STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

June 2, 1989

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

McClellan Oil Corporation
Drawer 730
Roswell, New Mexico 88202

Attention: Paul Ragsdale

Dear Paul:

I have received your letter dated May 18, 1989, whereby you requested an exception to the mechanical integrity pressure testing requirements for the injection wells located within the Sulimar Queen Waterflood Project. I have carefully examined the reasons that you have outlined as to why these tests should not be conducted at this time and have concluded that your request cannot be granted for the following reasons:

1. Mechanical integrity pressure tests are required not only to ensure that fresh water is being adequately protected, but also to ensure that there is no fluid movement from the injection zone into other formations.

2. The subject wells have not been tested since July, 1985. Under Division Rules and Regulations, as well as EPA program guidelines, injection wells are to be tested once every five years.

3. The injection wells are required to be equipped, operated, monitored, and maintained to facilitate periodic testing as per the requirements of Division Rule 703. At least five of the subject wells are also specifically required, under the provisions of Order Nos. WFX-477, 486, 487, 545, and 559, to have the casing-tubing annulus loaded with an inert fluid. From the information contained in your letter, it appears that these requirements are not being met.

4. The subject wells have not been utilized for active injection since 1986. I have found that the Division has granted temporarily abandonment status for the subject wells, but that this status expired in November, 1987. This is in violation of Division Rule No. 705 (B)(2) which states that whenever there is a continuous six month period of non-injection without Division approval, the project may be considered abandoned and the injection authority cancelled.

I have been in contact with our district personnel in Artesia and we have discussed the mechanical problems which might arise as a result of testing. We have concluded that we will proceed with caution when testing the wells, and if problems do arise, we can further discuss them at that time.

If you have any questions, please contact myself at (505) 827-5800.

Sincerely,

David Catanach

David Catanach

xc: OCD-Artesia
Case File-4610

McClellan Oil Corporation

May 18, 1989

David Catanach
New Mexico Oil
Conservation Division
P.O. Box 2088
Santa Fe, N.M. 87504-2088

Re: Sulimar Queen Waterflood
Casing Integrity tests
Chaves County, N.M.

Dear David,

The Artesia District Office has notified McClellan Oil that casing integrity tests be conducted on the referenced Sulimar Queen Waterflood injection wells. We have discontinued water injection into these wells since 1986. The wells do not have any tubing or casing pressure and will not backflow. The Sulimar Queen is a shallow (1900 ft) Queen Waterflood in southeast Chaves County. The wells were drilled with cable tools and no surface water is present. The wells passed casing integrity tests in 1985.

McClellan Oil requests that the casing integrity tests be postponed until injection is reinstated. By postponing the casing tests no damage would occur. We request this extension for the following reasons:

1. No surface water is present therefore no contamination can occur.

2. The wells are on a "vacuum". The standing fluid level in the wells is ±1600 feet from surface. The standing fluid level is in cemented casing.

3. The tests may not be valid if conducted. The wells are equipped with 2 3/8" tubing inside 4½" casing. The tubing is anchored with Halliburton R-4 tension packers set ±50 feet above the zone. If the tubing-casing annulus is loaded with water without fluid on the inside of the tubing the hydrostatic weight of the annular fluid may exceed the tension pulled on the packer and the packer may relax or collapse. This will eliminate the annular seal and communicate the injecting zone with the annulus. It is necessary to load the tubing to effectively test the annulus. Since the wells are on a vacuum it may take large amounts of water to load the tubing.

4. This waterflood project is to be donated to the New Mexico Tech Research Foundation as a "oilfield lab". One of the proposals is to establish injection rates and monitor fluid flows.

Therefore we ask that until injection is reinstated that these tests be postponed. We appreciate your considerations in this project.

Sincerely yours,

Paul Ragsdale
Operations Manager

OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

November 3, 1971

GOVERNOR
BRUCE KING
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

Mr. Jason Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Dear Mr. Kellahin:

Reference is made to Commission Order No. R-4214, recently entered in Case No. 4610, approving the McClellan Lisa Sulimar and Cities Synder Sulimar Waterflood Projects.

Injection into each of the seven authorized water injection wells shall be through tubing which shall be set in a packer located approximately 50 feet above the producing interval. The casing-tubing annulus shall be loaded with an inert fluid and shall be equipped with a pressure gauge at the surface. Injection water if other than fresh shall be continuously chemically treated to control corrosion.

