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July 13, 1990

Poncho Production Company  
10675 Hobbit Lane  
Westminster, Colorado 80030  
(303) 460-9318

Mr. Larry Robbins  
State of Colorado  
Oil and Gas Conservation Commission  
1580 Logan Street, Suite 380  
Denver, Colorado 80030

**RECEIVED**

JUL 16 1990

COLO. OIL &amp; GAS CONS. COMM.

Re: Poncho J Sand Unit Well Nos. 6 and 7  
Poncho Field  
Adams and Arapahoe Counties, Colorado

34-35-59W

3-45-59W

Dear Mr. Robbins:

Pursuant to your letter of January 26, 1990, the Poncho J Sand Unit No. 6 and 7 wells have been tested in some fashion to determine their suitability for future use as injection wells. At this time, neither well has been adequately tested or plugged per the terms of your letter. Furthermore, it is apparent that neither well will meet the deadline as prescribed in January.

The No. 6 well was swab tested on May 22, 1990 to determine fluid content in the wellbore and potential productivity or injectivity. The well swabbed high rates of water from a depth of approximately 800 to 1000 feet with no shows of oil or gas. The water analysis was received on June 30, 1990 and indicated that the water which was recovered had a TDS of 3,980 ppm. Furthermore, there was an obstruction or collapsed section of casing at approximately 5,032 feet which would not allow the sand line jars (3.5" o.d.) to pass. This correlates to the top of cement from a temperature survey which had been previously run on the well.

The future of this well is uncertain. It would be of vital importance to the flood if it could be tested and placed into service. A tapered string, slim hole completion could be employed to save the well if appropriate cementing equipment could be located or built to facilitate cementing a tubing string just above the perforations. I am currently investigating this possibility.

The No. 7 well failed a mechanical integrity test on May 23, 1990. The failure appeared to be either a tubing or packer leak. I anticipate repairing the well as soon as the crew from H & R Well Services Rig 2 returns from Cheyenne County, Colorado where they have been plugging wells. The replacement tubing has already been acquired should it be needed. The freeze box is to be removed on July 14 while we have a gin truck at work in the unit. The repair of this well should be routine.

Due to scheduling problems with H & R Well Services, Inc., we will not meet the deadline as mandated in your letter. I respectfully request an extension of 45 days to complete the work on the No. 7 well. The time requested should not be required unless the rig fails to return as planned. I also seek an extension of 60 days for the testing or abandonment of the No. 6 well to adequately search for the equipment necessary to repair the well or to secure a plugging rig should a repair be impractical.

Poncho Production Company has only 2 injection wells within the State of Colorado which are currently substandard to the policies of the Colorado Oil and Gas Conservation Commission. I feel as though we do not represent a risk or liability to the State of Colorado and that the extensions as requested would be both practical and within your discretion. Please advise if the extensions have been granted.

Sincerely,

A handwritten signature in dark ink, appearing to read "Robert L. Vaclaivk", written in a cursive style.

Robert L. Vaclaivk  
President

RLV: