

Graham State NCT-F Well No. 7

API No. 30-025-12482

330' FSL and 1,650' FEL

Section 36: SW/4 SE/4

T-19-S, R-36-E, NMPM

Applicant proposes the injection of acid gas and water through a closed system into the lower San Andres formation, Eunice Monument Pool, through perforations at depths of 4,285' to 4,800' at average daily rates of approximately 3,500 bbls and 2.66 mmcf/d with maximum daily rates of approximately 5,000 bbls and 3.38 mmcf/d at an injection pressure of 0 psi. The subject well is located approximately 4 miles west of Monument, New Mexico.

7. **CASE 14024: (Re-opened and Re-Advertised) Application of OGX Resources, L.L.C. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation in the following described spacing and proration units located in the E/2 of Section 34, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico: the E/2 for all formations and/or pools developed on 320-acre spacing which includes but is not limited to the Undesignated Otis-Morrow Gas Pool, Undesignated Otis-Atoka Gas Pool, Undesignated Carlsbad-Strawn Gas and the Undesignated Cass Draw-Wolfcamp Gas Pool; the NE/4 for all formations and/or pools developed on 160-acre spacing; and the NE/4 NE/4 for all formations and/or pools developed on 40-acre spacing which includes but is not limited to the Undesignated North Cass Draw-Wolfcamp Pool. Said units are to be dedicated to its Weems Well No. 1 (API No. 30-015-35789) to be directionally drilled as a gas well from a standard surface location 1073 feet from the North line and 1501 feet from the East line (Unit B), to a standard bottom hole location 660 feet from the North and East lines (Unit A) of said Section 34 at an approximate depth of 12,400 feet to test any and all formations from the surface to the base of the Morrow formation. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OGX Resources, L.L.C. as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 4 miles east of the Carlsbad, New Mexico Municipal Airport.
8. **CASE 14121: Application of Yates Petroleum Corporation for approval of a Unit Agreement, Eddy County, New Mexico.** Applicant seeks approval of the Banquet Exploratory Unit from the surface to the base of the Morrow formation in an area comprising 960 acres of Federal and State of New Mexico lands in Section 24 and 25 in Township 21 South, Range 21 East, NMPM, which is located approximately 45 miles southeast of Artesia, New Mexico.
9. **CASE 14062: (Continued from the May 1, 2008 Examiner Hearing.)**
Application of Chesapeake Operating, Inc. for rescission of the Special Rules and Regulations for the South Culebra Bluff-Bone Spring Pool, Eddy County, New Mexico. Applicant seeks rescission of the Special Rules and Regulations for the South Culebra Bluff-Bone Spring Pool to permit the pool to be developed under the current General Rule 104 for oil that provides for 40-acre spacing units with wells located no closer than 330 feet to any boundary of such unit. The South Culebra Bluff-Bone Spring Pool includes the following acreage in Eddy County, New Mexico: the S/2 of section 34 and the W/2 of section 35, Township 22 South, Range 28 East, NMPM; sections 2, 11, 13 through 16, the NE/4 of section 21, the NE/4 of section 22, sections 23 through 27, Township 23 South, Range 28 East, NMPM; SW/4 of section 7, the NW/4 of section 18, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico. Said pool is located less than a mile to the northeast and to the south of Loving, New Mexico.
10. **CASE 14122: Application of Pecos Operating Company for approval of a non-commercial salt water disposal well, Lea County, New Mexico.** Applicant seeks approval to deepen and utilize the State GA Well No. 7 (API No. 30-025-03688) located 660 feet from the North line and 2310 feet from the East line in Unit B of Section 16, Township 15 South, Range 36 East, NMPM, to dispose of up to 8,000 barrels of produced water per day, at a maximum pressure of 1,500 psi, into the Caudill Devonian Pool in the Devonian Formation, at an approximate depth of 13,495 feet to 13,900 feet. Applicant may be contacted through its representative, Steve Gray, 400 W. Illinois Ave., Suite 1210, Midland, TX 79701, Phone 432-620-8480. Said well is located approximately 3 miles north of Lovington and one-half mile off of Highway 206 (Tatum Hwy).



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400 W. Illinois, Suite 1210, Midland, Texas 79701

(432) 620-8480 Office

(432) 682-2197 Fax

April 14, 2008

Mr. William V. Jones
Oil Conservation Division
Engineering and Geological Services Bureau
1220 South St. Francis Dr.
Santa Fe, NM 87505

Case 14122

Re: Response to H&M Disposal's objection to Application by Pecos Operating Company for saltwater disposal well – Caudill SWD, Lea County, New Mexico

Dear Mr. Jones:

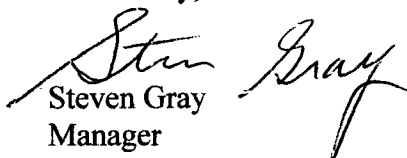
Pecos Operating Company is in receipt of H&M Disposals objection to our application for administrative approval for a saltwater disposal well in Lea County, NM, known as the Caudill SWD No. 1, formerly called the State GA #7.

Pecos would like to remind the OCD, as well as Mr. Harrod, that our application is for on-lease use only. Most of the water that we propose to inject in to this well, will be water that we produce from the same formation. The net effect to H&M's well should be zero given that our input will equal our production from the formation. I believe Mr. Harrod confuses our potential injection pressure (due to friction and other factors) with reservoir pressure. Any localized changes in reservoir pressure at our well should not be felt a quarter mile away given the high permeability and large size of the Devonian reservoir.

H&M has had a commercial disposal well injecting in the Devonian less than ¼ mile from our lease line for a number of years. If anyone should be concerned, it should be Pecos, as we are producing the same reservoir he is using as a commercial disposal operation. However, we have not seen a negative effect on our producing well, the State GA #1 well, nor have we seen any noticeable change in reservoir pressure.

Finally, Pecos would like to remind the commission that we noticed Mr. Harrod on March 12, 2008 and published legal notice of our application on March 15th. We believe that Mr. Harrod's response, written April 9, 2008, was not within the 15 day response time to protest this application as set forth by commission rules. We therefore respectfully request the commission consider our application for administrative approval.

Yours truly,


Steven Gray
Manager

cc: Don Harrod, H&M Disposal

H & M Disposal
P.O. Box 1544
Lovington, New Mexico 88260
April 9, 2008

Mr. William V. Jones
Oil Conservation Division
Engineering and Geological Services Bureau
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

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Info copy to: Pecos Operating Company, 400 W. Illinois Ave. Midland, TX 79701

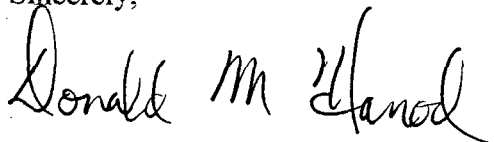
Dear Mr. Jones:

H & M Disposal recently received a copy of Pecos Operating Company's application to convert the former Shell Oil Company State "GA" No. 7 Sec. 16-T15S-R36E into a salt water disposal well.

We object to the granting of this permit for the following reasons:

1. The proposed disposal well is only 1320' away from our ongoing commercial installation that has been a gravity system for years.
2. The proposed well is unlikely to take the proposed volume of 4000 to 8000 bwpd without pumping at pressures that are likely to adversely affect our operation.
3. Pecos operating has declined to voluntarily limit the water to be disposed of to their on-lease production thus placing a competing commercial operation on our door step.

Sincerely,



Donald M. Harrod
Operator

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