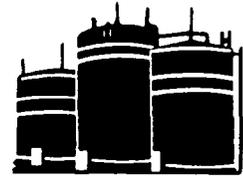


.....  
**AVRA OIL COMPANY**



December 4, 2002

Re: Charlcia A. Taylor No.1 Disposal Well

Mr. William M. Jones  
New Mexico Oil Conservation Division  
1220 South St. Francis Road  
Santa Fe, NM 87505

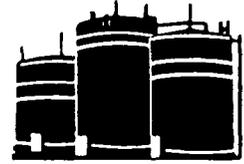
Dear Mr. Jones,

Per your instruction, Avra Oil Company mailed to Mr. Tom Jones a copy of the application to convert the Charlcia A. Taylor to a disposal well. Mr. Jones received the copies on October 25, 2002 by certified letter (see attached copy of return receipt).

In regard to your second request, Avra Oil Company tried to conduct a step rate test on Charlcia A. Taylor on November 13, 2002 (see attached invoice). We tripped in the hole with a pressure tool and couldn't pass 880'. We then tripped out of the hole with the tool, and cleaned out the tubing. The well then flowed back over 50 bbls of water into the tank; therefore making sure there was communication between perforations and surface. We then tripped in the hole a second time, but then again, there was an obstruction at 880'. Therefore, the step rate test could not be performed.

Relying on data available on the Queen formation in this field, a step rate test was conducted on an adjacent well, the C.A. Taylor. The New Mexico Oil Conservation Division (NMOCD) increased our surface injection pressure to 1585 PSIG. Avra tried to put water in the well, but it took 2200 PSIG to pump it into the formation (at a very low rate). Therefore, Avra had to abandon injecting water into this well.

.....



# AVRA OIL COMPANY

---

Moreover, it is Avra Oil Company's opinion that historically the Queen Sand has a very low permeability throughout southeast New Mexico. We believe this zone does not fracture until a pressure of 2800 PSI is reached. In several old Queen waterfloods, the NMOCD granted pressure as high as 2700 PSI.

Subsequently, Avra Oil Company respectfully requests that surface injection pressure be increased to 2000 pounds.

If you have any questions please call me at 915-682-4866.

Respectfully,

A handwritten signature in black ink, appearing to read 'Saeed Afghahi', is written over the typed name.

Saeed Afghahi  
President

Enclosure (3)

SA/lt

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 & 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I wish to receive the following services (for an extra fee):

1.  Addressee's Address
2.  Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to: 7002 0460 0002 0053 7738

Mr. Tom L. Jones -  
 1507 Rose Rd.  
 Hobbs, New Mexico 88242

4b. Service Type

<input type="checkbox"/> Registered	<input checked="" type="checkbox"/> Certified
<input type="checkbox"/> Express Mail	<input type="checkbox"/> Insured
<input checked="" type="checkbox"/> Return Receipt for Merchandise	<input type="checkbox"/> COD

7. Date of Delivery  
 10-25-02

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)

X Tom Jones

Thank you for using Return Receipt Service.

PRECISION  
PRESSURE  
DATA, INC.

# Invoice

NOV 18 2002

DATE	INV. #
11/13/2002	8567

PO Box 8571  
Midland, TX 79708

TAX ID# 75-241 4972

**BILL TO**

Avra Oil Company  
PO Box 3193  
Midland, TX 79702

**LEASE & WELL NO.**

Charlcia Ann Taylor #1  
11/13/02  
Saeed Afghahi

OPERATOR	TERMS	CO. REP.
EB	Net 20 Days	SA

DESCRIPTION	AMOUNT
Minimum Charge for Wireline Service (first 4 hours)	250.00
1 Day Rental on Electronic Pressure Instrument-Service Rental	100.00
Spang Jars Service Run - (per day/well)	80.00
200 Round Trip Mileage @ .95 Per Mile (Odessa)	190.00
Surface Memory Pressure Transducer	No Charge 0.00
Additional Runs	No Charge 0.00
Wireline BOPs	No Charge 0.00
Notebook Computer	No Charge 0.00
Texas Sales Tax	0.00

Wireline Ser.

