV. OIL GAS & MINING  
Rachel Medina  
Engineer Tech

Oil and Gas Well Acquisitions, Inc.

List of well transferred to Diversified Energy, LLC

QTR/QTR	Section	Township	Range	County	State	#5 Lease Designati	#7 Unit o	#8 Well Name	#9 API Number	10 Field & Pool
SWSW	13	40S	22E	San Juan	UTAH	UTU056794		HOLMES 34	4303730602	Turner Bluff
NESE	13	40S	22E	San Juan	UTAH	UTU056794		SOUTH BLUFF	4303715491	Turner Bluff
SE1/4	20	40S	23E	San Juan	UTAH	UTU27357		FEDERAL 1-20	4303711068	Recapture Creek
SESE	9	39S	26E	San Juan	UTAH	UTU50439		SANDIA FED 9-44	4303731371	Cajon Lake