



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office

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Salt Lake City, UT 84101-1345

<http://www.blm.gov/ut/st/en.html>



IN REPLY REFER TO:
3100.2
(UT-922)

February 24, 2015

Memorandum

To: Fluids Section Chief, Becky J. Hammond
From: Geologist, Tim H. Ingwell
Subject: Potential Drainage of Unleased Federal Lands

Please offer the following described lands at the next possible competitive oil and gas lease sale:

Township 36 South, Range 26 East, SLM
Section 10, N2NW, SWNW, NWNE, Lot 1
San Juan County, Utah
Total 190 acres

The unleased lands are subject to potential drainage by the UCOLO 2 well (API number: 4303730870) located in the SWNE, Section 10, Township 36 South, Range 26 East, SLM. The UCOLO 2 well was recompleted in November of 2011 and is producing from the Honaker Trail Formation. It has produced a cumulative amount of 1,108,492 MCFG. The stipulation below should be attached when the parcel is offered:

Drainage Stipulation for Federal Lands Put Up For Lease

All or part of the lands contained in this lease may be subject to drainage by well(s) located adjacent to this lease. The lessee shall be required within 60 days of lease issuance to submit to the authorized officer plans for protecting the lease from drainage. Compensatory royalty will be assessed as of the date of expiration of this 60-day period if no plan is submitted. The plan must include either an Application for Permit to Drill (APD) a protective well or an application to communitize the lease so that it is allocated production from a protective well off the lease. Either of these options may include obtaining a variance to State spacing for the area. In lieu of this plan, the lessee shall be required to demonstrate that a protective well would have little or no chance of encountering oil and gas in quantities sufficient to pay in excess of the costs of drilling and operating the well. In the absence of either an acceptable plan for protecting the lease from drainage or an acceptable justification as to why a protective well would not be economical, the lessee shall be obligated to pay compensatory royalty to the Office of Natural Resources Revenue (ONRR) at a rate to be determined by the authorized officer.

If you have any questions, contact Tim Ingwell (801-539-4088).