



NEW MEXICO ENERGY, MINERALS & NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE
1000 RIO BRAZOS ROAD
AZTEC NM 87410
(505) 334-6178 FAX: (505) 334-6170
<http://emnrds.state.nm.us/ood/District/IN/3/district.htm>

MECHANICAL INTEGRITY TEST REPORT (TA or UIC)

Date of Test 2/24/2000 Operator Mallon Oil Co API # 30-0 39-22756

Property Name Simms Fed Well # 1 Location: Unit 2 Sec 13 Twn 30 Rge 4

Land Type:

State _____
Federal _____
Private _____
Indian X

Well Type:

Water Injection _____
Salt Water Disposal X
Gas Injection _____
Producing Oil/Gas _____
Pressure observation _____

Temporarily Abandoned Well (Y/N) (N)

TA Expires: _____

Casing Pres. _____
Bradenhead Pres. 0
Tubing Pres. 100
Int. Casing Pres. _____

Tbg. SI Pres. _____
Tbg. Inj. Pres. _____

Max. Inj. Pres. _____

Pressured annulus up to 372 psi. for 30 mins. Test (passed) failed

REMARKS:

Casing pressure dropped to 350 psi - Δp = 28 psi

RECEIVED
JAN 18 2000

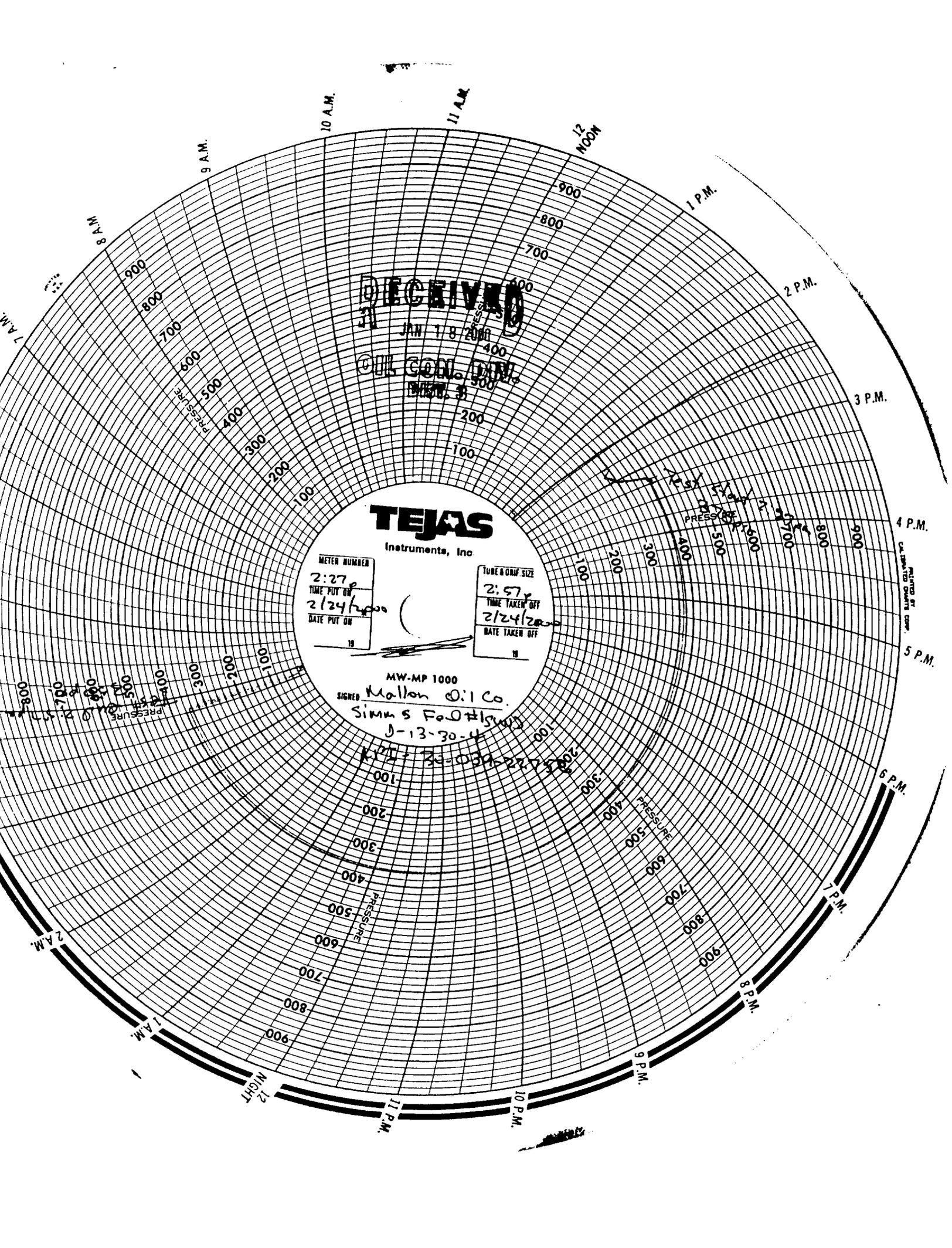
OIL CON. DIV.
DIST. 3

Witness

Gene Marti
(NMOCD)

[Signature]
(Operator Representative)

Field Foreman
(Position)



RECEIVED

JAN 18 2000

OIL COMPANY

TEJAS

Instruments, Inc

METER NUMBER
2:27
TIME PUT ON
2/24/2000
DATE PUT ON

TUNE & RIF SIZE
2:57
TIME TAKEN OFF
