



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

February 16, 1999

Southwest Royalties Inc.
P.O. Box 11390
Midland, Texas 79702-8390

Attention: Mr. James Blount

Re: Eilliams-Wyatt Phillips
Federal Waterflood Project

Dear Mr. Blount:

Reference is made to your letter dated November 19, 1998 in which you presented additional information with regards to certain "area of review" wells which, pursuant to Division Order No. R-11056, are required to be re-cemented prior to initiating waterflood operations within the Eilliams-Wyatt Phillips Federal Waterflood Project. The Division has reviewed the additional data presented and has determined that:

The Phillips Petroleum Company Eilliams Federal Well No. 3, located 2308' FNL & 660' FWL of Section 34, T-17 South, R-33 East, is located some 2,721 feet from the Eilliams Federal Well No. 14, being the proposed injection within the project. The Eilliams Federal Well No. 3 does not fall within the "area of review" of the Eilliams Federal Well No. 14, and therefore, no remedial cement work will be required on this well at this time;

The Phillips Petroleum Company Eilliams Federal Well No. 7, located 2310' FNL & 1720' FWL of Section 34, T-17 South, R-33 East, is located within the "area of review" of the Eilliams Federal Well No. 14. The data presented indicates that the injection zone is open (not cemented) in this wellbore from a depth of 4,614'-5,250' (see attached form). Clearly, this wellbore provides a conduit whereby injected fluid may migrate to the surface. Remedial cement operations will be required on this well prior to commencing injection operations into the Eilliams Federal Well No. 14; and

The Southwest Energy Denius Federal Well No. 5, located 1750' FSL & 1650' FWL of Section 34, T-17 South, R-33 East, is located within the "area of review" of the Eilliams Federal Well No. 14. Upon examination of Division records, it was determined that the 4½ inch production casing in this well was cemented with 200 sacks (see attached form) and not 1,200 sacks as reported by your company. Assuming a 7.0 inch hole, the cement top is estimated by the Division to be at 7,194 feet. Clearly, this wellbore provides a conduit whereby injected fluid may migrate to the surface and to other formations. Remedial cement operations will be required on this well prior to commencing injection operations into the Eilliams Federal Well No. 14.

If you should have any questions, please contact me at (505) 827-8184.

Sincerely,

A handwritten signature in cursive script that reads "David Catanach". The signature is written in black ink and has a long, horizontal flourish extending to the right.

David Catanach
Engineer

Xc: OCD-Hobbs, Case File-12022 ✓