

Mallon Oil Company

Denver/Colorado ♦ Durango/Colorado ♦ Carlsbad/New Mexico

a Mallon Resources Subsidiary

February 16, 2000

Mr. Charlie Perrin
New Mexico Oil & Gas Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410

Re: Simms Federal #1 Water Disposal Well
NW SE Sec.13, T30N, R4W
East Blanco Field
Rio Arriba County, NM

Dear Mr. Perrin,

Mallon Oil Company is requesting an exemption to running a coated/lined tubing in the Simms Federal #1 water disposal well. The approved water disposal permit (SWD-665) requested that coated/lined tubing be ran in this well. Under normal injection operations, we are injecting approximately 1,800 BWPD with the addition of approximately 30 MCFD of hydrogen sulfide gas. A recent workover on this well indicated that our 2 7/8", L-80 tubing held up quit well to this hydrogen sulfide gas environment where as the 2 1/16", J-55 tubing showed server corrosion which resulted in a hole in the tubing. During the workover operations we were allowed to run the L-80 tubing back into the well and return to injection so that we could investigate the best coating for this environment. After questioning different companies that provide coating or lined tubing we have not come up with any that will guarantee the products in this well. Durolite fiberglass lining seems to be the best product and would be the product of choice if I cannot get the wavier that I am requesting. When we ran the temporary tubing string into this well, we went back into the well with all L-80 tubing for the 2 7/8" and 2 1/16" tubing string. The cross-overs and packer are nickel plated which holds up very well to the hydrogen sulfide gas. It is my best engineering judgment that the L-80 tubing will hold up quit well to this environment and thus I am asking for the permit variance. I am afraid that any coated or lined tubing will result in peeling or blistering and would ultimately result in injectivity problems. Please refer to the attached diagrams and sundry notice.

Sincerely,



John Zellitti
Senior Production Engineer
(970-382-9100)

CC: Mark Ashley
BLM