2/24/2000
DATE TAKEN OFF

MW-MP 1000
SIGNED *Malton Oil Co.*
Simms Fe Oil
J-13-30-4

MP- 23-0095277500

7 A.M. 8 A.M. 9 A.M. 10 A.M. 11 A.M. 12 MIDDN 1 P.M. 2 P.M. 3 P.M. 4 P.M. 5 P.M. 6 P.M. 7 P.M. 8 P.M. 9 P.M. 10 P.M. 11 P.M. 12 MIDDN

900 800 700 600 500 400 300 200 100

PRESSURE

REGISTERED BY COMP. CAL. LICENSED SERVICE TECH.

Simms Federal #1

NW SE Sec.13, T30N, R4W
1,820' FEL & 1,730' FNL
East Blanco Field, Unit-J
Rio Arriba County, NM

Elev. GL @ 7,023'
Elev. KB @ 7,033' (10' KB) Est.

Surface Casing

9 5/8", 32.3#, J-55, ST&C, set @ 277' KB.
Cmt w/ 275 sx / Hole @ 12 1/4".

Production Casing

5 1/2", 15.5#, K-55, LT&C, set @ 8,731' KB.
DV tools @ 4,201' & 6,605' KB.
Cmt w/ 640 sx / Hole @ 7 7/8".

Liner Casing

3 1/2", 9.3#, L-80, IJ Hydrill, set @ 9,731' KB.
Arrow Liner Hanger/Pkr @ 8,523' KB.
Cmt w/ 65 sx 50/50 POZH / Hole @ 4 3/4".

Tubing

2 7/8", 6.5#, L-80, EUE (256 jnts @ 7,821.20', Org. tbg).
2 7/8", 6.5#, L-80, EUE (21 jnts @ 600.83', New tbg).
2 7/8" x 2 1/16" Cross-over @ 0.55' (Nickel Plated).
2 1/16", 3.25#, L-80, IJ (6 jnts @ 199.58', New tbg).
3 1/2" Arrow Set-1 10K Pkr @ 4.96' (Nickel Plated).
2 1/16" Re-entry guide (Plastic coated).
Pkr set @ 8,639' KB.

Squeezed Perforations

Pictured Cliffs: Squeezed w/ 45 sx cmt.

