

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

November 22, 1999

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

HAND DELIVERED

Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505
Attn: Mr. Ben Stone

99 NOV 22 PM 3:05
OIL CONSERVATION DIV.

Re: **NOTICE OF OBJECTION:**
KCS Medallion Resources, Inc.
West Surgart "19" Federal Well No. 2
Unit O, Section 19, T18S, R31E, NMPM,
Administrative Application to NMOCD
for Salt Water Disposal, Eddy County, New Mexico

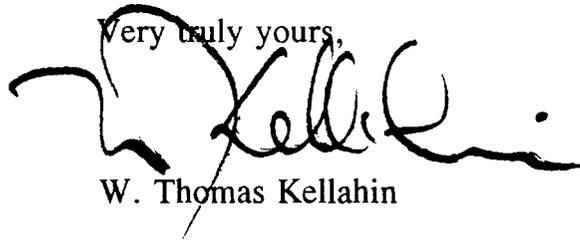
Dear Mr. Stone:

By letter dated November 15, 1999, and on behalf of KCS Medallion Resources, Inc. Mr. Paul Cooter forwarded to you supplemental information in order to complete an application filed in May, 1999. Division Rule 701.D allows an objection to be filed within 15 days after receipt (by the Division) of a complete application.

Accordingly, on behalf of Concho Resources, L.L.C., as an offsetting operator and interest owner, we hereby object to the referenced application by KCS Medallion Resources, Inc. for approval of this wellbore for salt water disposal described in its administrative application to the Division.

We request that this matter be set for hearing and that Concho Resources, Inc. be provided notification of the hearing in accordance with Division notice rules.

Very truly yours,



W. Thomas Kellahin

cfx: Paul A. Cooter, Esq.
Attorney for KCS Medallion Resources, Inc.
cfx: Concho Resources, L.L.C.
Attn: Mike Gray

APPLICATION FOR AUTHORIZATION TO INJECT

- I. Purpose: Secondary Recovery Pressure Maintenance Disposal Storage
Application qualifies for administrative approval? yes no
- II. Operator: KCS Medallion Resources, Inc.
Address: 7130 South Lewis Avenue, Suite 700, Tulsa OK 74136
Contact party: Perry L. Hughes, Agent
207 W McKay, Carlsbad, NM 88220 Phone: 505-885-5433
- III. Well data: Complete the data required on the reverse side of this form for each well proposed for injection. Additional sheets may be attached if necessary.
- IV. Is this an expansion of an existing project? yes no
If yes, give the Division order number authorizing the project _____.
- V. Attach a map that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.
- * VI. Attach a tabulation of data on all wells of public record within the area of review which penetrate the proposed injection zone. Such data shall include a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail.
- VII. Attach data on the proposed operation, including:
 - 1. Proposed average and maximum daily rate and volume of fluids to be injected;
 - 2. Whether the system is open or closed;
 - 3. Proposed average and maximum injection pressure;
 - 4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and
 - 5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.).
- *VIII. Attach appropriate geological data on the injection zone including appropriate lithologic detail, geological name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such source known to be immediately underlying the injection interval.
- IX. Describe the proposed stimulation program, if any.
- * X. Attach appropriate logging and test data on the well. (If well logs have been filed with the Division they need not be resubmitted.)
- * XI. Attach a chemical analysis of fresh water from two or more fresh water wells (if available and producing) within one mile of any injection or disposal well showing location of wells and dates samples were taken.
- XII. Applicants for disposal wells must make an affirmative statement that they have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground source of drinking water.
- XIII. Applicants must complete the "Proof of Notice" section on the reverse side of this form.
- XIV. Certification

I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

Name: Perry L. Hughes Title Agent

Signature: Perry L. Hughes Date: 12/01/99

* If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be duplicated and resubmitted. Please show the date and circumstance of the earlier submittal. The prior C-108 was submitted to Division May,

20, 1999. This Supplemental form was revised to include the deeper Delaware Formation down to 5500', excluding the interval 4800'-5050'.

DISTRIBUTION: Original and one copy to Santa Fe with one copy to the appropriate Division district office.

AMENDED
ATTACHMENT TO OCD FORM C-108

KCS MEDALLION RESOURCES, INC.
West Shugart "19" Federal #2

- I. Purpose - Application is made for authorization to inject water into the Queen/Grayburg/San Andres/Delaware formations underlying the West Shugart "19" Federal #2 Well in Section 19 of Township 18 South, Range 31 East, Eddy County, New Mexico, as shown on the attached Exhibit "A". This is a proposed produced water disposal project.
- II. Operator - KCS Medallion Resources, Inc.
7130 South Lewis Avenue, Suite 700
Tulsa, OK 74136-5489
- Agent - Perry L. Hughes
207 W. McKay
Carlsbad, NM 88220
- III. Injection Well Data - The required well data and schematic diagram of West Shugart "19" Federal #2 Well is enclosed as Exhibit "B".
- IV. This is not an expansion of an existing project.
- V. Maps - The attached Exhibit "A" identify the proposed injection wells, the Area of Review within one-half mile of a proposed injection well, and all wells and leases within two miles of a proposed injection well.
- VI. Well Data - The well data for the wells within the Area of Review was attached as Exhibit "C" to the original application and the well data and schematic diagrams for all plugged and abandoned well bores within the Area of Review was attached as Exhibit "D".
- VII. Proposed Operations:
1. Proposed average daily injection rate - 1000 BWPD.
Proposed maximum daily injection rate - 2500 BWPD.
 2. A closed injection system will be maintained.
 3. An average injection pressure of approximately 1200 psi is anticipated. The maximum injection pressure will be 1850 psi, subject to the injection pressure authorized by the Oil Conservation Division.
 4. The proposed injection fluid will consist of water produced from field wells.
 5. Disposal fluid is produced water from wells in the area. Zones for injection are productive in this general area.

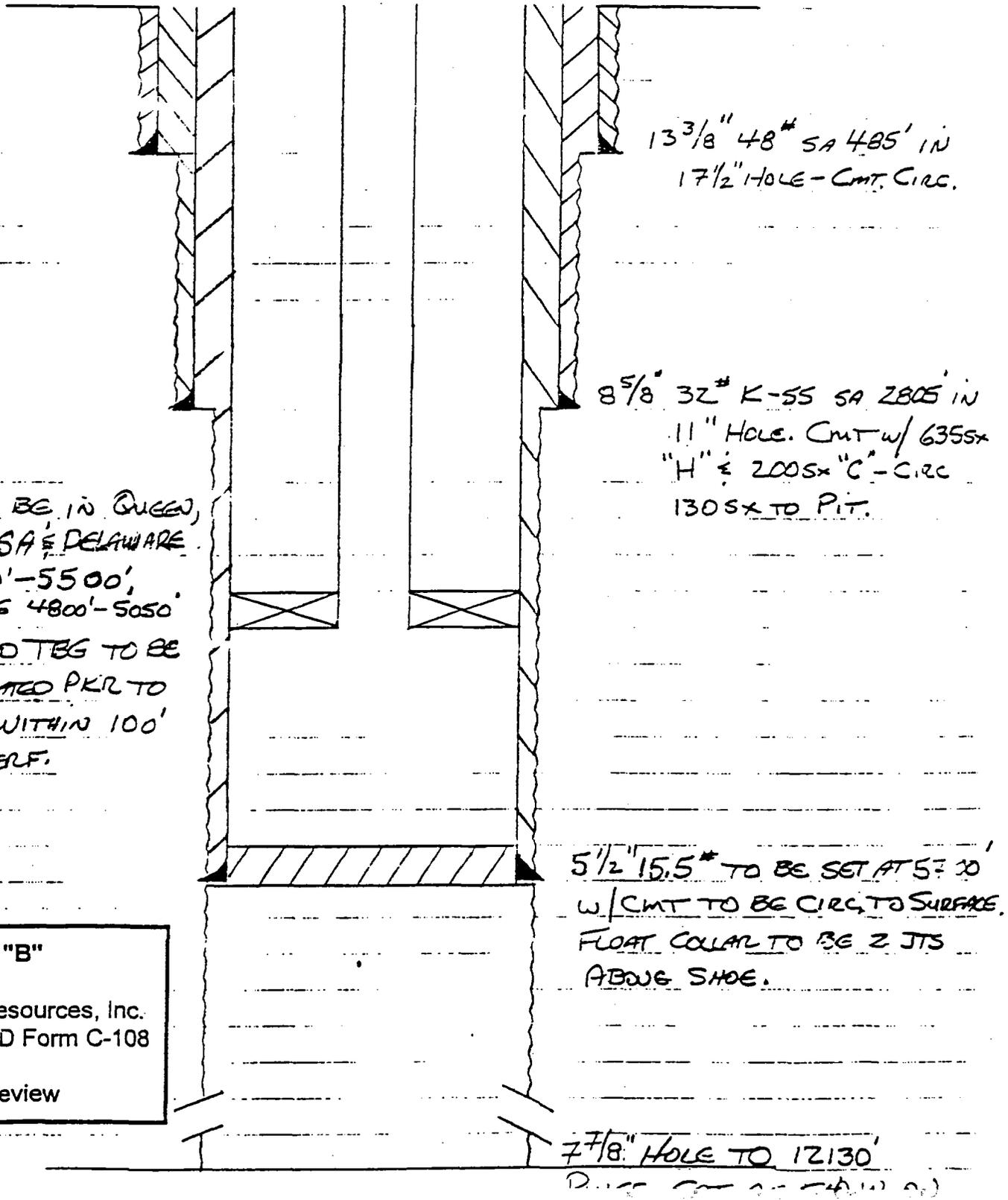
- VIII. Geological Data - The overall proposed injection interval is in the Queen/Grayburg/San Andres/Delaware formations at a depth of 3100 to 5500 feet, excluding the interval 4800'-5050' in the Delaware Formation. The initial perforated interval will be 5307' - 5492' in the Delaware. The Queen formation is predominantly sand. The Grayburg formation consists of quartz sands with dolomitic cementation while, the San Andres formation is predominantly dolomite and the Delaware formation is primarily sandstone. The surface formation is Cretaceous and has no known sources of drinking water.
- IX. Stimulation - An acid treatment of about 10,000 gallons should be sufficient to open the perforations for injection.
- X. Logging Data - The available logs are those on file with the Oil Conservation Division from the original operators of the wells. Attached is a porosity log strip of the subject well showing the Delaware Zone for initial injection.
- XI. Fresh Water Wells - No fresh water wells are known to exist in the area of review.
- XII. Affirmative Statement - See attachment.
- XIII. Proof of Notice - Copies of this C-108 Application have been mailed to the surface owner and to each leasehold operator within one-half mile of the proposed injection wells. An Affidavit of such notice is attached Exhibit "E". Copies of the return receipts will be furnished upon request.

KCS MEDALLION RESOURCES, INC.

WEST SHUGART 19 FEB. #2

PROPOSED COMPLETION FOR

SALT WATER DISPOSAL



13 3/8" 48# SA 485' IN
17 1/2" HOLE - CMT. CIRC.

8 5/8" 32# K-SS SA 2805' IN
11" HOLE. CMT w/ 635#
"H" & 200# "C" - CIRC
130# X TO PIT.

PERFS. MAY BE IN QUEEN,
GRAYBURG, SA & DELAWARE
FROM 3100'-5500',
EXCLUDING 4800'-5050'
2 3/8" COATED TEG TO BE
SET IN COATED PKR TO
TOP SET WITHIN 100'
OF TOP PERF.

