BC & D OPERATING, INC.

DATE: JUNE 14, 1994

BUREAU OF LAND MANAGEMENT
MR. KEN TOWNSEND
1235 LA PLATA HIGHWAY
FARMINGTON, NM 87401

RE: HANSON WELL NO. 16
630 FT. FSL & 2060 FT. FWL
SEC. 6, T17N, R8W
NMNM-052931
MCKINLEY COUNTY, NM

MR. KEN TOWNSEND

We have received your letter dated June 9,1994 concerning the above mentioned well. BC&D is currently conducting a feasibility study on a co-generation facility which will provide electrical power for the Hospah Field. Also the co-generation process will generate heat which will be recovered and introduced to the water injection system.

A feasibility study was conducted by Tenneco Oil Company in 1978 which indicated very positive results in the Lower Hospah sand pay. The Lower Hospah sand is a clean,fine-grained,well-sorted sand that displays excellent rock characteristics. Permability averages 1100 md. and the average porosity is 27.5 %. A mobility ratio of 18.2 has been calculated for the 55 cp. viscosity crude at bottom hole temperture. Ideally, a waterflood prospect should have an M value of 1.0 therefore by injecting the hot water and increasing the bottom hole temperture the viscosity could be reduced and work toward an M value of much less than the current 18.2.

A mechanical integrity test is not necessary at this time. Well was pressure tested 3/10/92. Submit results of the production test by 12/31/94.

THIS APPROVAL EXPIRES JUL 01 1995

APPROVED
JUL 06 1994

P.O. BOX 5926 HOBBS, NM 88241 TELEPHONE NO.: (505) 392-2067

NMOCD

The Hanson no. 16 will be stimulated in the Dakota zone which it is currently completed. The gas will be used for field usage to operate the co-generation project therefore this well is very important to our future operations. The well was completed as indicated on the attachment. This type completion certainly provides a very positive mechanical integrity.

We would like to delay the production test until late 1994 with your concurrence. However,we would conduct a mechanical integrity test immediatly at your request.

Please review and share with me your findings at your earliest convience.

Thanks

Donnie Hill

Donnie Hill
President

ATTACHMENT

Present Completion:

* 8 5/8 in. csg. @ 74 ft. w/cement circulated

* 5 1/2 in. csg. @ 1515 ft. & cemented w/100 sxs.

* 3 1/2 in. csg. @ 2800 ft. w/ cement circulated to surface

* Perf. @ 2496 ft. to 2511 ft. (no stimulation)

BC & D OPERATING, INC.

RECEIVED
JUL 1 1 1994
OIL CON. DIV.
DIST. 3

RECEIVED
BUREAU OF LAND MANAGEMENT
94 JUN 20 AM 8:27
070 FARMINGTON, NM

DATE: JUNE 14, 1994

BUREAU OF LAND MANAGEMENT
MR. KEN TOWNSEND
1235 LA PLATA HIGHWAY
FARMINGTON, NM 87401

MINERALS
ADM
I&E
SOLIDS
FLUIDS
RES. MGMT.
FLUIDS
GPS
ALL SUPV.
FILES

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