

State of New Mexico
Energy, Minerals and Natural Resources Department

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Cabinet Secretary

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Oil Conservation Division



February 7, 2013

Heather McDaniel, Regulatory Supervisor
ConocoPhillips
P.O. Box 4289
Farmington, NM 87499

RE: San Juan 32-8 #301 SWD, API#30-045-27935. UL L, S16 T31N R08W.

Mrs. McDaniel:

We have completed the review of the above listed well and information related to the increase in annular pressure.

The Oil Conservation Division (OCD) understands it is: "ConocoPhillips' position:

"All recent build-up testing, past bradenhead tests and MITs indicate well integrity of the San Juan 32-8 #301 SWD well. Therefore, there is no potential for the contamination of surface/ground waters.

The recent pressure build-up test substantiates the integrity of the primary casing string and shows that the tubing and casing are not in communication. The tubing does not leak when the well is in a static condition; however, it is acknowledged that the tubing will leak a minute volume intermittently during injection cycles.

ConocoPhillips does not believe that there is a leak in the tubing body. The tubing was replaced during workover activities in July, 2011. The packer is also sealing. A recent radioactive tracer survey ran on September 20, 2012 has demonstrated this. The casing pressure on the well is the result of an intermittent thread leak that builds during shut-in periods as the wellbore heats and dissipates when fluids are being injected and the wellbore cools. This cycle demonstrates that the pressure is a result of the thermal expansion of an incompressible fluid in a sealed chamber.

It is ConocoPhillips' position that this tubing leak is "insignificant" and that the annular pressure can be managed without resorting to a costly repair. During the recent build-up test, 2 barrels of fluid were bled off the casing. Since we first became aware of this issue, approximately 244,000 barrels have been injected into the well".

OCD approves ConocoPhillips to continue disposing into the well under the following conditions:

1. Continuous recording of all casing strings.
2. At each bleed off, the before and after pressure, volume, type of flow, H2S, date and time will be documented.
3. A quarterly analysis of the bled-off fluids and any gas if encountered.
4. Monthly reports shall be filed to the district office and are to include copies of the pressure/bleed off volumes and casing recording charts.

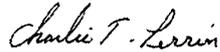
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5. Any changes or variations in the monitoring are required to be reported within 24 hours. This includes pressure or volume changes.
6. ConocoPhillips may submit a request for approval for an expansion tank or alternate plans providing system details and operational procedures.
7. If conditions in the wellbore pressures or volumes change that indicate further mechanical integrity issues, ConocoPhillips will immediately shut the well in and notify the NMOCD.
8. At the next well work created by change of packer or mechanical integrity failure ConocoPhillips will evaluate the wellbore for remedial action to include running a top to bottom casing inspection log, identification of the leak, obtaining remedial procedure approval and performing remedial operations.

If I can be of any assistance, please contact me at (505) 334-6178 ext 111.

Sincerely,



Charlie Perrin
District 3 Supervisor

Ec: Will Jones
Daniel Sanchez
Well file