5 1/2" 15.5# TO BE SET AT 5720'
W/ CMT TO BE CIRC TO SURFACE.
FLOAT COLLAR TO BE 2 JTS
ABOVE SHOE.

7 7/8" HOLE TO 12130'
PIT SET AT 12130'

Exhibit "B"

KCS Medallion Resources, Inc.
Attachment to OCD Form C-108

Area of Review

Exhibit "E"
AFFIDAVIT OF MAILING

STATE OF NEW MEXICO

: ss

COUNTY OF EDDY

I, Perry L. Hughes, do solemnly swear that a copy of this application has been mailed by certified mail, return receipt requested, to each of the following interested parties:

Surface Owner

United States Department of the Interior
Bureau of Land Management
2909 W. Second
Roswell, NM 88201

Grazing Permittee

Richardson Cattle Company
PO Box 487
Carlsbad, NM 88220

Offset Operators:

Pennzoil
PO Box 50090
Midland, TX 79710-0090

Xeric Oil & Gas Corporation
PO Box 352
Midland, TX 79702-0352

Pride Energy
PO Box 2948
Midland, TX 79702

Burlington Resources
PO Box 51810
Midland, TX 79710

Concho Resources, LLC
110 W Louisiana, Ste 410
Midland, TX 79701

Ocean Energy, Inc.
4305 N Garfield, Ste 237
Midland, TX 79705

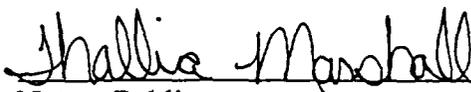
Chevron USA Prod.
Non Operated Joint Interest Properties
PO Box 1635
Houston, TX 77251



Perry L. Hughes, Agent

SWORN AND SUBSCRIBED TO before me this 1st day of December, 1999





Notary Public

My commission expires November 6, 2000

12-02-99 17:14

9184828182

T-284 P.01/01 F-072

KCS Medallion Resources, Inc.
7000 South Loop West
Suite 700
Dallas, TX 75216-5439

(918) 482-8283 phone
(918) 482-8182 fax

December 1, 1999

VIA FAX 918-683-7441

Concho Resources, L.L.C.
Suite 410, 110 West Louisiana
Midland, TX 79701



Attn: Mike Gray

Re: West Shogart 19 Federal No. 2 Well
Unit C, Section 19-T18S-R31E, NMPM
Eddy County, New Mexico

Gentlemen:

KCS Medallion Resources, Inc. ("KCS") is currently seeking approval of an Administrative Application to the New Mexico Oil Conservation Division for Salt Water Disposal in the above referenced well. Concho Resources, L.L.C. ("Concho"), by letter dated November 22, 1999 to the NMOCD, has filed an objection to such application. After a technical review of such application by KCS and Concho the following has been agreed to:

1. KCS will supply Concho with a copy of its amended Application for Authorization to Inject, reflecting that KCS will not inject in that certain interval from 4,800 feet to 5,050 feet in the referenced wellbore, immediately after filing such amended application with the NMOCD. Upon receipt by Concho of a copy of the file stamped amended application, Concho will send a letter by fax or hand delivery to the NMOCD dropping their objection to KCS's amended application.

Should the terms of the above agreement meet with your approval, please so indicate by signing in the space provided below and returning one fully executed copy of this letter to my attention by fax to 918-482-8182.

I thank you in advance for your prompt attention to this matter. If there are any questions, please call me direct at 918-481-4104.

Sincerely,

KCS MEDALLION RESOURCES, INC.

D. R. Deffenbaugh
Vice President - Land

AGREED TO AND ACCEPTED THIS
DAY OF DECEMBER 1999
CONCHO RESOURCES, L.L.C.

By:
Title:

DRD/vib
concho letter 12/1/99