V PR 567  
A 0513  
L 7300

JIB MONTH \_\_\_  
ENTERED \_\_\_  
POSTED \_\_\_

**POSTED**  
11/18/02

**Total** \$620.00

Taylor No. 1 Injection  
Well File



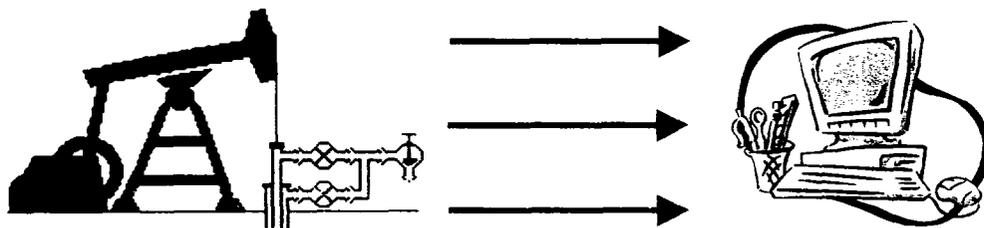
*Step Rate Injection Test Report*

*for*

***Avra Oil Company***

*Taylor #1*

9-4-01



# TABLE OF CONTENTS

SECTION I	CONTENTS
SECTION II	SEQUENCE OF EVENTS
SECTION III	DATA REPORT
SECTION IV	CHART



COMPANY: Avra Oil Company  
 WELL: Taylor #1  
 COMPANY REP: Saeed Aighahi  
 PERFORATIONS: N/A

SERVICE DATES: 9-4-01  
 TEST TYPE: Step Rate Injection  
 PPS TECHNICIANS: D. Ginanni  
 BHP GAUGE DEPTH: N/A

09/04/01	9:03	Start pumping @ 400 BPD
09/04/01	9:18	Increase to 650 BPD
09/04/01	9:33	Increase to 950 BPD
09/04/01	9:48	Increase to 1200 BPD
09/04/01	10:03	Increase to 1500 BPD
09/04/01	10:18	Increase to 1800 BPD
09/04/01	10:33	Increase to 2100 BPD
09/04/01	10:48	Increase to 2400 BPD
09/04/01	11:03	Increase to 2700 BPD
09/04/01	11:18	Increase to 3000 BPD
09/04/01	11:33	Increase to 3300 BPD
09/04/01	11:44	Cease pumping, start falloff
09/04/01	11:58	End of test



COMPANY : Avra Oil Company

SERVICE DATES : 9-4-01

WELL: Taylor #1

TEST TYPE : Step Rate Injection

COMPANY REP: Saeed Aighahi

PPS TECHNICIANS : D. Ginanni

PERFORATIONS: N/A

BHP GAUGE DEPTH: N/A

	TIME	INJECTION RATE (GPM)	INJECTION PRESSURE (PSI)	INJECTION VOLUME (GAL)	INJECTION RATE (GPM)	INJECTION PRESSURE (PSI)	INJECTION VOLUME (GAL)
	9:03	189.1					
	9:08	295.7	1.6	465.9	13.59		
	9:13	370.3	3.2	457.2	13.34		
<b>1</b>	<b>9:18</b>	<b>495.1</b>	<b>5.3</b>	<b>601.6</b>	<b>17.55</b>		
	9:23	558.8	7.9	741.8	21.64		
	9:28	572.4	10.4	737.1	21.50		
<b>2</b>	<b>9:33</b>	<b>685.0</b>	<b>13.5</b>	<b>878.1</b>	<b>25.61</b>		
	9:38	795.8	17.0	1009.0	29.43		
	9:43	852.4	20.5	1008.4	29.41		
<b>3</b>	<b>9:48</b>	<b>988.7</b>	<b>24.4</b>	<b>1123.8</b>	<b>32.78</b>		
	9:53	1028.8	28.7	1248.3	36.41		
	9:58	1084.4	33.1	1253.0	36.55		
<b>4</b>	<b>10:03</b>	<b>1209.5</b>	<b>37.9</b>	<b>1401.2</b>	<b>40.87</b>		
	10:08	1235.6	43.3	1539.8	44.91		
	10:13	1300.8	48.6	1535.7	44.79		
<b>5</b>	<b>10:18</b>	<b>1430.8</b>	<b>54.1</b>	<b>1574.9</b>	<b>45.94</b>		
	10:23	1492.4	60.5	1849.4	53.94		
	10:28	1489.5	66.9	1843.4	53.76		
<b>6</b>	<b>10:33</b>	<b>1657.5</b>	<b>73.8</b>	<b>1991.1</b>	<b>58.07</b>		
	10:38	1634.9	81.1	2101.8	61.30		
	10:43	1662.9	88.4	2105.8	61.42		
<b>7</b>	<b>10:48</b>	<b>1766.9</b>	<b>96.3</b>	<b>2257.2</b>	<b>65.84</b>		
	10:53	1859.0	104.7	2419.1	70.56		
	10:58	1779.4	113.1	2423.7	70.69		
<b>8</b>	<b>11:03</b>	<b>1870.4</b>	<b>122.0</b>	<b>2560.8</b>	<b>74.69</b>		
	11:08	1882.9	131.3	2688.9	78.43		
	11:13	1897.2	140.5	2650.2	77.30		
<b>9</b>	<b>11:18</b>	<b>1997.8</b>	<b>150.4</b>	<b>2860.5</b>	<b>83.43</b>		
	11:23	2025.6	160.9	3003.7	87.61		
	11:28	2056.8	171.3	3010.8	87.81		
<b>10</b>	<b>11:33</b>	<b>2099.7</b>	<b>182.4</b>	<b>3182.8</b>	<b>92.83</b>		
	11:38	2177.4	193.9	3315.4	96.70		
	11:43	2194.2	205.3	3294.7	96.10		



