



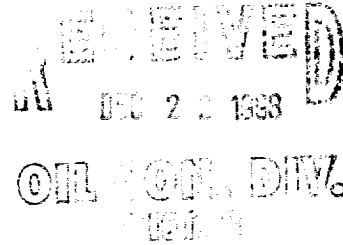
NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

December 15, 1998

Merrion Oil & Gas
610 Reilly Avenue
Farmington, New Mexico 87401-2634

Attn: Ms. Connie Dinning



H - 2-32-13

Re: Request for Extension of Implementation Period for Division Order SWD-686.

Jones #1

Dear Ms. Dinning,

My staff has reviewed your request to extend the implementation period on the above referenced Division Order. Providing that all conditions contained in the order remain the same and there are no wells drilled in the area of review, the expiration date of the SWD-686 is hereby extended to June 15, 1999.

In the event any drilling activity occurs in the subject area of review, Merrion Oil & Gas will notify the supervisor of the Aztec district office and the Division office. An administrative review of the permit will be conducted, and the status of the permit will be determined.

All other provisions and conditions of SWD-686 and Division Rules 706 and 1120 shall remain in full force and effect.

Sincerely,

Lori Wrotenbery
Director

LS/BES/kv

cc: Oil Conservation Division - Aztec /
SWD-686



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ADMINISTRATIVE ORDER SWD-686

***APPLICATION OF MERRION OIL & GAS CORPORATION FOR SALT WATER
DISPOSAL, SAN JUAN COUNTY, NEW MEXICO.***

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Under the provisions of Rule 701(B), Merrion Oil & Gas Corporation made application to the New Mexico Oil Conservation Division on September 24, 1997, for permission to complete for salt water disposal its Jones Well No.1 located 1840 feet from the North line and 880 feet from the East line (Unit H) of Section 22, Township 32 North, Range 13 West, NMPM, San Juan 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, is hereby authorized to complete its Jones Well No.1 located 1840 feet from the North line and 880 feet from the East line (Unit H) of Section 22, Township 32 North, Range 13 West, NMPM, San Juan County, New Mexico, in such manner as to permit the injection of salt water for disposal purposes into the Mesaverde formation at approximately 2276 feet to 2470 feet through 2 3/8-inch plastic-lined tubing set in a packer located at approximately 2220 feet.

IT IS FURTHER ORDERED THAT:

Subsequent to drilling and cleaning out any and all cement plugs to a depth of approximately 2600 feet in the subject wellbore, the operator shall tag the uppermost remaining cement plug at approximately 3350 feet. Operator shall then install 5 1/2 inch casing to a depth of approximately 2600 feet and circulate cement to surface.

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 455 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 Mesaverde formation. Such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office.

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 the mechanical integrity test so that the same may be inspected and witnessed.

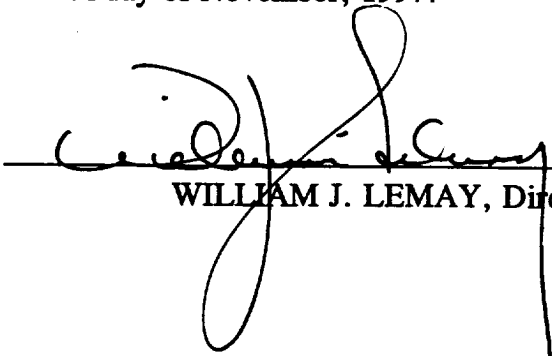
The operator shall immediately notify the supervisor of the Aztec district office of the Division of the failure of the tubing, casing, or packer in said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

PROVIDED FURTHER THAT, jurisdiction of this cause is hereby retained by the Division for the entry of such further order or orders as may be deemed necessary or convenient for the prevention of waste and/or protection of correlative rights; upon failure of the operator to conduct operations in a manner which will ensure the protection of fresh water or in a manner inconsistent with the requirements set forth in this order, the Division may, after notice and hearing, terminate the injection authority granted herein.

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

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 24th day of November, 1997.



WILLIAM J. LEMAY, Director

S E A L

WJL/BES

xc: Oil Conservation Division - Aztec