As to allowable, our calculations indicate that when all of the authorized injection wells have been placed on active injection, the maximum allowable which the McClellan Lisa project will be eligible to receive under the provisions of Rule 701-E-3 is 630 barrels per day when the Southeast New Mexico normal unit allowable is 42 barrels per day or less, while the maximum for the Cities Snyder Project is 84 barrels per day. The combined projects upon unitization, and with the inclusion of the Carthel, Smernoff, and Pubco Leases, would have a total allowable, under a 42 barrel or less normal allowable, of 882 barrels per day.

Please report any error in this calculated maximum allowable immediately, both to the Santa Fe office of the Commission and the appropriate district proration office.

In order that the allowable assigned to the project may be kept current, and in order that the operator may fully benefit from the allowable provisions of Rule 701, it behooves him to promptly notify both of the aforementioned Commission offices by letter of

Mr. Jason Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

November 3, 1971

any change in the status of wells in the project area, i.e., when active injection commences, when additional injection or producing wells are drilled, when additional wells are acquired through purchase or unitization, when wells have received a response to water injection, etc.

Your cooperation in keeping the Commission so informed as to the status of the project and the wells therein will be appreciated.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/DSN/ir

cc: Oil Conservation Commission
Hobbs and Artesia, New Mexico

Mr. D. E. Gray, State Engineer Office
Santa Fe, New Mexico

U. S. Geological Survey
Drawer U
Artesia, New Mexico

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

P. O. Drawer U
Artesia, New Mexico 88210

October 12, 1971

Mr. Jack L. McClellan
Post Office Box 848
Roswell, New Mexico 88201

Dear Mr. McClellan

Your letter of September 23, 1971 requests approval to operate a waterflood project of the Queen formation in T. 15 S., R. 29 and 30 E., N.M.P.M., Chaves County, New Mexico on the following Federal oil and gas leases:

Las Cruces 069280-A

Las Cruces 069280-B

Las Cruces 069280-C

New Mexico 0558684

New Mexico 0556543

New Mexico 0458356

New Mexico 0493370-A
Insofar as it covers the S½NE¼ sec. 26, T. 15 S., R. 29 E.

New Mexico 0518428
Insofar as it covers the N½NW¼ sec. 25, T. 15 S., R. 29 E.

The flood pattern would be non-symmetrical with injection well equity across lease lines determined by agreement. It is proposed to convert the following wells to water injection:

Well Number And Lease	Location
2-Lisa Fed. "A"	SE-NW 24-15S-29E
5-Lisa Fed. "A"	SE-SW 24-15S-29E
6-Lisa Fed. "A"	NW-SW 24-15S-29E
8-Lisa Fed. "A"	SE-SW 13-15S-29E
4-Lisa Fed. "B"	SE-SE 13-15S-29E
3-Lisa Fed. "C"	SE-NE 24-15S-29E
4-Lisa Fed. "C"	NW-SE 24-15S-29E
2-Carthel Fed.	SE-SE 23-15S-29E
1-Larue Fed.	NW-NW 25-15S-29E
2-Snyder Fed.	SW-NE 26-15S-29E

These wells would be converted as the initial injection wells indicated a response, and it is also proposed to drill as water injection the following wells:

Well Number And Lease	Location
10-Lisa Fed. "A"	SW-SW 13-15S-29E
11-Lisa Fed. "A"	NW-NW 24-15S-29E

The plan for operating the waterflood project as proposed in the application is satisfactory to this office, and hereby approved subject to approval by the New Mexico Oil Conservation Commission and the following:

1. This project will be operated in compliance with the New Mexico Oil Conservation Commission regulations governing waterflood operations.

2. Duplicate copies of a monthly progress report, N.M.O.C.C. form C-120 acceptable, are to be submitted to this office showing the volume of water injected and average pressures for the injection wells and production for the producing wells in the project area.

3. This approval does not preclude the necessity for further approval when the project is expanded to include other wells and leases or the necessity to submit the usual notices and reports on wells involved. When this project is expanded to involve other operators and interests, the correlative rights of all concerned should be considered.

Sincerely yours,

(Orig. Sgd.) JAMES A. KNAUF

James A. Knauf
District Engineer

cc:
N.M.O.C.C., Santa Fe ✓
Roswell
Accounts