



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
HOBBS DISTRICT OFFICE

November 21, 1997

POST OFFICE BOX 1980
HOBBS, NEW MEXICO 88241-1980
(505) 383-6181

John Redmond
Prospective Investment & Trading Company
P. O. Box 702320
Tulsa, Oklahoma 74170-2320

Re: Lynch Christmas Com #4, Unit L Sec. 1, T22S, R37S

Dear Mr. Redmond:

We have received and taken under advisement your request for an exemption to the Packer Leakage Test requirements.

I am unable to grant your request as Division Rule 112 requires this test be conducted to confirm the separation of the producing zones.

Enclosed is a copy of Rule 112 for your information, with instructions on conducting the test..

I am also enclosing blank forms for your convenience in submitting the results of the test.

We request that you make arrangements for the procedure and notify this office 24 hours prior to the operation.

Very truly yours

OIL CONSERVATION DIVISION

A handwritten signature in cursive script that reads "Chris Williams".

Chris Williams
Supervisor, District I

CW:bp

File

Enclosure

after the application was received by the Director. [7-26-95, 2-1-96]

(2) Any order issued by the Director approving an application for a directional wellbore shall require that:

- (a) the applicant shall conduct a directional survey on the wellbore after directional drilling operations in order that the direction, extent and terminus of said wellbore may be determined to be in compliance with the provision of any order with copies submitted to the Santa Fe NMOC and to the NMOC district office in which the well is located; and,
- (b) the Supervisor of the appropriate Division District shall be notified of the approximate time all directional surveys are to be conducted. All directional surveys run on any well in any manner for any reason must be filed with the Division upon completion of the well. The Division shall not assign an allowable to a well until the operator has submitted an affidavit that all such directional surveys have been filed.

[7-26-95, 2-1-96]

111.F. Additional Matters:

(1) The Division Director, at the request of an offset operator, may require any operator to make a directional survey of any well. The directional survey and all associated costs shall be at the expense of the requesting party and shall be secured in advance by a \$5,000 indemnity bond posted with and approved by the Division. The requesting party may designate the well survey company and the survey may be witnessed by the Division and the operator. [8-28-62...2-1-96]

(2) The Division Director, may, at his discretion, set any application for administrative approval for public hearing. [3-2-84...2-1-96]

(3) Permission to deviate or directionally drill any wellbore for any reason or in any manner not provided for in this rule shall be granted only after notice and hearing. [3-2-84...2-1-96]

112-A MULTIPLE COMPLETIONS

112-A.A. The multiple completion of any well may be permitted only as hereinafter provided. Multiple completion of any well without prior approval by the Division shall be solely at the operator's risk and shall in no way commit the Division to subsequent approval thereof. [7-3-58...2-1-96]

112-A.B. District Approval

(1) The Supervisor of the appropriate Division district may authorize the multiple completion (qualifying conventional, tubingless, or combination) whenever the zones to be completed are to be produced through tubing or through casing where such casing has an outside diameter of 2.875 inches or less. The supervisor may authorize one gas zone to be produced through a casing-tubing annulus if such zone produces no more than one barrel of liquids per day. [2-1-82...2-1-96]

(2) To obtain approval for multiple completion the operator shall file four copies of Division Form C-107 (Application for Multiple Completion) with the appropriate district office. Form C-107 shall be accompanied by a diagrammatic sketch of the Multiple Completion, showing all casing strings, including diameters

and setting depths, centralizers and/or turbolizers and location thereof, quantities used and top of cement, perforated intervals, tubing strings, including diameters and setting depth, location of packers, side door chokes, and such other information as may be pertinent. [2-1-82...2-1-96]

(3) The district supervisor may forward any application to the Director of the Division for approval. [2-1-82...2-1-96]

112-A.C. Administrative Approval (Division Director)

(1) The Division Director may authorize the multiple completion (qualifying conventional, tubingless, or combination) not qualifying for District approval or referred to him by the district supervisor. [2-1-82...2-1-96]

(2) When any gas zone of a proposed multiple completion is to be produced through a casing-tubing annulus and such zone produces more than one barrel per day of liquids, the applicant shall furnish proof that such liquids may be efficiently produced without undue use of reservoir energy for the expected producing life of the well. [2-1-82...2-1-96]

