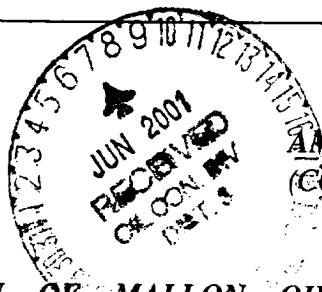




NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division



AMENDED ADMINISTRATIVE ORDER SWD-665
(CORRECTED)

*APPLICATION OF MALLON OIL COMPANY FOR SALT WATER
DISPOSAL, RIO ARRIBA COUNTY, NEW MEXICO.*

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), Mallon Oil Company made application to the New Mexico Oil Conservation Division on February 25, 1998, for permission to amend the completion interval for salt water disposal in its Simms Well No.1 located 1730 feet from the South line and 1820 feet from the East line (Unit J) of Section 13, Township 30 North, Range 4 West, NMPM, Rio Arriba County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

- (1) The application has been duly filed under the provisions of Rule 701(B) of the Division Rules and Regulations;
- (2) Satisfactory information has been provided that all offset operators and surface owners have been duly notified;
- (3) The applicant has presented satisfactory evidence that all requirements prescribed in Rule 701 will be met; and
- (4) No objections have been received within the waiting period prescribed by said rule.

IT IS THEREFORE ORDERED THAT:

The applicant herein, Mallon Oil Company, is hereby authorized to complete its Simms Well No.1 located 1730 feet from the South line and 1820 feet from the East line (Unit J) of Section 13, Township 30 North, Range 4 West, NMPM, Rio Arriba County, New Mexico, in such manner as to permit the injection of salt water for disposal purposes into the Burro Canyon, Morrison and Entrada formations at approximately 8,600 feet to 9,570 feet through 2 7/8-inch plastic-lined tubing set in a packer located at approximately 8,500 feet.

IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

Prior to commencing injection operations into the well, the casing shall be pressure tested from the surface to the packer setting depth to assure the integrity of said casing.

The casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge at the surface or left open to the atmosphere to facilitate detection of leakage in the casing, tubing, or packer.

The injection well or system shall be equipped with a pressure limiting device which will limit the wellhead pressure on the injection well to no more than 1720 psi.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the Burro Canyon, Morrison or Entrada formations. Such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office.

The operator is hereby authorized to inject 100 MCF of 100% H₂S gas per day providing that a mechanical integrity pressure test is conducted annually, and safety guidelines are followed pursuant to Rule 118.

The operator shall notify the supervisor of the Aztec district office of the Division of the date and time of the installation of disposal equipment and of any mechanical integrity tests so that the same may be inspected and witnessed.

The operator shall immediately notify the supervisor of the Aztec district office of the Division of the failure of the tubing, casing, or packer in said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

PROVIDED FURTHER THAT, jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh water or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the injection authority granted herein.

Amended Administrative Order SWD-665 (Corrected)

Mallon Oil Company

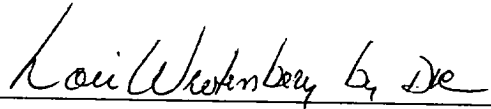
May 31, 2001

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The operator shall submit monthly reports of the disposal operations on Division Form C-115, and in accordance with Rule Nos. 706 and 1120 of the Division Rules and Regulations.

The injection authority granted herein shall terminate one year after the effective date of this order if the operator has not commenced injection operations into the subject well, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

Approved at Santa Fe, New Mexico, on this 31st day of May, 2001.

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery", is written over a horizontal line.

LORI WROTENBERY, Director

LW/DRC

cc: Oil Conservation Division - Aztec