

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**APPLICATION OF RESACA OPERATING COMPANY TO ADD SEVEN INJECTION
WELLS TO ITS COOPER JAL UNIT WATERFLOOD PROJECT, LEA COUNTY,
NEW MEXICO.**

CASE NO. 14677

RESACA'S PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by the applicant as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Resaca Operating Company

ATTORNEY

Michael H. Feldewert
Holland & Hart LLP
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OPPONENTS

None

ATTORNEYS

STATEMENT OF CASE

Pursuant to Rule 26.8, Applicant filed a C-108 Application seeking administrative approval to add seven injection wells to its existing Cooper Jal Unit Waterflood Project for the purpose of injecting fluid into the unitized interval consisting of the Tansill, Yates, Seven Rivers and Queen formations, Langlie Mattix (37240) and Jalmat (33820) Pools. The Division has previously approved additional injection wells for this waterflood project, most recently in November of 2010 under Administrative Order WFX-876.

The BLM was notified of this application and initially filed an objection with the Division, thereby causing this matter to set for hearing. However, following a meeting with the applicant, the BLM notified the Division that it has withdrawn its objection. *See* Attachment A. Accordingly, the Division has informed Applicant that it intends to address this matter administratively.

PROPOSED EVIDENCE

Since the Division intends to address the C-108 application administratively, no evidence is anticipated.

PROCEDURAL MATTERS

Applicant intends to dismiss this matter once the C-108 application has been addressed administratively by the Division.

Respectfully,

HOLLAND & HART, LLP

A handwritten signature in black ink, appearing to read "Michael H. Feldewert", is written over a horizontal line.

Michael H. Feldewert
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ATTORNEYS FOR RESACA OPERATING COMPANY

Michael Feldewert

-----Original Message-----

From: wingram@blm.gov [mailto:wingram@blm.gov]
Sent: Wednesday, June 08, 2011 8:58 AM
To: Warnell, Terry G, EMNRD
Subject: Resaca Operating Company Waterflood Expansion

Terry,

The BLM met with Resaca Exploitation, Inc. on June 7, 2011 to discuss their proposal to expand the waterflood project by re-entering 7 plugged wells.

The BLM is no longer objecting to the waterflood expansion proposal based on the operator's response to how they will monitor the injection wells for down hole problems with the tubing.

The operator will install a more elaborate monitoring system on one of the Federal wells. This system is still primarily a manual system with options for automated controls.

In addition, if problems are encountered with the casing on these re-entered wells, that are determined too serious, the operator will install a liner and cement to surface.

Based on their presentation, the BLM will not require CBLs or remedial cementing on these wells, but will allow the operator to determine if this is necessary or if NMOCD requires these items based on their review.

The BLM will reserve their right to review and potentially object to CO2 operations, if and when that occurs.

Thanks,
Wesley W. Ingram
Supervisory Petroleum Engineer
Bureau of Land Management
575-234-5982
wesley_ingram@nm.blm.gov

Terry,

The BLM is objecting to the proposal to expand the waterflood due to previous history with projects operated by Range Operating, OXY and Devon where the injection created multiple problems. In addition, the cementing of these wellbores is questionable and it was similar well cement jobs that created the problems with water flows outside of the proposed injection zone for the other operators.

For your information, the operator has submitted Notice of Stakings on the three Federal wells. I do not know the status of the wells on the Fee leases, but it appears that APDs have been submitted. They did list these wells in their 2011 Unit Plan of Development.

If the operator can satisfy our objections on the waterflood expansion, the BLM will require a CBL to determine the actual cement situation behind the

production casing with remedial work to be done as needed. In addition, they will be required to run Casing Integrity Tests.

If the diagrams attached to the proposal are accurate, the BLM will not be able to approve CO2 injection as there are too many possibilities for CO2 to impact other formations.

Also, these wellbores are probably indicative of the condition of the other wells in the field.

Has NMOCD approved the combination of these pools? I know that was a hearing item, but I don't know the outcome.

Please let me know if you have any questions regarding the objection.

Thanks,
Wesley W. Ingram
Supervisory Petroleum Engineer
Bureau of Land Management
575-234-5982
wesley_ingram@nm.blm.gov