



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

ADMINISTRATIVE ORDER SWD-936

APPLICATION OF AGAVE ENERGY COMPANY FOR ACID GAS AND PRODUCED WATER DISPOSAL, EDDY COUNTY, NEW MEXICO.

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), Agave Energy Company made application to the New Mexico Oil Conservation Division on August 16, 2004, for permission to utilize for acid gas and produced water disposal its Metropolis "AZL" State Com Well No. 1 (API No. 30-015-31905) located 1,650 feet from the South line and 1,650 feet from the West line of Section 36, Township 18 South, Range 25 East, NMPM, Eddy 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 is hereby authorized to utilize its Metropolis "AZL" State Com Well No. 1 (API No. 30-015-31905) located 1,650 feet from the South line and 1,650 feet from the West line of Section 36, Township 18 South, Range 25 East, NMPM, Eddy County, New Mexico, in such manner as to permit the injection of acid gas and produced water for disposal purposes into the Devonian and Ellenburger formations through an open-hole completion from 9,900 feet to 11,400 feet and through 2-7/8 inch plastic-lined tubing set in a packer located within 100 feet of the top of the injection interval.

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.

During deepening operations, the operator shall monitor the well for hydrocarbon shows. **A copy of this mudlog and a letter containing the estimated static bottom hole pressure of the injection interval shall be supplied to the Artesia district office of the Division.**

After installing injection tubing **and annually thereafter**, 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 or an approved leak detection device in order to determine leakage in the casing, tubing, or packer.

The operator shall record injection rates and pressures on a daily basis and report these readings annually, or more often if requested, in chart form to the engineering bureau of the Division in Santa Fe with a copy to the Artesia office of the Division. This chart shall be labeled with the well name, the API number, and this permit number.

The wellhead injection pressure on the well shall be limited to **no more than 1,980 psi**. In addition, the injection well or system shall be equipped with a pressure limiting device in workable condition which shall, at all times, limit surface injection pressure to the maximum allowable pressure for this well.

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 injection 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 Artesia district office of the Division of the date and time of the installation of disposal equipment and of any mechanical integrity test so that the same may be inspected and witnessed.

The operator shall immediately notify the supervisor of the Artesia 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.

The operator shall provide written notice of the date of commencement of injection to the Artesia district office of the Division.

The operator shall submit monthly reports of the disposal operations on Division Form C-115, 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 August 2004.



MARK E. FESMIRE, P.E.

Director

MEF/wvjj

cc: Oil Conservation Division – Artesia
State Land Office – Minerals Management