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New Mexico Oil Conservation Division
Hobbs District Office
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Attention Mr. Jerry Sexton

Gentlemen:

State A-17 No. 7 Located 330' FSL & 330' FWL, Sec. 17, T-19S, R-37E
Lea County, New Mexico

This letter is in reference to the recent casing repairs in our State A-17 No. 7 well. Casing leaks were isolated in the 4-1/2" production casing from 330 ft. to 955 ft. A differential swab test indicated a water influx rate of 1/2 BPH. Two attempts were then made to squeeze off the casing leaks.

On the first squeeze, cement was circulated to surface (surface casing shoe at 367 ft.), the surface casing valve was then closed and the remaining cement squeezed away. The squeeze was witnessed by Mr. Ray Smith of your office. After drilling out cement, a rate of 1 BPM at 1200 psi was established and a second squeeze was performed.

In a telephone conversation of January 21, 1986, between yourself and Peter Bowser, it was explained that upon drilling out the second squeeze, the casing still showed evidence of a high pressure leak. On a 500 psi test (surface pressure), there was a 50 psi leakoff in eight minutes. The remaining leak is believed to be between 720 ft. and 955 ft.

Since the State A-17 No. 7 is producing by beam pump, the remaining casing leak will see less than 50 psi from the wellbore. Furthermore, the casing now exhibits mechanical integrity from surface to 720 ft., thus preventing any contamination of fresh water zones. In view of these facts, verbal permission was granted by your office to proceed with workover operations without re-squeezing the well.

We greatly appreciate your understanding in this matter. A sundry notice detailing the casing repairs is forthcoming.

PDB:mlb

cc: PAB, HAI, FEP, JER, PDB, BAH, KLV, File