

Sanchez, Daniel J., EMNRD

From: Wesley_Ingram@blm.gov
Sent: Wednesday, March 03, 2010 4:54 PM
To: Sanchez, Daniel J., EMNRD; John_Bramhall@blm.gov
Subject: NMOCD Hearing Docket 8-10

Richard
David Brooks

Daniel and John,

Following are the comments that the BLM CFO office has regarding three cases for the March 4, 2010 hearing:

NMOCD Hearing Docket 8-10

CHE ENERGY, INC

Case 14353 - The document submitted to the BLM on October 1, 2009 stated that if the document did not become effective by December 1, 2009, it would expire unless the Working Interest Owners have decided to extend the expiration date. The BLM has not received notification of such extension.

Case 14432 - Operator will need to apply to BLM for approval for this off-lease measurement, commingling and storage. BLM requires that State and Federal production be measured separately. This one could be all Federal, but no details on exactly which portions of Sections 11, 12, 13 and 14 are included.

NMOCD HEARING DOCKET No. 8-10; Case 14421

Application of ConocoPhillips Company for amendment of Division order No. R-2403, as amended to increase the authorized injection pressure in its MCA Unit Area, Lea County, New Mexico to 2150 psi.

Comments: ConocoPhillips recently performed step-rate tests on MCA injection wells 223, 273 and 301. We have not been provided these tests to evaluate whether 2150 psi would be above fracture pressure or not. After looking at the construction of several of the injection wells in the area with the original injection/production string set at 3525 to 3900 ft in the upper part of the Grayburg formation and nitro-shot, it is possible that the cement integrity around those original casing shoes may be suspect. This along with the brine flows encountered (at approximately 3680-3700 ft) while trying to cement/complete MCA Unit wells Nos. 457, 463, 474 and 483 seems to validate that presumption.

Recommendations: The BLM would like to see radioactive tracer surveys performed on the injection wells in the MCA Unit to determine whether or not there is upward movement of injected fluid outside of the zones being injected into at this time. Initially and once every 5 years like the casing/tubing annulus pressure test would probably be sufficient to determine if this increased injection pressure is or will cause movement of fluid outside of the Grayburg/San Andres zones.

Thank you,