(3) Application for administrative approval of a multiple completion shall be made in QUADRUPLICATE, with two copies of the application to be mailed to the Division's Santa Fe Office, and two copies to the District office for the area in which the well is located. Application shall be made on the Division Form C-107 (Application for Multiple Completion) and shall be accompanied by the following:

- (a) Diagrammatic Sketch of the Multiple Completion, showing all casing strings, including diameters and setting depths, centralizers and/or turbolizers and location thereof, quantities used and top of cement, perforated intervals, tubing strings, including diameters and setting depth, location of packers, side door chokes, and such other information as may be pertinent.
- (b) Electrical log of the well or other acceptable log with tops and bottoms of producing zones and intervals of perforation indicated thereon. (If such log is not available at the time application is filed, it shall be submitted as hereinafter provided.)

[2-1-82...2-1-96]

(4) Upon receipt of a complete application the Division Director may approve the matter administratively or he may set any such application for public hearing. [2-1-82...2-1-96]

112-A.D. Qualifying Multiple Completions

(1) The following defines those mechanical installations qualifying for District or Administrative approval of multiple completion. [2-1-82...2-1-96]

- (a) The applicant proposes to utilize one of the conventional mechanical installations described below:
 - (i) The well is to be completed as a gas-gas dual or as a gas-gas-gas triple and the hydrocarbons from each of the zones can be safely and efficiently produced through parallel strings of tubing or a combination of tubing string(s) and the tubing-casing annulus; or
 - (ii) The well is to be completed as an oil-oil dual or as an oil-oil-oil triple and the hydrocarbons from each of the zones can be safely and efficiently

produced through parallel strings of tubing; or

- (iii) The well is to be completed as a combination oil and gas multiple completion and the hydrocarbons from each oil zone can be safely and efficiently produced through parallel strings of tubing and the hydrocarbons from each gas zone can be safely and efficiently produced through parallel string(s) of tubing or through a combination of tubing and the tubing-casing annulus; and
- (iv) All strings of tubing used for the production of oil in the proposed multiple completion will have a nominal inside diameter of not less than 1.670 inches nor greater than 2.50 inches; and
- (v) The downhole equipment used to segregate the separate zones of the multiple completion will be production-type packer(s), polished bore receptacles, or the equivalent, and shall effectively prevent communication between all producing zones.

[2-1-82...2-1-96]

- (b) The applicant proposes to employ one of the following tubingless and/or combination methods of completion:

- (i) Multiple Completion (Tubingless) utilizing two or more small diameter casing strings (2.875 inches OD or less), one to each common source of supply, all cemented in a common well-bore; or
- (ii) Multiple Completion (Combination) utilizing a combination of small diameter (2.875 inches OD or less) and conventional diameter (greater than 2.875 inches) casing strings, all cemented in a common well-bore; and demonstrates that
- (iii) Sufficient cement will be used in said multiple completion to extend throughout each pay and a minimum of 100 feet above; and
- (iv) Centralizers and/or turbolizers will be installed on each joint of casing throughout each pay and on a minimum of three joints above; and
- (v) Directional perforating equipment will be used in perforating all intervals in any casing string in said multiple completion which intervals are in a zone through which one or more other casing strings pass.

[2-1-82...2-1-96]

(2) The requirements of paragraphs (iii) and (iv) may be modified for multiple completions within given common sources of supply and within a given area if, in the opinion of the Division Director, circumstances warrant such modification. [2-1-82...2-1-96]

112-A.E. Hearings

(1) Any multiple completion not qualifying for district or administrative approval must be set for public hearing. [2-1-82...2-1-96]

(2) Application for public hearing to authorize a multiple completion shall be made in TRIPLICATE to the Division's Santa Fe office. Application may be made in accordance with Rule 1203 or on the Division Form C-107, Application for Multiple Completion, setting forth all material facts relative to the common sources of supply involved and the manner and method of completion proposed. [2-1-82...2-1-96]

112-A.F. Operation and Testing

(1) All multiple completions, whether approved after hearing or by district or administrative procedure, shall be subject to the following rules:

