



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

5/27/2002

I.T. PROPERTIES
ATT: WENDELL CHEN
3502 YACHCLUB CT., SUITE 100
ARLINGTON, TX 76106

RE: 30-015-21638 F-23-19s-28e DHY STATE #1

DEAR MR. CHEN,

I WAS INFORMED ON OUR PHONE CONVERSATION DATED 5/23/2002.
THAT YOU HAVE MOVED A PACKER SET IN THE DHY STATE #1 AT 4050'
DOWN TO 8700'. AND ARE CURRENTLY LOADING THE CASING/TUBING
ANNULUS WITH WATER IN PREPERATION OF AND MIT TEST TO BE RAN
ON THE DHY STATE #1 PROVING THE INTERGRITY OF THE 5.5" CASING
IN THE WELLBORE FROM 8700' TO SURFACE.

BEFORE THE MIT TEST TO BE RAN ON THE DHY STATE #1 IS APPROVED THE PACKER
SETTING DEPTH OF 8700' MUST BE VERIFIED BY A METHOD APPROVED BY O.C.D.

I WAS ALSO INFORMED THAT YOUR INTENTIONS WERE THEN TO LOWER THE
PACKER DOWN TO 9000" AND SWAB AND THEN PRODUCE THE MORROW FORMATION
THOUGH THE PACKER SET AT 9000'.

I HAVE REVIEWED R-ORDER NUM. 5184 WHICH GIVES THE DHY STATE #1
AUTHORITY TO PRODUCE AS A DUAL GAS COMPLETION.

R-ORDER NUM. 5184 STATES THAT THE APPLICANT. DEPCO, INC., IS HEREBY
AUTHORIZED TO COMPLETE ITS DHY STATE WELL #1, LOCATED IN UT F-SEC. 23-19s-28e
EDDY COUNTY, NEW MEX, AS A DUAL COMPLETION (CONVENTIONAL) TO PRODUCE
OIL FROM THE WOLFCAMP FORMATION AND GAS FROM THE MORROW FORMATION
THROUGH TUBING AND THOUGH CASING-TUBING ANNULUS, RESPECTIVELY BY
MEANS OF A CROSS OVER ASSEMBLY, WITH SEPERATION OF THE ZONES ACHIEVED
BY A MEANS OF PACKERS SET AT APPROXIMATELY 8,818' FEET AND 10,985 FEET.

A C-103 SUBSEQUENT REPORT OF REPAIR ACTIONS TAKEN ON THE DHY STATE #1
RECEIVED BY O.C.D. ON FEBUARY 14, 2002 SHOWS THE TOP OF THE 2.375" TUBING LEFT
IN THE WELLBORE TO BE AT 9000'.

A PRODUCTION PACKER SET AT 9000' WILL NOT COMPLY WITH R-ORDER 5184.

PLEASE TAKE ACTIONS TO BRING THE DHY STATE #1 INTO COMPLIANCE WITH R-ORDER 5184 AND RULE 112-A WITH-IN THIRTY DAYS FROM THE DATE OF THIS LETTER.

NOTIFY O.C.D. TO WITNESS ANY REPAIR ACTIONS OR WELL TESTS TO BE TAKEN ON THE DHY STATE #!.

IF YOU HAVE ANY QUESTIONS OR I CAN BE OF ASSISTANCE PLEASE DO NOT HESITATE TO CALL ME. MY PHONE NUMBER IS 505-748-1283.

SINCERELY,

MIKE STUBBLEFIELD

ENVIR. ENG. SPEC.

N.M.O.C.D.

CC: MR. PAUL OWENS
MR. DAVID BROOKS