



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

March 5, 2003

Concho Oil & Gas Corporation
110 W. Louisiana
Suite 410
Midland, Texas 79701

Attention: Ms. Terri Stathem

Re: Division Order No. WFX-757
Benson Shugart Waterflood Project
Eddy County, New Mexico

Dear Ms. Stathem:

By Division Order No. WFX-757 dated December 29, 1999, the Division authorized Manzano Oil Corporation to expand its Benson Shugart Waterflood Project by converting to injection its Benson Shugart Waterflood Unit Well No. 8 (API No. 30-015-23073), located in Unit A of Section 35, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico. Injection was to occur into the Penrose and Grayburg formations, Shugart Yates-Seven Rivers-Queen-Grayburg Pool.

Division records show that Concho acquired this well from Manzano in January, 2001.

Pursuant to requirements set forth within Order No. WFX-757, prior to commencing injection into the Benson Shugart Waterflood Unit Well No. 8, the operator was required to demonstrate that the Yates & Dooley Creek Permit Well No. 1, located 1980 feet from the North and East lines (Unit G) of Section 35, Township 18 South, Range 30 East, NMPM, was adequately cemented and plugged, or in the alternative, to re-enter and re-plug the well.

An examination of Division Form C-115's shows that Manzano commenced injection operations in the Benson Shugart Waterflood Unit Well No. 8 in April, 2000, and continued injecting until December, 2000, and that Concho commenced injection operations in the well in October, 2001 and continued injecting to the present time.

A search of Division files does not indicate that Manzano or Concho has performed any remedial work on the Yates & Dooley Creek Permit Well No. 1.

It appears that Concho is currently injecting into the Benson Shugart Waterflood Unit Well No. 8 in violation of Division Order No. WFX-757.

Injection into the Benson Shugart Waterflood Unit Well No. 8 shall immediately cease until such time as the requirements set forth in Division Order No. WFX-757 are complied with.

If work has been performed on Yates & Dooley Creek Permit Well No. 1, please forward this information to the Santa Fe Office of the Division.

Please advise the Santa Fe Office of the Division of the date the Benson Shugart Waterflood Unit Well No. 8 was shut-in, and any plans Concho has to perform remedial work on the Yates & Dooley Creek Permit Well No. 1.

If you should have any questions regarding this notice, please contact Mr. David Catanach at (505) 476-3466.

Sincerely,



David Catanach
Engineer

Xc: Ms. Lori Wrotenbery
File-WFX-757
Mr. Tim Gum