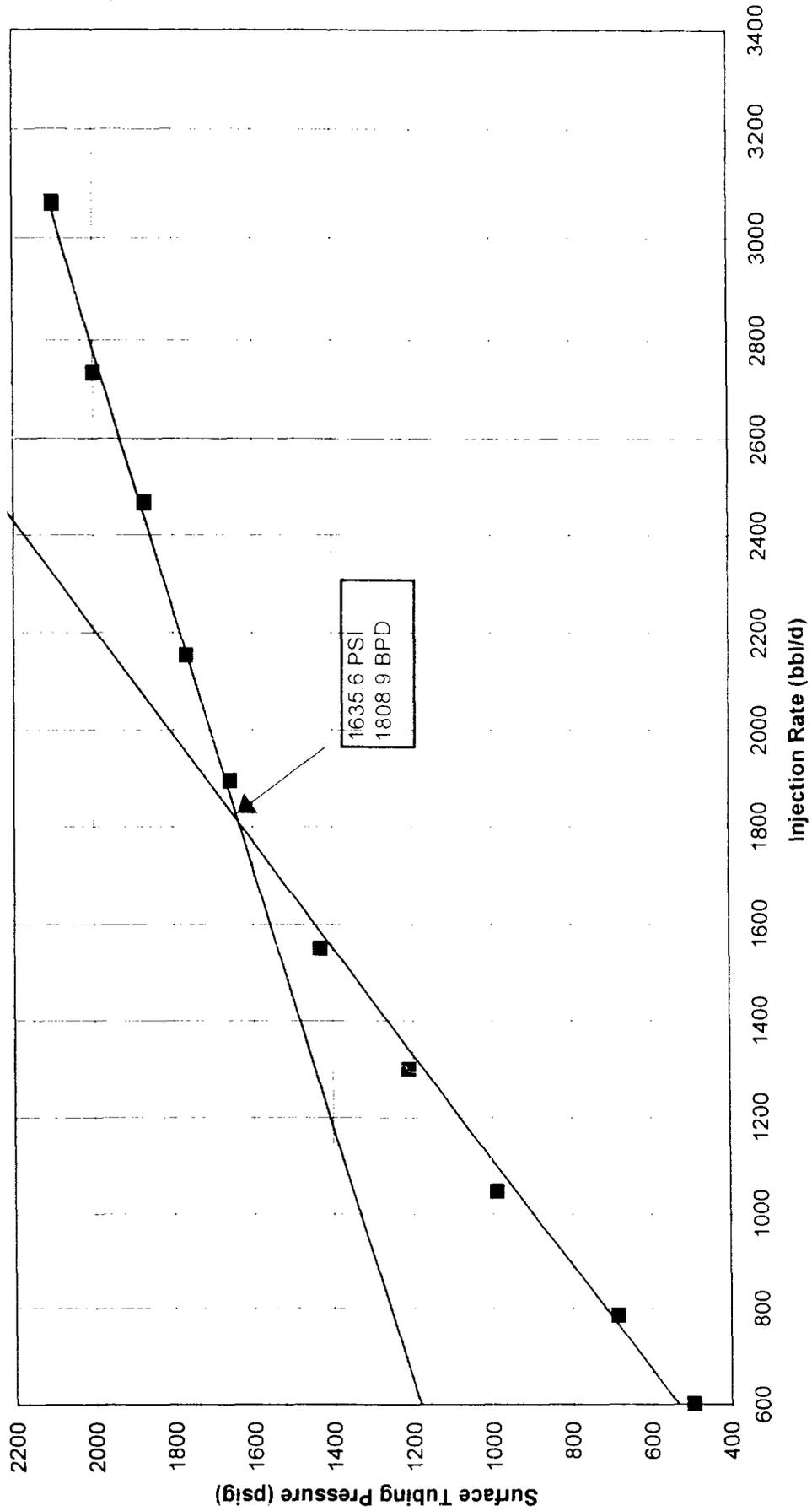
COMPANY : Avra Oil Company  
WELL: Taylor #1  
COMPANY REP: Saeed Aighahi  
PERFORATIONS: N/A

