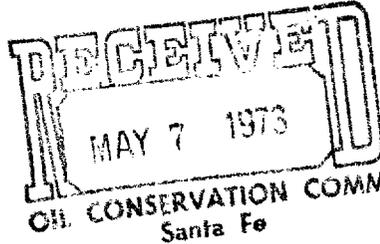


OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
1000 RIO BRAZOS ROAD - AZTEC
87410

GOVERNOR
BRUCE KING
CHAIRMAN
LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

May 2, 1973



Mr. William Carr, Attorney
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Re: Plugging and Abandonment
Hixon Development Co. Wells
Bisti-Gallup Oil Pool

Dear Mr. Carr:

The following listed wells all of which are located on state or fee land were completed as producing oil wells in the Bisti-Gallup Oil Pool in 1956:

- Central Bisti Unit #41, D-16-25N-12W
- Central Bisti Unit #46, I-16-25N-12W
- Central Bisti Unit #47, K-16-25N-12W
- Central Bisti Unit #49, M-16-25N-12W
- Central Bisti Unit #50, O-16-25N-12W

All of these wells produced until 1967 when they were shut-in. None have produced since that time. The Central Bisti Unit #9 located F-16-25N-12W was originally an injection well in the Central Bisti Unit. It has been inactive since January, 1971.

I am requesting that a hearing be set before the Commission in order to allow the operator to show cause why the above wells should not be plugged in accordance with a Commission approved plugging program.

Yours very truly,

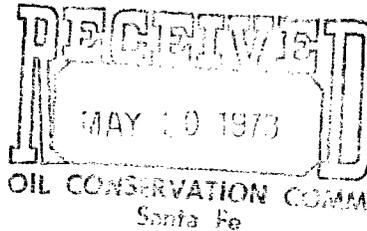
Emery C. Arnold
Emery C. Arnold
Supervisor, District #3

ECA:mc

cc: Hixon Development Co.
510 Bank of the Southwest
Amarillo, Texas 79100

Hold to you. 1/7

May 7, 1973



Mr. Emory C. Arnold
Supervisor, District #3
Oil Conservation Commission
State of New Mexico
1000 Rio Brazos Road
Aztec, New Mexico 87410

Re: Commission Hearing
Plugging of Specified Wells
Central Bisti Unit
San Juan County, New Mexico

Dear Mr. Arnold:

With reference to your letter of May 2, 1973 to Mr. William Carr, I am making this reply concerning your request for hearing to show cause why the named wells should not be plugged. It is our express desire to eliminate the need for said hearing by explaining our plan of operation to you as regards the specified wells and the unit operation in the future.

Basically our plan of operation is to produce segments of the unit alternately on a minimized waterflooding program. Our engineering studies of the Sun Oil operation in the unit indicate that the expanded unit-wide waterflood that was conducted by Sun experienced serious losses of injection water to zones other than the Lower Gallup sand by way of poor casing cement jobs and/or formation fractures both natural and induced. As a result of the Sun approach to flooding, extensive volumes of oil were bypassed resulting in uncontrolled water breakthrough to most producing wells. It should be noted that only nine wells in the unit responded to water injection under Sun's procedure.

Since Hixon Development Company has owned the unit we have concentrated our efforts at restoring the unit to commercial status by producing and injection of water in sections 5,6,7, and 8 - 25N - 12W. As a result of our studies and subsequent production and injection tests we have succeeded in substantially and consistently improving production from the northwest portion of the unit. It has been our plan to expand this operation to the southeast portion of the unit, specifically involving all the wells which you specified in your letter to Mr. Carr. All of the wells so named are under constant observation and are periodically tested for indications of movement of an oil bank in the reservoir. As of this date I have received a test report on WIW No. 9 (F-16-25N-12W) indicating a producible rate of 40 BO, 100 BW in 30 hrs. test flowing. Additional testing is underway to establish feasibility of converting this well to production status with the installation of pumping equipment. This well was tested on February 21, 1972, and flowed 100% water. As a result of this observation and test we have already scheduled tests on wells nos. 40,41,42,46,47,49,50, and WIW No. 8 in accordance with our original plan of gradual expansion of our operations.

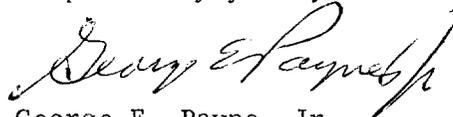
Mr. Arnold, Page 2 - May 7, 1973

In the event we are forced to plug the wells specified in your letter our entire plan of operation will be interrupted and will result in premature abandonment of the unit. This of course will result in loss of recoverable oil and in our opinion will certainly not be in accordance with good engineering or conservation practice. In addition, under the circumstances we feel that forced plugging of these wells is not in the best interests of our client, Hixon Development Company, as it will seriously disrupt the economics of their program and preclude the completion of our engineered program for the unit.

With this letter I am requesting that you withdraw your request of Mr. Carr for the show cause hearing and thereby eliminate the undue expense to us and the commission of holding said hearing.

If you have any questions that may clarify any points regarding our program please call or write at your convenience.

Respectfully yours,



George E. Payne, Jr.
Registered Professional Engineer
Earth Sciences Company

GEP:ps

cc: Mr. William Carr, Attorney
New Mexico Oil Conservation Commission



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
1000 RIO BRAZOS ROAD - AZTEC
87410

May 17, 1973

GOVERNOR
BRUCE KING
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

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

*check w/ Emery
on November 17*

Mr. George E. Payne, Jr.
Earth Sciences Company
510 Bank of the Southwest Building
Amarillo, Texas 79109

Re: Status of Shut-in Wells
Section 16, Township 25 North, Range 12 West

Dear Mr. Payne:

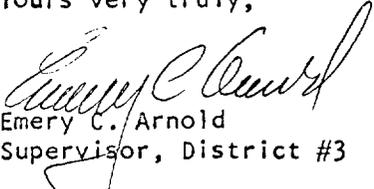
I have your letter of May 7, 1973, concerning the present status and future plans for Central Bisti Unit wells # 41, 46, 47, 49, and 50, all located in Section 16, Township 25 North, Range 12 West. I have discussed the matter with Mr. Willima Carr, Commission Attorney, and based upon information contained in your letter we have decided against setting a plugging hearing for these wells at this time.

It has never been the Commission's policy to force plugging of wells which can be commercially produced. It is the Commission's policy to force plugging of wells which have reached depletion or which no longer serve useful purpose in flooding operations.

I am requesting that you submit to this office six months from this date, an updated status report of the Central Bisti Unit, giving specific information and plans for individual wells in the project.

Thank you.

Yours very truly,


Emery C. Arnold
Supervisor, District #3

ECA:mc

cc: Mr. William Carr
Oil Conservation Commission
Santa Fe, New Mexico