

MONTGOMERY & ANDREWS
PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

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May 21, 2002
HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: *Administrative Application of Duke Energy Field Services, LP for
Authorization to Inject, Eddy County, New Mexico*

Dear Ms. Wrotenbery:

Enclosed is the original and two copies of the advertisements which were placed in the Artesia Daily Press and Carlsbad Current-Argus. These advertisements relate to the administrative application which Duke filed in this matter on May 7, 2002.

The advertisement appeared in the Artesia Daily Press on May 10, 2002, and in the Carlsbad Current-Argus on May 14, 2002. Therefore, the last day by which interested parties may object is May 29, 2002.

Also enclosed is an affidavit of mailing, by which I certify that on May 8, 2002, Duke provided notice of the application, by certified U.S. Mail, return receipt requested, to each leasehold operator within one-half mile of the proposed well location. Duke Energy is the owner of the surface on which the proposed well is to be drilled, so notice to the surface owner is not required. Objections or requests for hearing in response to this notice letter must be received by the Division by May 23, 2002.

Please let me know if there is anything that I can do to assist you with your consideration of this matter.

Very truly yours,


Paul R. Owen

02 MAY 21 PM 4:29
SECRET

Lori Wrotenbery, Director
Oil Conservation Division
May 21, 2002
Page 2

Enclosures

cc: Mr. Richard L. Griffith
Mr. Russell Bentley
Mr. Steve Miller

Affidavit of Publication

OIL CONSERVATION DIV.

No 22102

State of New Mexico,
County of Eddy, ss.

02 MAY 21 PM 4:30

Dawn Higgins

being first duly sworn, on oath says:

That she is Business Manager of the Carlsbad Current-Argus, a newspaper published daily at the City of Carlsbad, in said county of Eddy, state of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of the State wherein legal notices and advertisements may be published; that the printed notice attached hereto was published in the regular and entire edition of said newspaper and not in supplement thereof on the date as follows, to wit:

<u>May 14</u>	,	<u>2002</u>
_____	,	<u>2002</u>

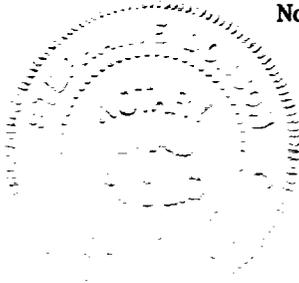
That the cost of publication is \$ 36.12, and that payment thereof has been made and will be assessed as court costs.

Dawn Higgins

Subscribed and sworn to before me this

16 day of May, 2002
Stephanie Dobson

My commission expires 12/13/05
Notary Public



May 14, 2002

Application of Duke Energy Field Services, LP for Authorization to Inject, Eddy County, New Mexico. Duke Energy Field Services, LP, has filed an Administrative Application for Authorization to Inject up to 800 bbl of acid gas, at a maximum pressure of 2,000 psi, into the Denman formation between 11,200 feet to 11,500 feet, through Duke Energy's proposed Duke #91 Well No. 1, to be drilled 1282 feet from the South line and 1927 from the East line of Section 7, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico. Said area is located approximately 13 miles Southeast of Artesia, New Mexico. Duke Energy Field Services, LP may be contacted through its attorney, Paul R. Owen, Post Office 2807, Santa Fe, New Mexico, 87504-2807, (505) 822-3673. Interested parties must file objections or requests for hearing with the Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, New Mexico 87506, within fifteen (15) days.

Affidavit of Publication

NO. 17707

STATE OF NEW MEXICO

County of Eddy:

Gary D. Scott being duly

sworn,says: That he is the Publisher of The
Artesia Daily Press, a daily newspaper of general
circulation, published in English at Artesia, said county
and county and state, and that the here to attached

Legal Notice

was published in a regular and entire issue of the said
Artesia Daily Press,a daily newspaper duly qualified
for that purpose within the meaning of Chapter 167 of
the 1937 Session Laws of the state of New Mexico for

1 consecutive weeks/days on the same

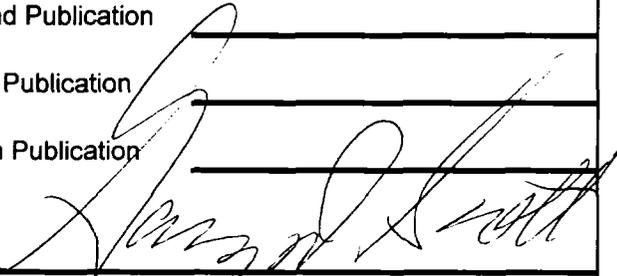
day as follows:

First Publication May 10 2002

Second Publication _____

Third Publication _____

Fourth Publication _____



Subscribed and sworn to before me this

10th day of May 2002

Quilise R. Owens
Notary Public, Eddy County, New Mexico

My Commission expires September 23, 2003

Copy of Publication:

02 MAY 21 PM 4:29

J. G. ...

18 South, Range 28 East,
NMPM, Eddy County, New
Mexico. Said area is located
approximately 13 miles
southeast of Artesia, New
Mexico. Duke Energy Field
Services, LP may be
contacted through its
attorney, Paul R. Owen,
Post Office 2307, Santa Fe,
New Mexico, 87504-2307,
(505) 982-3873. Interested
parties must file objections
or requests for hearing with
the Oil Conservation
Division, 1220 South Saint
Francis Drive, Santa Fe,
New Mexico 87505, within
fifteen (15) days.
Published in the Artesia
Daily Press, Artesia, N.M.
May 10, 2002. Legal 17707

LEGAL NOTICE

Application of Duke Energy
Field Services, LP for
Authorization to Inject, Eddy
County, New Mexico. Duke
Energy Field Services, LP,
has filed an Administrative
Application for Authorization
to Inject up to 800 bpd of
acid gas, at a maximum
pressure of 2,000 psi, into
the Devonian formation
between 11,200 feet to
11,500 feet, through Duke
Energy's proposed Duke
AGI Well No. 1, to be drilled
1232 feet from the South
line and 1927 from the East
line of Section 7, Township

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June 11, 2002

HAND-DELIVERED

Mr. William Jones, Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: *Administrative Application of Duke Energy Field Services, LP for
Authorization to Inject, Eddy County, New Mexico*

Dear Mr. Jones:

We appreciate your very prompt consideration and issuance of Administrative Order No. SWD-838, issued May 29, 2002. In that Order, the Division approves the above-referenced application.

On the second page the Order states that:

"The operator shall ensure that injected gas is properly dehydrated prior to entering the Devonian injection zone."

The Applicant, Duke Energy Field Services ("Duke") is the process of selecting operating conditions (interstage pressures and temperatures) of the injection compressor so that most of the water is removed from the gas via mechanical compression and separation. The gas is undersaturated with water as it leaves compression, enters the well, and then enters the injection zone. This will maintain the gas "in the non-corrosive phase" as the Order requires in the following paragraph.

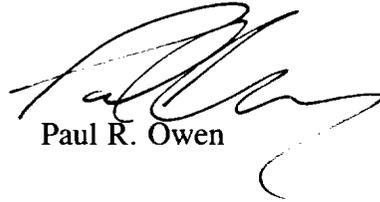
However, Duke is not completely dehydrating the gas with a glycol dehydration unit. I want to be sure the State has the same understanding of Duke's design and is not requiring Duke to install a dehydration unit to ensure that the injected gas is "properly dehydrated."

At your convenience, please let me know whether Duke's proposed method of injection, which includes maintaining the gas in the non-corrosive phase, but not installing or operating a separate glycol dehydration unit, will comply with Order No. SWD-838.

Mr. William Jones
Oil Conservation Division
June 11, 2002
Page 2

Thank you for your prompt consideration of this matter.

Very truly yours,



Paul R. Owen

Enclosures

cc: Mr. Richard L. Griffith
Mr. Russell Bentley
Mr. Steve Miller

Jones, William V

To: Brooks, David K; Catanach, David
Subject: RE: DEFS Acid Gas Proposed Devonian Injection Well Eddy Cty

DB: You know all this, just finishing this email.

DCC:

Got a call from a Mr. Sam Thompson 281-618-4719 with SW Energy Production Company who is in partnership with Phillips in a just completed Morrow well 2000 feet from this proposed wellsite. It turns out, they were missed in the original notifications sent out by DEFS (Paul Owen) on May 8th. Turns out that DEFS Landman missed someone. The ad in the paper was on May 14th. We approved the SWD-838 on May 29th actually prior to Artesia granting permission to drill the well because DEFS had to secure bond. SW Energy/Phillips may protest this in the next day or so but they are not protesting at this point. My understanding is they just have some questions and are nervous about letting the protest period expire.

Regards,

WVJJ