SERVICE DATES : 9-4-01  
TEST TYPE : Step Rate Injection  
PPS TECHNICIANS : D. Ginanni  
BHP GAUGE DEPTH: N/A

FALLOFF	Time	Pressure				
	11:44	1488.7				
	11:45	1678.8				
	11:46	1637.0				
	11:47	1601.9				
	11:48	1571.5				
	11:53	1453.3				
	11:58	1380.5				

# Pacific PROCESS SYSTEMS, INC.

## Step Rate Injection Test



3406 Lovington Hwy.  
Hobbs, NM 88240

Phone: (505) 392-8813  
Fax: (505) 392-6612



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**GARY E. JOHNSON**  
Governor  
**Betty Rivera**  
Cabinet Secretary

**Lori Wrotenbery**  
Director  
**Oil Conservation Division**

November 6, 2002

Mr. Tom Jones  
VMJ  
1507 Rose Rd.  
Hobbs, NM 88242

**Re: Avra Oil Company**  
**Administrative Order SWD-819**

Dear Mr. Jones:

The Engineering Bureau of the Division has referred to me your letter of October 30, 2002 concerning the referenced matter.

Be advised that Avra's application for a permit to utilize the Charlcia A. Taylor No. # Well for salt water disposal was granted by order of the Division signed December 20, 2001 (copy enclosed).

Since the order has already been entered, your protest is not timely. If you want the Division to reconsider this order, you will need to file an application to reopen setting forth your ownership interest and your reasons for requesting reconsideration. After filing your application, you should contact Division Administrator, Florine Davidson at 505-476-3440 to ascertain the date and time when the matter will be set for hearing. It will then be your responsibility to notify Avra of the date and time of the hearing. A copy of the applicable rule regarding initiating a hearing is attached for your reference. Additional information is available on our website at "emnrd.state.nm.us/ocd".

Should you have any questions, please call me at (505)-476-3450.

Very truly yours,

  
David K. Brooks  
Assistant General Counsel

cc: William Jones, Hearing Examiner



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON  
Governor  
Jennifer A. Salisbury  
Cabinet Secretary

Lori Wrotenbery  
Director  
Oil Conservation Division

ADMINISTRATIVE ORDER SWD-819

## ***APPLICATION OF AVRA OIL COMPANY FOR SALT WATER DISPOSAL, LEA COUNTY, NEW MEXICO.***

### **ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION**

Under the provisions of Rule 701(B), Avra Oil Company made application to the New Mexico Oil Conservation Division on December 5, 2001, for permission to complete for salt water disposal its Charlcia A. Taylor No. 1 (**API No. 30-025-07329**) located 1980 feet from the South line and 660 feet from the East line (Unit I) of Section 11, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico.

#### **THE DIVISION DIRECTOR FINDS THAT:**

- (1) The application has been duly filed under the provisions of Rule 701(B) of the Division Rules and Regulations;
- (2) Satisfactory information has been provided that all offset operators and surface owners have been duly notified;
- (3) The applicant has presented satisfactory evidence that all requirements prescribed in Rule 701 will be met; and
- (4) No objections have been received within the waiting period prescribed by said rule.

#### **IT IS THEREFORE ORDERED THAT:**

Avra Oil Company is hereby authorized to complete its Charlcia A. Taylor No. 1 (**API No. 30-025-07329**) located 1980 feet from the South line and 660 feet from the East line (Unit I) of Section 11, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico, in such a manner as to permit the injection of produced water for disposal purposes into the Queen formation from approximately 4,108 feet to 4,116 feet through 2 7/8 inch plastic-lined tubing set in a packer located at approximately 4,058 feet.

IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

Prior to commencing injection operations, the casing shall be pressure tested from the surface down to the proposed packer setting depth, to assure the integrity of the casing.

The casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge at the surface or left open to the atmosphere to facilitate detection of leakage in the casing, tubing, or packer.

The injection well or system shall be equipped with a pressure limiting device which will limit the wellhead pressure on the injection well to no more than 821 psi.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the Queen formation. Such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office.

The operator shall notify the supervisor of the Hobbs district office of the Division of the date and time disposal equipment will be installed on the well and the date and time the mechanical integrity test will be conducted, so that these operations may be witnessed.

The operator shall immediately notify the supervisor of the Hobbs district office of the Division of the failure of the tubing, casing, or packer in said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

PROVIDED FURTHER THAT, jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh water or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the injection authority granted herein.

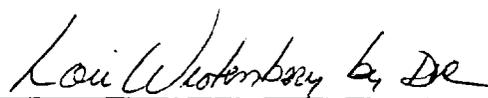
The operator shall submit monthly reports of the disposal operations on Division Form C-120-A, in accordance with Rule Nos. 706 and 1120 of the Division Rules and Regulations.

*Administrative Order SWD-819*  
*Avra Oil Company.*  
*December 20, 2001*  
*Page 3*

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The injection authority granted herein shall terminate one year after the effective date of this order if the operator has not commenced injection operations into the subject well, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

Approved at Santa Fe, New Mexico, on this 20th day of December, 2001.



LORI WROTENBERY, Director

LW/DRC

cc: Oil Conservation Division – Hobbs

Notwithstanding any other provision of these rules, in the event an emergency is found to exist by the Division or Commission, which requires adoption of a rule or the issuance of an order without a hearing, such emergency rule or order shall have the same validity as if a hearing had been held before the Division or Commission after due notice. Such emergency rule or order shall remain in force no longer than 15 days from its effective date. [1-1-50...2-1-96; A, 7-15-99]

**1203** INITIATING A HEARING [1-1-50...2-1-96; A, 7-15-99]

1203.A. The Division, the Attorney General, any operator or producer, or any other person may apply for a hearing. The application shall be signed by the person seeking the hearing or by an attorney representing that person. Two copies of the application must be filed and shall state:

- (1) the name of the applicant;
- (2) the name or general description of the common source or sources of supply or the area affected by the order sought;
- (3) briefly, the general nature of the order or rule sought;
- (4) a list of the names and addresses of persons to whom notice has been sent;
- (5) a proposed notice advertisement for publication; and
- (6) any other matter required by these rules or order of the Division. [1-1-50...2-1-96; A, 7-15-99]

1203.B. Applications for hearing before the Division or Commission must be in writing and received by the Division at least 23 days in advance of the hearing on that application. [4-30-74...2-1-96; A, 7-15-99]

**1204 PUBLICATION OF NOTICE OF HEARING**

The Division shall give notice of each hearing before the Commission or a Division Examiner by publication once in accordance with the requirements of NMSA 1978, Chapter 14, Article 11 in a newspaper of general circulation in the counties that are affected by the application. [1-1-50...2-1-96; A, 7-15-99]

**1205 CONTENTS OF NOTICE OF HEARING**

1205.A. Published notices shall be issued in the name of "The State of New Mexico" and signed by the Director of the Division, and the seal of the Commission shall be impressed thereon. [1-1-50...2-1-96; A, 7-15-99]

1205.B. The notice shall specify: whether the case is set for hearing before the Commission or a Division Examiner; the number and style of the case; the time and place of hearing; and the general nature of the application. The notice shall also state the name of the applicant, and unless the contemplated order or rule is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply that may be affected if the application is granted. [1-1-50...2-1-96; A, 7-15-99]

**1206 RESERVED** [Formerly "PREPARATION OF NOTICES".

**1207 NOTICE REQUIREMENTS FOR SPECIFIC ADJUDICATIONS** [1-1-86...2-1-96; A, 7-15-99]

1207.A. Applicants for the following adjudicatory hearings before the Division or Commission shall give notice in addition to that required by Rule 1204 as set forth below: [1-1-86...2-1-96; A, 7-15-99]

NOV 1

October 30, 2002

NMOCD Engineering  
Box 6429  
1220 S. Saint Francis Drive  
Santa Fe, NM 87504

RE: AVRA Oil Company  
C-108 Application

Dear Sir:

I just received notice from AVRA concerning a C-108 application for the Charlcia A. Taylor #1. They have been using this well for approximately a year without landowner approval.

