

Jones, William V., EMNRD

From: Jones, William V., EMNRD
Sent: Sunday, December 07, 2008 3:49 PM
To: 'devin garner'; 'Eddie Seay'
Cc: Ezeanyim, Richard, EMNRD; Kautz, Paul, EMNRD; Warnell, Terry G, EMNRD; Brooks, David K., EMNRD
Subject: Injection (Disposal) Application from Garners Well Service LLC: Saba State #1 30-025-33726

Hello Devin and Eddie:

As you know, we received a letter of protest from Mr. Presley Duncan, so we cannot issue an administrative SWD permit for this well until Mr. Duncan retracts his protest in writing to this office.

In addition this issue, the following are concerns with this application and should be addressed prior to any administrative permit or hearing order is issued:

1) There is no change of operator form recorded for this unplugged well from Saba Energy of Texas, Inc. to Garners Well Service LLC. Therefore we must examine both Garners and Saba for Rule 5.9 (Old Rule 40) issues.

Saba Energy of Texas, Inc. must submit additional financial assurance, one well bonds to Dorothy Phillips of this office covering both of its wells. As these wells are transferred to another operator or returned to compliance, the bonds would be returned.

Garners Well Service, LLC is not listed in our system as an operator with a bond to operate. Please supply proof of this bond and tell me which OGRID applies to Garners.

2) There were several electric logs run on this well and the Division requires these to be turned in - and none appear in our system even though the well was drilled in 1996. Please ask Saba to locate all electric logs run on this well and send copies to Paul Kautz in Hobbs for scanning. In this instance, this application to inject cannot be sufficiently evaluated without elogs.

3) Your application says the expected disposal is 3000 barrels per day, but the intention is to use 3-1/2 inch tubing in 5-1/2 inch casing. Your cement top on the 5-1/2 inch casing is approx 7500 feet with intermediate casing set at 4546 feet. So if you lost this tubing in the hole above 4546 feet and were unable to fish, you could not adequately plug the well. Please explain this, or be prepared to squeeze cement the 5-1/2 inch prior to running this large tubing.

4) The OCD is charged with preventing waste of oil. There was no submittal in the application of a decline plot of Devonian production or other reservoir engineering or geologic discussion. The correspondence in the well file indicates this Devonian well was drilled in the middle of two N-S faults, so the structure was likely imaged on seismic prior to proposing the well. In addition, this well seems to be deviated. The Devonian IP was adequate and without water production. Since the Late 1990's oil prices have climbed from \$12 per barrel to about \$42 and many operators are drilling horizontal wells in the Devonian and handling much more water production to harvest existing Devonian oil. This reservoir likely has remaining oil that may or may not be economical to recover. The potential of this well should be explained at an examiner hearing along with presentation of evidence as to the extent of the Devonian trap and amount of existing oil in place.

5) Division Rule 26.8 contains notice requirements for SWD applications. It appears there are no other Devonian wells in this 1/2 mile AOR, so the lessees of the Devonian should be noticed. If a tract of land extends into this AOR circle and is not leased in the Devonian, then the mineral interest owner(s) should be noticed. Please have a Landman submit

certification that these notice requirements have been met for every tract extending within the AOR.

Thank You,

William V. Jones PE
New Mexico Oil Conservation Division
1220 South St. Francis
Santa Fe, NM 87505
505-476-3448

-----Original Message-----

From: devin garner [mailto:garneroil@yahoo.com]
Sent: Monday, December 01, 2008 4:53 PM
To: Jones, William V., EMNRD
Subject: Saba St SWD Application

Mr. Jones

I was wondering the status of the application for the Saba St. If you could please let me know. Mr. Duncan is wondering whether or not he is going to receive monthly rental for the surface agreement, and I am waiting to see if this application will be approved before I send him funds for the surface agreement.

Thanks
Devin Garner

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