



Jones, William V., EMNRD

From: Jones, William V., EMNRD
Sent: Wednesday, January 12, 2011 11:18 AM
To: 'Michael.Bergstrom@shell.com'
Cc: Ezeanyim, Richard, EMNRD; Warnell, Terry G, EMNRD; Martin, Ed, EMNRD; 'William Carr'; Sanchez, Daniel J., EMNRD
Subject: Disposal application from Shell (SWEPI LP): Latigo Ranch Well No. 35 30-019-20137 Strawn and Atoka Formations

Hello Mike:

We received this application Jan 5 and I looked it over yesterday. I did get your phone calls asking the status of these two applications and know you are in a hurry.

(The only thing we have received on the Webb #323 30-019-20135 is the notices sent – no C-108 yet. There was a phone call from a surface owner of the Webb #323 site indicating a protest was coming, but I have not actually received this protest in writing.)

Anyway, it seems both of these applications are similar in that the proposed disposal interval is into a completed gas zone. We understand this is a limited time disposal of a finite amount of drilling and completion fluids from this well and surrounding wells.

The well file for this well contains the completion reports showing this well was stimulated with numerous frac jobs and apparently cleaned up enough to get a test. The proposal to put the completion fluids back into the gas zone cannot be done administratively as it involves a consideration of “waste” issues which is beyond the simple administrative evaluation of form C-108. The fluids (water and oil based mud) to be injected are likely compatible with the formation as far as scale formation is concerned, but there is a chance the permeability of the completion in this well may be irreparably affected or the disposal could adversely affect the gas reservoir. I don’t believe the OCD has approved any gas producing interval as a disposal well since I have been reviewing these types of applications.

The application as it is submitted is being denied. However, SWEPI LP does have the option of presenting evidence at an examiner hearing from a reservoir engineer as to the effects on this completion and possibly get permission to do this. If this is what you want to do, please have your attorney file an application with Florene Davidson of this office. She will assign a Case number to the application and put it on the docket. I understand SWEPI LP is in a hurry for this and this would take more time than was intended. For your information, Florene must wait 30 days to get the application on a docket. SWEPI can ask for a quick decision after the hearing. Because this is unusual and could affect others, please provide notice of any upcoming hearing to all affected parties as you did before.

You may have already considered this, but I will mention anyway. Your petrophysicists and geologists could pick another interval uphole that has adequate porosity and high water saturation (only water bearing) and this interval could be proposed for this limited disposal. The C-108 would need to be revised and resubmitted to any affected party and to this office. You would need to republish the newspaper notice stating the new interval depths and formation name. We could process this application 15 days after it is noticed and received in this office. If you choose this route, please send in a log (over the new proposed interval) and a rough water saturation calculation confirming the proposed interval is only water bearing. Please also list the formation tops in any new application and be sure and state who is the surface owner of the well site. Our fax number is 505-476-3462 or you can scan and email any application.

Many Regards,

William V Jones, P.E.
Engineering, Oil Conservation Division
1220 South St. Francis Drive, Santa Fe, NM 87505