- (a) Prior to actual multiple completion of a well, the operator shall make adequate pressure tests of the casing to determine that no casing leaks exist. Results of casing tests shall be reported to the Division on Form C-103. [2-1-82...2-1-96]
- (b) The well shall be completed and thereafter produced in such a manner that there will be no commingling of hydrocarbons from the separate strata. [2-1-82...2-1-96]
- (c) The operator shall commence a segregation test and/or packer leakage test not later than fifteen (15) days after actual multiple completion of the well. Segregation tests and/or packer leakage tests shall also be made any time the packer is disturbed and at such other intervals as the Division may prescribe. The Operator shall also make all other tests and determinations deemed necessary by the Division. The Division shall be notified of the time such tests are to be commenced and tests may be witnessed by the Division at its election. Representatives of offset operators may witness such tests at their election and shall advise the producer in writing if they desire to be notified when such tests are to be conducted. Results of such tests shall be filed with the Division within fifteen (15) days after the completion of tests; provided, however, that in the event a segregation test or packer leakage test indicates that there is communication between the separate strata, the operator, shall immediately notify the Division and commence remedial action on the well. [2-1-82...2-1-96]
- (d) The well shall be so equipped that reservoir pressure may be determined for each of the separate strata and further be so equipped that meters may be installed and the gas, oil and gas, and oil produced from each of the separate strata may be accurately measured, and the gas-oil ratio or the gas-liquid ratio thereof determined. [2-1-82...2-1-96]
- (e) Within 20 days after the completion of the well, the operator shall furnish the Division with a diagrammatic sketch of the mechanical installation which was actually used in completing the well together with a report of the gravity, gas-oil ratio or gas-liquid ratio, and surface or bottomhole pressure for each of the separate zones, and the log of the well if the same has not been previously submitted. [2-1-82...2-1-96]
- (f) No multiple completion may continue to produce in a manner which is unnecessarily wasteful of reservoir energy. [2-1-82...2-1-96]

- (g) The Division may require the proper plugging of any abandoned zone of a multiply completed well if such plugging appears necessary to prevent waste or protect correlative rights. [2-1-82...2-1-96]

112-B BRADENHEAD GAS WELLS

112-B.A. The production of gas from a bradenhead gas well may be permitted only by order of the Division upon hearing, except as noted by the provisions of paragraph C. of this rule. [4-30-53...2-1-96]

112-B.B. The application for such hearings shall be submitted in TRIPLICATE and shall include an exhibit showing the location of all wells on applicant's lease and all offset wells on offset leases, together with a diagrammatic sketch showing the casing program, formation tops, estimated top of cement on each casing string run and any other pertinent data, including drill stem tests. [4-30-53...2-1-96]

112-B.C. The Division Director shall have authority to grant an exception to the requirements of paragraph A. above without notice and hearing where application has been filed in due form, and when the lowermost producing zone involved in the completion is an oil or gas producing zone within the defined limits of an oil or gas pool and the producing zone to be produced through the bradenhead connection is a gas producing zone within the defined limits of a gas pool. [4-30-53...2-1-96]

112-B.D. Applicants shall furnish all operators who offset the lease upon which the subject well is located a copy of the application to the Division, and applicant shall include with his application a written stipulation that all offset operators have been properly notified. The Division Director shall wait at least 10 days before approving the production of gas from the bradenhead gas well, and shall approve such production only in the absence of objection from any offset operator. In the event an operator objects to the completion the Division Director shall consider the matter only after proper notice and hearing. [4-30-53...2-1-96]

112-B.E. The Division may waive the 10-day waiting period requirement if the applicant furnishes the Division with the written consent to the production of gas from the bradenhead connection by all offset operators involved. [4-3-53...2-1-96]

112-B.F. This rule shall apply only to wells hereinafter completed as bradenhead gas wells. [4-30-53...2-1-96]

113 SHOOTING AND CHEMICAL TREATMENT OF WELLS

If injury results to the producing formation, injection interval, casing or casing seat from shooting, fracturing, or treating a well and which injury may create underground waste or contamination of fresh water, the operator shall give written notice to the Division within five (5) working days and proceed with diligence to use the appropriate method and means for rectifying such damage. If shooting, fracturing, or chemical treating results in irreparable injury to the well the Division may require the operator to properly plug and abandon the well. [1-1-50...2-1-96]

114 SAFETY REGULATIONS

114.A. All oil wells shall be cleaned into a pit or tank, not less than 40 feet from the derrick floor and 150 feet from any fire hazard. All flowing oil wells must be produced through an oil and gas separator of ample capacity and in good working order. No boiler or portable electric lighting generator shall be placed or remain nearer than 150 feet to any producing well or oil tank. Any