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November 10, 1997

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W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

**HAND DELIVERED**

Mr. David R. Catanach  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87501

**RE: NMOCD CASE 11807**  
**BF State Well No. 2**  
Application of  
Stevens & Tull Inc. for Approval  
of a Salt Water Disposal Well,  
Eddy County, New Mexico

Dear Mr. Catanach:

On September 4, 1997, you heard the referenced case in which Stevens and Tull Inc. seek approval to use an existing well for salt water disposal for injection from the top of the Yates (-3147 feet) to the base of the Yates (-3418 feet) which would be some 60 feet above the top of the Capitan Reef. See enclosed annotated log for this well.

I assume that the delay in approving this well reflects your concern for the proximity to the top of the Capitan Reef. Now that you have had an opportunity to reflect upon this application and review the cross sections, I would appreciate knowing if there is some minimum footage distance above the Capitan Reef which you consider to be necessary in order to protect that water.

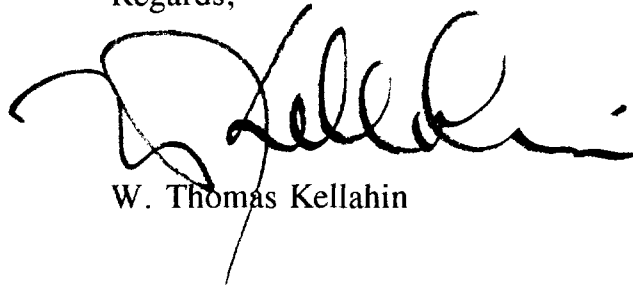
You may remember that George Ulmo, Stevens and Tull's geologist testified that the Yates formation produces oil at -3400 feet and that Paul Kautz told him there is no Seven Rivers present here. In addition, Mr. Ulmo considers it necessary to have the lower Yates (down to at least -3400 feet) available for disposal in order to have an adequate disposal well. Apparently the upper Yates where the current perforations is not very conducive for disposal.

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If you approve injection down to -3400 feet that still provides 80 feet of separation between the injection and the Capitan Reef.

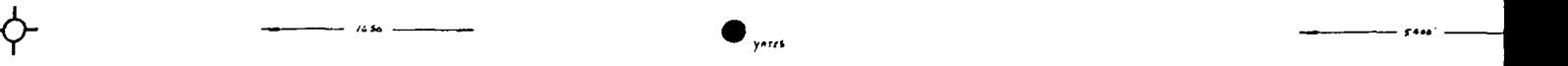
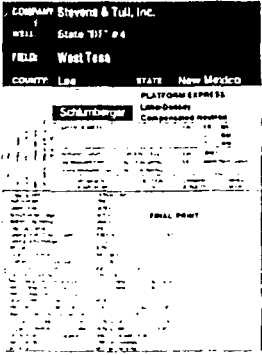
Please let me know if you need anything further in order to approve this request. Because I will be on vacation and because Stevens & Tull, Inc. needs to commence disposal as soon as possible, I would appreciate you sending any approval directly to Mr. Weant at Stevens & Tull, Inc., 3316 Andrews Highway, Midland, Texas 79703 (fax (915) 699-1113. In addition, please call Mr. Weant if you have any questions.

Regards,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a long horizontal flourish extending to the right.

W. Thomas Kellahin

cfx: Jerry Weant



SUBJECT WELL