- 1) 3,709' - 3,715'
- 2) 3,722', 3,945', 3,972'

Gallup: Squeezed w/ 75 sx cmt.

- 3) 7,541' - 7,634'

Dakota: Squeezed w/ 155 sx cmt.

- 4) 8,367' - 8,375'
- 5) 8,484' - 8,530'
- 6) 8,633' - 8,636'
- 7) 8,670' - 8,683'

Liner Top/Dakota: Squeezed w/ 50 sx cmt.

- 8) 8,427' - 8,543'

Gallup: Squeezed w/ 25 sx cmt.

- 9) 7,462' - 7,736'

Injection Perforations

Morrison: Perf w/ 2 spf.

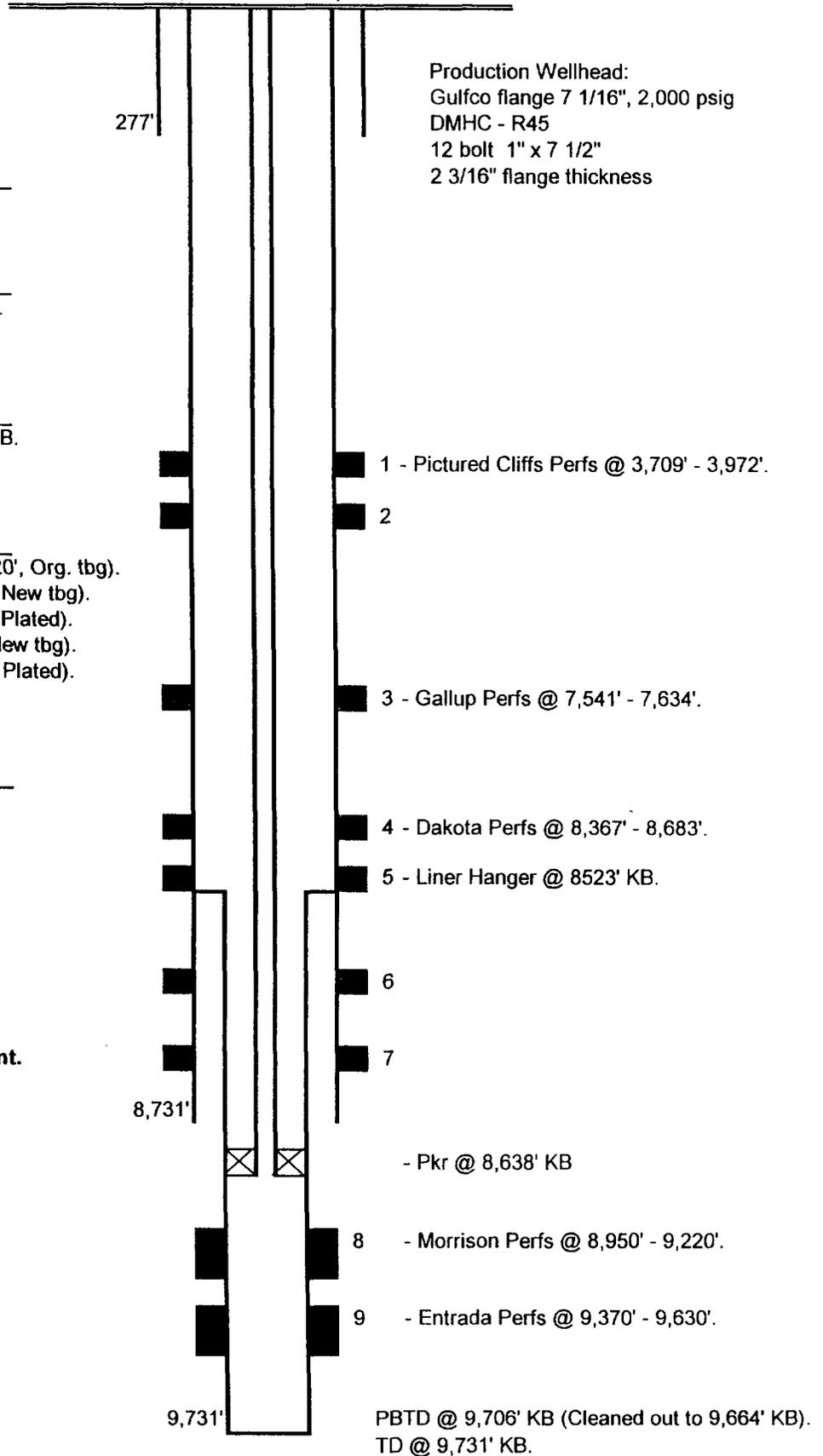
- 8) 8,950' - 8,982'
- 9,020' - 9,064'
- 9,098' - 9,220'

