



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

May 17, 1999

Campbell, Carr, Berge & Sheridan, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: Mr. William F. Carr

Re: Division Case No. 12112
GP II Energy, Inc.
Square Lake Unit Waterflood Project
Eddy County, New Mexico

Dear Mr. Carr:

The Division is currently in the process of reviewing the evidence presented by GP II Energy, Inc. (GP II) in support of its request to initiate a waterflood project within the Square Lake Grayburg-San Andres Pool in portions of Township 16 South, Ranges 30 and 31 East, NMPM, Eddy County, New Mexico. Initial efforts to review the evidence presented have focused on the Form C-108 (Application to Inject) for one hundred-thirty seven (137) wells proposed to be converted to injection within the Square Lake Unit. Review of the injection well data presented in tabular form (SEC III CON) as well as the well conversion diagrams (SEC III DIAG) has shown at least fifty-eight (58) instances where the tabular well data does not match the data contained on the wellbore conversion diagrams, including data elements such as well locations, perforated or open-hole injection intervals, packer setting depth, etc. In addition, there are numerous instances where necessary data is missing (i.e. cement data on casing liners).

The Division has the responsibility to permit Class II injection wells after a determination has been made that injection into these wells will not pose a threat to underground sources of drinking water and that injected fluid will remain confined to the proposed injection interval. Such a determination cannot be made when conflicting data is presented or when data necessary to make such a determination is not included in the application. In addition, the Division is not staffed so as to permit research of Division records in an attempt to reconcile the data presented. This initial review also raises serious questions regarding the accuracy of the remaining data presented in Form C-108, namely the "area of review" well data.

Based upon initial review of the evidence presented in this case, GP II is requested to file an application to re-open Case No. 12112 at such time as the applicant is prepared to appear and present a revised Form C-108 complete with all corrections and all data elements necessary to process the application.

A preliminary review of the evidence and testimony presented in this case also demonstrates that the Division will likely require the applicant to conduct extensive remedial work on injection, production and plugged and abandoned wells within the Square Lake Unit prior to commencing waterflood operations. It may be in the best interest of GP II to explore the possibility of implementing waterflood operations within the Square Lake Unit in small phases. This approach may expedite approval of the application and allow GP II to begin implementation of waterflood operations without unnecessary delays. In addition to considering the revised C-108 evidence, the Division is amenable to hearing additional evidence and testimony with regards to a phased implementation, if the applicant so desires.

In addition, a check with the Division's Hobbs District Office and Environmental Bureau has also revealed that GP II has some environmental problems associated with its Langlie Jal Unit operations. GP II should be prepared to also address this issue at the hearing of reopened Case No. 12112.

Please advise me at your earliest convenience as to the course of action GP II will take with regards to Case No. 12112.

Sincerely,

A handwritten signature in black ink, appearing to read "David Catanach", with a long horizontal flourish extending to the right.

David Catanach
Hearing Examiner

Xc: Mr. Ernest Carroll
Losee, Carson, Haas & Carroll, P.A.
P.O. Box 1720
Artesia, New Mexico 88211-1720

Mr. Tim Gum, OCD-Artesia

Ms. Lori Wrotenbery, Director

Case File-12112