



ACT OPERATING COMPANY

April 18, 2000

CERTIFIED-RETURN RECEIPT REQUESTED
P 101 779 733

Mr. Billy Pritchard
Oil Conservation Division
District 1
1625 N. French Drive
Hobbs, NM 88241

Re: Milnesand San Andres Unit, Roosevelt County, New Mexico

Dear Mr. Pritchard;

Enclosed, please find the requested C103's on certain Milnesand San Andres Unit wells. In addition, you requested a letter last month stating our general plans for the referenced Unit. Generally speaking, the plan is to evaluate a new fracturing technique and increase injection rates substantially by development of our water make up source and repairing injection wells.

As stated in the C103's, it is our intention to get the wells back into compliance as active injectors. Without the injectors, reserves would be lost, thus creating waste. However, A.C.T. does not wish to invest the money into the injection wells if we cannot prove the fracturing technology first. In the case where the fracturing technology does not pan out, we would choose to plug and abandon the injectors.

In order to evaluate the above, we are asking postponement of any injector work until September of this year. To give you a technical overview, I submit the following outline of my technical assessment of the Milnesand San Andres unit.

1. The following are some of the past and current Milnesand Unit problems:
 - a. Only 0.1 pore volumes of water have been injected into the unitized San Andres reservoir.
 - b. No substantial water source for injection has ever been developed.
 - c. All pay zones are not open in several wells.
 - d. No understanding of flow units with each sub-zone.
 - e. Poor completion techniques with old, very small, fracture treatments.
 - f. Poor remedial clean up techniques.
 - g. Uncontrolled injection profile/rates/pressures with little surveillance. The P1 zone in the southern quarter of the field is flooded out causing wasted operating cost to "circulate" the production.