



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

May 5, 1999

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

Campbell, Carr, Berge & Sheridan, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: Mr. William F. Carr

Re: Division Case No. 12112
GP II Energy, Inc.
Square Lake Unit Waterflood Project
Eddy County, New Mexico

Dear Mr. Carr:

I am currently in the process of reviewing the evidence presented by GP II Energy, Inc. in support of its request to initiate a waterflood project within the Square Lake Grayburg-San Andres Pool in portions of Township 16 South, Ranges 30 and 31 East, NMPM, Eddy County, New Mexico. My initial efforts to review the evidence presented have focused on the Form C-108 (Application to Inject) for one hundred-thirty seven (137) wells proposed to be converted to injection within the Square Lake Unit. I have reviewed the injection well data presented in tabular form (SEC III CON) as well as the well conversion diagrams (SEC III DIAG) and have found at least fifty-eight (58) instances where the tabular well data does not match the data contained on the wellbore conversion diagrams, including data elements such as well locations, perforated or open-hole injection intervals, packer setting depth, etc. In addition, there are numerous instances where necessary data is missing (i.e. cement data on casing liners).

The Division has the responsibility to permit Class II injection wells after a determination has been made that injection into these wells will not pose a threat to underground sources of drinking water and that injected fluid will remain confined to the proposed injection interval (Grayburg-San Andres formations). Such a determination cannot be made when conflicting data is presented or when data necessary to make such a determination is not included in the application. This initial review also raises serious questions regarding the accuracy of the remaining data presented in Form C-108, namely the "area of review" well data.

Based upon my initial review of the evidence presented in this case, I am requesting that GP II Energy, Inc. file an application to re-open Case No. 12112 at such time as:

- a) the applicant is prepared to present a revised Form C-108 complete with all corrections and necessary data elements;

- b) the applicant is prepared to present a sound engineering plan for converting plugged and abandoned wells to injection;

Based upon the evidence and testimony presented, it appears that a considerable amount of remedial work will be required on injection, production and plugged and abandoned wells prior to commencing injection operations within the Square Lake Unit. It may be worth considering implementing waterflood operations within the Square Lake Unit in small phases