



PYRAMID ENERGY, INC.

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September 30, 1993

Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

Attention: David Catanach

Re: Application to Drill
West Pearl Queen Unit No. 109X
Section 28, T-19-S, R-35-E
Lea County, New Mexico

Mr. Catanach:

Pyramid Energy, Inc., proposes to drill the captioned well as a replacement well for WPQU No. 109, or 1980' FNL & 440' FWL of Section 28, T-19-S, R-35-E. Enclosed is a copy of the C-101 Application to Drill WPQU No. ~~109X~~, and a copy of the C-103 Sundry Notice to plug and abandon WPQU No. 109. *JTB*

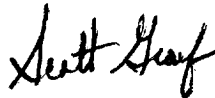
WPQU No. 109 was an active injection well being utilized to waterflood the Queen Sands 4734'-5020'. On September 8, 1993, Pyramid rigged up and pulled tubing on well No. 109 to repair an apparent leak in the plastic-coated tubing string. The wellbore was found to have either collapsed or parted casing at approximately 900'. Pyramid circulated, drilled, and milled for eleven days in an unsuccessful attempt to get tubing back to bottom so that the wellbore could be properly plugged and abandoned. During the operation, the Hobbs District Office of the OCD was kept apprised of the situation on a daily basis. When it was determined that Pyramid was not going to be able to get to bottom, verbal approval was received from the OCD District Supervisor to set plugs and abandon the wellbore. The District Supervisor also informed Pyramid that since the well was not properly plugged, there were two options open to Pyramid to keep the pressured injection zone from charging up the shallower formations in the wellbore. The first option being that Pyramid would shut-in permanently all injection in wells within a one-half mile radius of the problem wellbore. The second option being that Pyramid would drill a new well offsetting the problem wellbore and produce that well in order to relieve the pressure in the Queen Formation. That well would continue to be produced so long as there is injection in the Queen Formation within a one-half mile radius of the improperly plugged wellbore. Pyramid has decided to pursue the second option and is therefore proposing to drill the replacement well 220' due west of WPQU No. 109.

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Recent increases in drilling activity in Lea County have tightened rig availability drastically. We have a commitment from a drilling contractor to drill the proposed well if we can be ready by October 15, 1993. If Pyramid is not ready to drill at that time, the next available rig would not be free until mid-December.

Please review the enclosed information and let us know if you agree with the proposed location and procedure. If you have questions or need additional information, please call me at (210) 308-8000. Your earliest response will be greatly appreciated.

Sincerely,



Scott Graef
Petroleum Engineer

SG/4/10/mmc

cc: Jerry Sexton