Entrada: Perf w/ 2 spf.

- 9) 9,370' - 9,410'
- 9,460' - 9,630'

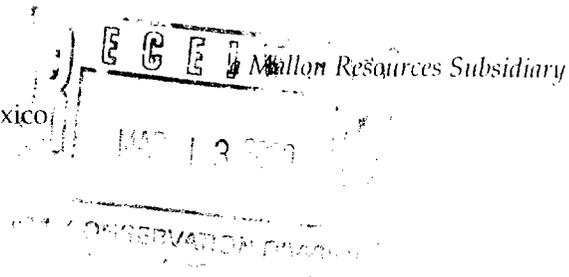
**Mallon Oil Company
Wellbore Diagram
(After Workover)**

2/15/00
JZ



Mallon Oil Company

Denver/Colorado ♦ Durango/Colorado ♦ Carlsbad/New Mexico



March 2, 2000

Mr. Charlie Perrin
New Mexico Oil & Gas Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410

Re: Simms Federal #1 Water Disposal Well
NW SE Sec.13, T30N, R4W
East Blanco Field
Rio Arriba County, NM

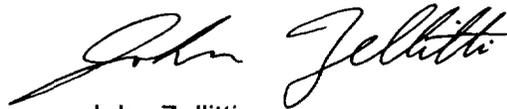
Dear Mr. Perrin,

In accordance with our telephone conversation please accept this letter as Mallon Oil Company's recognition and acceptance of the conditions of approval for an exemption to running a coated/lined tubing in the Simms Federal #1 water disposal well. The approved water disposal permit (SWD-665) requested that coated/lined tubing be ran in this well. Under normal injection operations, we are injecting approximately 1,800 BWPD with the addition of approximately 30 MCFD of hydrogen sulfide gas. The well is presently set up with all L-80 tubing for the 2 7/8" and 2 1/16" tubing string (Non-coated). The cross-overs and packer are nickel plated which holds up very well to the hydrogen sulfide gas. A verbal exemption has been given to Mallon Oil Company by the New Mexico Oil & Gas Conservation Division to leave the non-coated tubing in the well under the following conditions:

- 1) A mechanical integrity test will be preformed to confirm the integrity of the casing and the squeezed perforations intervals as soon as possible.
- 2) A mechanical integrity test will be preformed every six months to confirm the integrity of the casing and squeezed perforation intervals.
- 3) If the well at any time fails an MIT, the non-coated tubing will be pulled from the well and a coated/lined tubing will be ran back into the well after the well has been repaired.
- 4) If the tubing has not been pulled and replaced with coated/lined tubing after a period of two years, the tubing string will be pulled and replaced with coated/lined tubing.

A mechanical integrity test was performed on February 24, 2000 which was witnessed and passed by Bruce Martin with the New Mexico OCD (Aztec Office). This well will be tested again on or before August 24, 2000 for casing integrity. Please refer to the attached diagrams and MIT report.

Sincerely,

A handwritten signature in black ink, appearing to read "John Zellitti". The signature is written in a cursive style with a long, sweeping underline.

John Zellitti
Senior Production Engineer
(970-382-9100)

CC: Mark Ashley
BLM