

March 11, 2003

Mr. M. Y. Merchant
Penroc Oil Corporation
PO Box 2769
Hobbs, New Mexico 88240

Re: Application to convert to SWD
State "35" Well No. 6 API 30-025-30675
Section 35, T17S, R33E, NMPM,
Lea County, New Mexico

Sent

WVJ

Dear Mr. Merchant:

The New Mexico Oil Conservation Division (Division) received your application on March 4, 2003, to convert this well to salt water injection into the Grayburg San Andres ~~Pool~~. After reviewing the application, the following questions arose.

- (1) Please supply the footages within Section 35 for this well.
- (2) Division well records indicate the Corbin "35" State Well No. 1 was drilled to 8,925 feet deep and plugged back for completion in the Queen. If this is true, please send a wellbore diagram showing locations of all plugs installed below 3,999 feet.
- (3) According to our records, the State "35" Well No. 2 had 4-1/2 inch casing cemented into a 7-7/8 inch hole with 300 sacks on bottom and 300 sacks above the 4,073 foot DV tool. The lowest cement top should be around 7,415 feet at 80% fillup. The Glorieta top is at approximately 5,620 feet. Therefore, this wellbore has no cement across the San Andres or Glorieta. Please send a log analysis of the Glorieta in this or surrounding wellbore showing water saturations and explanation of why the Glorieta has not been and possibly could never be productive in this area.

Please reply as soon as possible and the Division will continue to process your application. If we receive no written or faxed reply by March 20, 2003, the Division will return this application.

Sincerely,

William V Jones Jr. PE

cc: Oil Conservation Division-Hobbs
State Land Office – Oil and Gas Division

Jones, William V

From: mohammed merchant [mymerch@hotmail.com]

Sent: Tuesday, March 18, 2003 9:50 PM

To: wvjones@state.nm.us

Subject: Your letter:State 35 Well No. 6, 30-025-30675

W VJ

Thanks for taking the time to talk to me earlier today. It is past 9 p.m. and just arrived from Crossroads and will be headed back over there or to Sitting Bull Falls in a bit. Any how, here is what I was explaining to you and hope it makes sense:

1. Footage on the well is: 990' FSL & 1980' FWL

2. Corbin "35" #1 was drilled by Harvey E. Yates out of Roswell. There is nothing in the Hobbs district file as to where they set the plugs. I think I saw records this a.m. showing the well was drilled in 1977 and I am sure plugs were set properly and also something was submitted to the State when Olsen Energy filed for SWD on this well. May be Santa Fe records will reflect that and if you don't mind you may look. I also tried to pull the info on the internet, but it has not been scanned yet!

3. As discussed there is good Glorieta production to the east of the area of interest, more like in and around the Buckeye store, but not where we are located. Even the San Andres is extremely high water cut and is non-commercial. That is why the well is TA'd and we want to covert to SWD. Secondly, there is only one open hole log (#3) well on this lease. The Sonic does not show any porosity in the Glorieta and no resistivity logs are around in the area of Glorieta. They all logged to the base Grayburg or SA and then picked up at 8000'. I guess they were trying to save money and probably already knew the Glorieta is no good.

I hope our phone discussion and the above will help you make your determination. An early approval will be greatly appreciated.

M. Y. (Merch) Merchant, Penroc Oil Corporation

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