Please accept this letter as VMJ's protest to this application. VMJ is the surface and mineral owners where this disposal is in operation. We would also like to set this application for hearing. It is our desire that AVRA stop using this well until it has received proper approval.

If you have any questions, please call Eddie W. Seay, (505)392-2236.

Thanks for your help,



Tom Jones  
VMJ  
1507 Rose Rd.  
Hobbs, NM 88242  
(505)392-8950

API Well #	Well Name	Well #	Operator Name	Type	Stat	County	Surf_Owner	UL	Sec	Twp	N/S	Rng	W/E	Feet	NS	Ft	EW	Order_No	Remarks	RBDMS Records
30-025-07312-00-00	AMERADA HARDIN	001	AVRA OIL CO	O	A	Lea	P	B	24	17 S	38 E	38 E	660 N	1980 E						
30-025-07327-00-00	FOREST A	001	AVRA OIL CO	S	A	Lea	P	A	11	18 S	38 E	38 E	990 N	330 E				SWD-459		.2 psi/ft
30-025-07329-00-00	CHARLCIA A TAYLOR	001	AVRA OIL CO	O	A	Lea	P	I	11	18 S	38 E	38 E	1980 S	660 E				SWD-819		.2 psi/ft
30-025-21276-00-00	C A TAYLOR	001	AVRA OIL CO	S	A	Lea	P	P	11	18 S	38 E	38 E	990 S	660 E				SWD-564	Step Rate Test is in our Well File. I can't find any IPI order.	.2 psi/ft
30-025-27416-00-00	WILLIAMS	001	AVRA OIL CO	O	A	Lea	P	G	11	18 S	38 E	38 E	1980 N	1660 E				DHC-2954		
30-025-27643-00-00	WILLIAMS	002	AVRA OIL CO	O	A	Lea	P	H	11	18 S	38 E	38 E	2310 N	560 E						
30-025-30049-00-00	STATE 7	001	AVRA OIL CO	O	P	Lea	S	I	7	16 S	34 E	34 E	1980 S	990 E						
30-025-30832-00-00	STATE 8	003	AVRA OIL CO	O	A	Lea	S	D	8	16 S	34 E	34 E	990 N	990 W						

10 AM 10/24/02  
 Called Sarah and asked him to  
 notify VMJ, INC which will be application  
 and send me the volume, weight,  
 We will wait 15 days for 10 test  
 Bill Jones

OCT 15

October 10, 2002

NMOCD Engineering  
ATTN: Will Jones  
Box 6429  
1220 S. Saint Francis Drive  
Santa Fe, NM 87504

RE: AVRA Oil Co.  
Charlcia A. Taylor #1 SWD  
Unit I Sect. 11, Tws. 18 S., Rng. 38 E. Lea Co.

SWD-819 12/20/01  
30-025-07329-00-00

Dear Sir:

My family and I are the owners of some property just East of Hobbs, NM. It has just recently been brought to my attention that the above listed well was converted to a disposal. We are the surface and mineral owners of the property where this well is in operation. Eddie Seay, a consultant in Hobbs, explained the permit and operations to me. AVRA never notified us according to the C-108 application and is currently operating above its pressure limit.

As owners of this property, we would like this permit rescinded until AVRA gets into compliance with the OCD and us, the land owner.

Your help in this matter will be greatly appreciated.

Sincerely,



VMJ Inc.  
Tom Jones  
1507 Rose Rd.  
Hobbs, NM 88242

1507 Rose Rd

Owner# 0003205

(K=Res, N=NON RES)

Full values

VMJ INC

NLand 16677

9293 W HWY 576

MORAN, TX

76464 0000

Dist 160 fin 000 Taxbl

5559

---PROPERTY DESCRIPTIONS---

CODE/DESCRIPTION

QTY

RATE 1/3 VALU

120 GRAZING

2850.50

5559

4000032050012 BK-085 PG-00767

SECTION-11 TOWNSHIP-18S RANGE-38E

312.73 AC BEING N2SW4, N2SE4,

E2SE4SE4 & NW4 \*LESS E 450'

