

State of New Mexico
Energy, Minerals and Natural Resources Department

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Oil Conservation Division



May 20, 2013

Certified Mail

Return Receipt #: 7006 3450 0000 0451 8612

Dave Evans, Farmington District Manager
Bureau of Land Management
6521 College Blvd., Suite A
Farmington, NM 87402

Dear Mr. Evans:

We appreciate you contacting the Oil Conservation Division (OCD) regarding the Bureau of Land Management's (BLM) supportive consideration for Energen Resources Corporation (Energen) recompletion proposal for the following well:

Chacon Jicarilla D #7, Located in C Section 21, T23N, R3W, Sandoval County, New Mexico on Jicarilla Contract 183. API # 30-043-20236.

According to OCD rules and regulations, the Aztec District office does not have the authority to approve the exception Energen is requesting and the BLM is supporting.

In response to BLM's concern regarding the interpretation of OCD Rules, there are specific cementing requirements:

19.15.16.9 SEALING OFF STRATA

A. During the drilling of an oil well, injection well or other service well, the operator shall seal and separate the oil, gas and water strata above the producing or injection horizon to prevent their contents from passing into other strata.

19.15.16.10 CASING AND TUBING REQUIREMENTS

A. The operator shall equip a well drilled for oil or gas with surface and intermediate casing strings and cement as may be necessary to effectively seal off and isolate all water-, oil- and gas-bearing strata and other strata encountered in the well down to the casing point. In addition, the operator shall equip a well completed for oil or gas production with a string of properly cemented production casing at sufficient depth to ensure protection of oil- and gas-bearing strata encountered in the well, including the strata to be produced.

E. Authorized division field personnel may, when conditions warrant, allow exceptions to Subsection D of 19.15.16.10 NMAC and permit the operator to use oil-based casing packing material in lieu of hard-setting cements on intermediate and production casing strings; provided that when the operator uses such materials on the intermediate casing string, the operator places conventional-type hard-setting cements throughout all oil- and gas-bearing zones and throughout at least the lowermost 300 feet of the intermediate casing string. When the operator uses such materials on the production casing string, the operator shall place conventional-type hard-setting cements throughout all oil- and gas-bearing zones that shall extend upward a minimum of 500 feet above the uppermost perforation or, in the case of an open-hole completion, 500 feet above the production casing shoe.

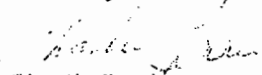
OCD Aztec District office uses 19.15.16.10. E. as an exemption from "shall seal and separate the oil, gas and water strata above the producing or injection horizon to prevent their contents from passing into other strata". This is obtained by requiring the operator to obtain the 500' in lieu of bringing the cement all the way back to the next casing string or to the surface.

OCD Aztec District office wellbore review takes into consideration monitoring capabilities. When monitoring pressure is available through Bradenhead testing, we can identify if/when the pressure shows on the annulus and review that information for any requirements. In this specific well, monitoring of the pressure is not available. The CBL indicates a DV tool at 3343'+- with good cement on the outside of the casing with mostly good isolation to approximately 1850'. This cement will prevent us from monitoring any pressure on the lower formations.

It is my understanding that Energen is currently looking at recompleting approximately fifteen wells that may not meet cement requirements. Energen can request an exception from the OCD cementing requirements by following Rule 19.15.4.8 INITIATING AN ADJUDICATORY HEARING. BLM can enter an appearance for the Adjudication.

If I can be of assistance, I can be reached at 505-334-6178 ext. 111.

Sincerely,


Charlie Perrin
OCD District III Supervisor

cc: Jicarilla Apache Nation Minerals Department
P.O. Box 146
Dulce, NM 87525

Energen Resources Corporation
2010 Afton Place
Farmington, NM 87401

cc: Jami Bailey, OCD Division Director
Scott Dawson, OCD Deputy Division Director
Daniel Sanchez, Enforcement and Compliance Manager
David Brooks, Attorney

19.15.16.9 SEALING OFF STRATA:

A. During the drilling of an oil well, injection well or other service well, the operator shall seal and separate the oil, gas and water strata above the producing or injection horizon to prevent their contents from passing into other strata.

B. The operator shall ensure that fresh waters and waters of present or probable value for domestic, commercial or stock purposes are confined to their respective strata and are adequately protected by division-approved methods. The operator shall take special precautions by methods satisfactory to the division in drilling and abandoning wells to guard against loss of artesian water from the strata in which it occurs, and the contamination of artesian water by objectionable water, oil or gas.

C. The operator shall ensure that water is shut off and excluded from the various oil- and gas-bearing strata that are penetrated. The operator shall ordinarily make water shut-offs by cementing casing.

[19.15.16.9 NMAC - Rp, 19.15.3.106 NMAC, 12/1/08]

19.15.16.10 CASING AND TUBING REQUIREMENTS:

A. The operator shall equip a well drilled for oil or gas with surface and intermediate casing strings and cement as may be necessary to effectively seal off and isolate all water-, oil- and gas-bearing strata and other strata encountered in the well down to the casing point. In addition, the operator shall equip a well completed for oil or gas production with a string of properly cemented production casing at sufficient depth to ensure protection of oil- and gas-bearing strata encountered in the well, including the strata to be produced.

B. The operator shall use sufficient cement on surface casing to fill the annular space behind the casing to the top of the hole, provided that authorized division field personnel may allow exceptions to this requirement when known conditions in a given area render compliance impracticable.

C. Cementing shall be by pump and plug method unless the division expressly authorizes some other method.

D. Cementing shall be with conventional-type hard-setting cements to which the operator has added additives (lighteners, densifiers, extenders, accelerators, retarders, etc.) to suit conditions in the well.

E. Authorized division field personnel may, when conditions warrant, allow exceptions to Subsection D of 19.15.16.10 NMAC and permit the operator to use oil-base casing packing material in lieu of hard-setting cements on intermediate and production casing strings; provided that when the operator uses such materials on the intermediate casing string, the operator places conventional-type hard-setting cements throughout all oil- and gas-bearing zones and throughout at least the lowermost 300 feet of the intermediate casing string. When the operator uses such materials on the production casing string, the operator shall place conventional-type hard-setting cements throughout all oil- and gas-bearing zones that shall extend upward a minimum of 500 feet above the uppermost perforation or, in the case of an open-hole completion, 500 feet above the production casing shoe.