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October 14, 1977

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New Mexico Oil Conservation Commission  
D. S. Watter, Chief Engineer  
P. O. Box 2008  
State Land Office Building  
Santa Fe, New Mexico 87501

C.E.C.  
ARTESIA, OFFICE

RE: Exception Rule 107  
Tubing Requirements  
Sub-Paragraph 3-Setting Depth  
HNG-Valdez Com. 5 #1  
Eddy County  
Sec. 5, TWP-24S, Rge-28E

Gentlemen:

In the subject completion the casing program utilized a liner arrangement to serve as the production casing string. In conjunction with this, a P.B.R. (polished bore receptacle) and seal assembly was installed at the top of the liner in lieu of a conventional type packer. This arrangement allows us to have a high burst string of intermediate casing in place before drilling into possible high pressure zones. We felt this type of casing program is not only safer, but also allowed more flexibility in plugging back from the Morrow to the Atoka Zone.

Completing this well in this manner resulted in the bottom of the tubing terminating at the top of the liner. Therefore, an exception to Rule 107 is requested.

Yours truly,

HNG Oil Company

*[Signature]*  
Gaila Roach

cc: H.G. Livingston  
Well File

Mr. Bill Gressett  
N.M.O.C.C.  
Artesia, New Mexico

CR/me