

Shell Western E&P Inc.
A Subsidiary of Shell Oil Company



July 22, 1988

Mr. Jerry Sexton
Energy and Minerals Department
Oil Conservation Division
P.O. Box 1980
Hobbs, New Mexico 88240

Subject: Packer Leakage Test: State B#1 Monument Field

Dear Jerry:

Pursuant to your letter dated 7-15-88 (attached), please be advised that the well in question had remedial repairs earlier and was scheduled for a packer leakage test the week of July 4-8. Just prior to the test, the well again began to fall off in production and downhole problems were suspected. Our Well Analysis group indicated a slight tubing leak in the San Andres oil zone. The well then quit pumping completely. The tubing has just been tested and a leak is confirmed.

The well is currently shut in. We have requested Shell Engineering to review the gas zone in this well for economic limit considerations as it's gas rates are very low. The gas zone may be squeezed off or remain active pending Engineering and Management's decision subsequent to the review. The status of this dual well should be resolved in August. Until then, the well will remain shut in.

Shell requests an extension of the well's allowable for both the oil and gas zones until the gas zone is either squeezed off or the well is repaired and returned to its dual status. We will keep you informed as to Shell's intent and subsequent work on the well.

Should you have any questions, let us know.

Very truly yours,

A handwritten signature in cursive script that reads "Bill Powers".

Bill Powers

WSP/tlh

cc: Bob Klug
Van Spence
Cy Jones