OF NW4\*

\*1/96-TAYLOR, CHARLCIA PRT #42204\*

\*3/96-REDESCRIBED PRT TO #76486,

JONES, SAM B-715 P-433

6/18/01-JONES, VERNON

4000032050011 BK-085 PG-00767

SECTION-12 TOWNSHIP-18S RANGE-38E

157.50 AC BEING SW4

\*LESS E 208.71' OF S 521.78'

OF SE4SW4 SEC 12 \* (2.50 AC)

\*1/96-TAYLOR, CHARLCIA PRT #42204\*

CURRENT

CMD-7=EOJ, 9=Reselec

SW D-819



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**GARY E. JOHNSON**  
Governor  
**Jennifer A. Salisbury**  
Cabinet Secretary

**Lori Wrotenbery**  
Director  
Oil Conservation Division

12/6/01

OIL CONSERVATION DIVISION  
P. O. BOX 2088  
SANTA FE, NEW MEXICO 87501

RE: Proposed:

MC	_____
DHC	_____
NSL	_____
NSP	_____
SWD	X _____
WFX	WA _____
PMX	_____

Gentlemen:

I have examined the application for the:

<i>Aura Oil Co</i>	<i>Charleia ATaylor</i>	<i>#1-I</i>	<i>-11-183-38e</i>
Operator	Lease & Well No.	Unit	S-T-R FAPI # 30-025-07329

and my recommendations are as follows:

*Top Cement Unknown or Forest A #1*

Yours very truly,

*Chris Williams*  
Chris Williams  
Supervisor, District 1



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**GARY E. JOHNSON**  
Governor  
**Betty Rivera**  
Cabinet Secretary

**Lori Wrotenbery**  
Director  
Oil Conservation Division

December 20, 2002

Mr. Saeed Afghahi  
Avra Oil Company  
PO Box 3193  
Midland, Texas 79702

Re: Division Administrative Permit SWD-819  
Charlcia A. Taylor No. 1 API 30-025-07329  
Section 11, T18S, R38E, NMPM, Lea County, New Mexico

Dear Mr. Afghahi:

Please refer to your letter to the New Mexico Oil Conservation Division (Division) dated December 4, 2002, concerning this Salt Water Disposal well and the permit for this well.

We received your return receipt from Mr. Tom L. Jones, Hobbs, New Mexico, and will incorporate this into the Division's permit file.

It is unfortunate the Queen formation has naturally low permeability to water. Plugging of perforations with precipitated iron and scale caused by mixing of injection fluids is also common in Queen reservoirs as is some reduction of permeability due to migrating clays. It is possible that these Queen wells are poor candidates for water disposal and deeper, more permeable formations should instead be used. Please consult with Mr. Paul Kautz 505-393-6161 geologist in the Hobbs District Office when searching for alternative saltwater disposal formations in this area.

Please log on to the Division's web site at [www.emnrd.state.nm.us/ocd/](http://www.emnrd.state.nm.us/ocd/), click on "rulebook" and read sections 703.A, 704, and 705. Salt Water Disposal wells shall not be inactive for over one (1) year without isolating the injection formation with cement or a bridge plug. Moreover, the Division may require more comprehensive testing of the injection wells when deemed advisable.

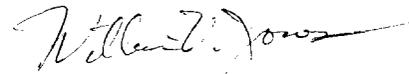
Please replace the damaged joints of tubing as needed to remove any internal profile restrictions and restore the well to optimum injection status and maintain mechanical integrity.

It is not required to run bottom hole pressure gauges during a step rate test UNLESS such gauges are necessary to interpret the test results. Normally injection wells in low permeable reservoirs and/or wells with narrow injection intervals do not require bottom hole gauges to aid in test interpretation.

The step rate test run on September 4, 2001, on the offsetting Queen saltwater disposal well - C.A. Taylor Well No. 1 API: 30-025-21276 – was easy to interpret from surface pressures alone. As a result of this test, the Division on October 9, 2002, raised the surface injection pressure allowable to 1,585psi.

As concerning the subject well, the currently permitted maximum surface injection pressure is 821psi. If additional pressure is needed, conduct a valid Step Rate Test on this well and submit it to this Division's Santa Fe office with a letter requesting increased injection pressure.

Sincerely,



William V Jones Jr. PE

cc: Oil Conservation Division-Hobbs  
Files: SWD-819, IPI 2002