



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

May 31, 1972

GOVERNOR
BRUCE KING
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMJO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

Mr. A. J. Losee
Losee & Carson
Attorneys at Law
Post Office Box 239
Artesia, New Mexico 88210

Dear Mr. Losee:

Enclosed herewith is Commission Order No. R-4300, entered in Case No. 4700, approving the Penasco Shugart Queen Waterflood Project.

Injection is to be through the casing of the four authorized water injection wells, with the injection water continuously treated to prevent corrosion and coupon corrosion tests conducted as prescribed by the order. Furthermore, casing of each well shall be pressure-tested to a minimum of 2000 psi for at least 30 minutes prior to conversion to water injection. If pressure shall fail to satisfactorily hold for this period of time, adequate remedial measures shall be taken and a satisfactory casing test completed prior to placing the well on injection. The Artesia district office of the Commission shall be notified of the date and hour pressure tests are to be conducted.

The above casing tests, water treatment, and continuous coupon survey may be dispensed with if injection wells are equipped with tubing and packers immediately above the pay.

As to allowable, our calculations indicate that when all of the authorized injection wells have been placed on active injection, the maximum allowable which this project will be eligible to receive under the provisions of Rule 701-E-3 is 546 barrels per day when the Southeast New Mexico normal unit allowable is 42 barrels per day or less.

Please report any error in this calculated maximum allowable immediately both to the Santa Fe office of the Commission and the appropriate district proration office.

In order that the allowable assigned to the project may be kept current, and in order that the operator may fully benefit from the allowable

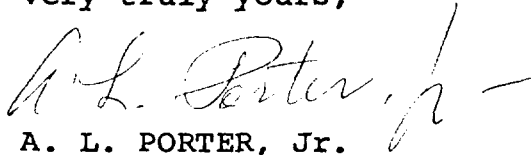
Page 2

Mr. A. J. Losee
Artesia, New Mexico
May 31, 1972

provisions of Rule 701, it behooves him to promptly notify both of the aforementioned Commission offices by letter of any change in the status of wells in the project area, i.e., when active injection commences, when additional injection or producing wells are drilled, when additional wells are acquired through purchase or unitization, when wells have received a response to water injection, etc.

Your cooperation in keeping the Commission so informed as to the status of the project and the wells therein will be appreciated.

Very truly yours,

A handwritten signature in cursive script, reading "A. L. Porter, Jr.", followed by a horizontal line.

A. L. PORTER, Jr.
Secretary-Director

Enclosure
ALP/DSN/ir

cc: Oil Conservation Commission
Hobbs and Artesia, New Mexico

Mr. D. E. Gray, State Engineer Office
Santa Fe, New Mexico