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 DATE IN 8.1.11 SUSPENSE ENGINEER TW LOGGED IN 8.1.11 TYPE IPI APP NO 1121056194

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



Read Stevens

Allied State #7

ADMINISTRATIVE APPLICATION CHECKLIST

30-015-20950

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☒ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

SWD-1258

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or ☒ Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners
 [B] ☐ Offset Operators, Leaseholders or Surface Owner
 [C] ☐ Application is One Which Requires Published Legal Notice
 [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] ☐ Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

William V. Palmer
 Print or Type Name

William V. Palmer
 Signature

MANAGER, Prod & Comps
 Title

7/14/11
 Date

WPALMER@READ-STEVENS.COM
 e-mail Address

READ & STEVENS, INC.
OIL PRODUCERS

Mailing address
P. O. Box 1518
Roswell, New Mexico 88202

400 Penn Plaza, Suite 1000
Roswell, New Mexico 88201

Phone: 575/622-3770
Fax: 575/622-8643

RECEIVED OCD

2011 JUL 28 A 11: 55

July 27, 2011

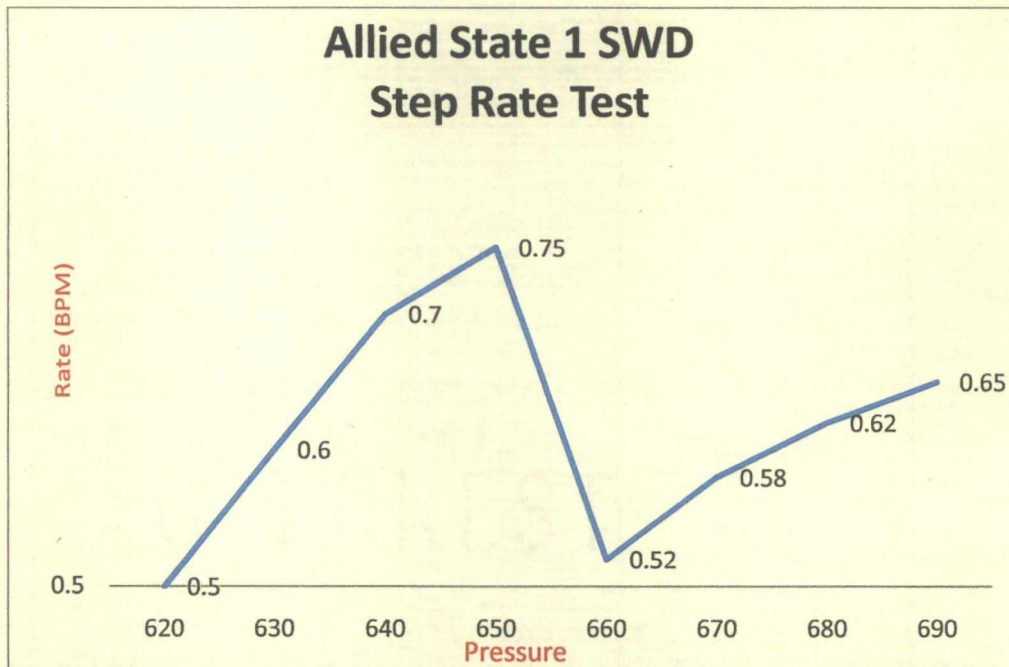
Mr. Terry Wamell
Engineering Bureau
NM Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, NM 87505

RE: Request for Injection Pressure Increase on Allied State #1 SWD
Administrative Order #SWD #1258

Dear Mr. Wamell,

I have put together the package requested for this well by Mr. Jones and will attempt to answer his questions.

1. Do we have plans to take advantage of the rest of the approved interval? Not at this time.
2. Did we swab well before beginning injection? No. We did not have the facility available for this and deemed it unnecessary understanding the strong need for added water injection facilities. *was!*
3. We did not have a Step Rate Testing service do the test. It was done with a pump truck and monitored with electronic meters. *yes*
4. Have we tried backflowing the well and do we maintain a Hall Plot on this well? We have not attempted backflowing. We will do a slickline tag-up to determine any fill. This zone shows to be less porous than the existing injection well in the area: the Bandit State #1 SWD. The Bandit State #1 SWD has an injection limit of 627#. We do not maintain a Hall Plot on this well.



5)

Thank you for your consideration of this matter. Please feel free to call me if further explanation is needed. My cellular phone number is 575.390.2424

Sincerely,

William Palmer

Manager, Operations & Completions

WP/kb

Attachments:

Allied State #1 SWD wellbore schematic

Letter to Richard Ezeanyim - OCD Santa Fe, NM dated July 7, 2011

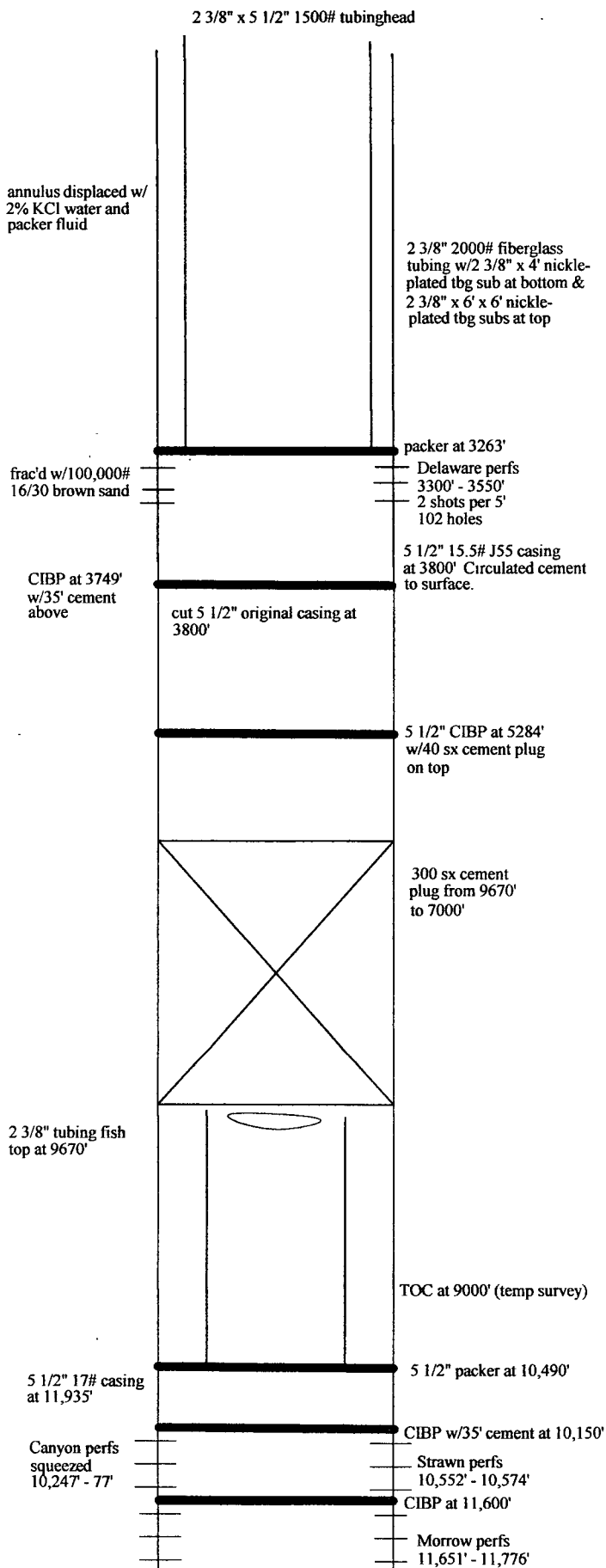
Word/Allied State #1 SWD Req for Injection Pressure Increase

Read & Stevens, Inc

Allied State #1 SWD
wellbore schematic
S10-T23S-R26E
1980' FSL & 990' FEL
API # 30-015-20950

DRIVING DIRECTIONS:

from Carlsbad, NM - south on US 62-180 to one mile
south of airport. West on Gillock Road 3/4 mile
south in to location



650 ~ 0.2
3300

3300 x 0.2 = 660

READ & STEVENS, INC. RECEIVED

OIL PRODUCERS

JUL 27 2011

R&S

Mailing address
P. O. Box 1518
Roswell, New Mexico 88202

400 Penn Plaza, Suite 1000
Roswell, New Mexico 88201

Phone: 575/622-3770
Fax: 575/622-8643

July 7, 2011

Mr. Richard Ezeanyim
Oil Conservation Division
1120 S. Saint Francis Drive
Santa Fe, NM 87505

RE: SWD - Administrative Order #SWD-1258
Allied State #1 SWD

Dear Mr. Ezeanyim,

Read & Stevens, Inc received permission to dispose of water into the Delaware formation in the Allied State #1 SWD well located 1980' FSL & 990' FEL of S10 T23S R26E, Eddy County, NM. This Administrative Order was issued on January 11, 2011 with a maximum surface pressure listed at 550#. Read & Stevens, Inc commenced disposal into this well on June 10, 2011.


Disposal rates fell from an initial disposal rate of 400 BPD to the current 150 BPD with 550# surface pressure. This decrease in disposal rate inhibits Read & Stevens, Inc from further energy development in the area.

A Step-Rate injection test was performed on July 7, 2011. Injection rates were recorded as follows:

- | | |
|--------------------|--------------------|
| 1) 0.5 BPM @ 620# | 5) 0.52 BPM @ 660# |
| 2) 0.6 BPM @ 630# | 6) 0.58 BPM @ 670# |
| 3) 0.7 BPM @ 640# | 7) 0.62 BPM @ 680# |
| 4) 0.75 BPM @ 650# | 8) 0.65 BPM @ 690# |

Indicative of the data stated above; Read & Stevens Inc respectfully asks for a maximum surface pressure increase on its Allied State #1 SWD to 650#. Thank you for your consideration. I am looking forward to hearing from you.

Sincerely,


William Palmer
Manager, Production & Completions
Read & Stevens, Inc
PO Box 1719
Lovington, NM 88260

READ & STEVENS, INC.
OIL PRODUCERS

Mailing address
P. O. Box 1518
Roswell, New Mexico 88202

400 Penn Plaza, Suite 1000
Roswell, New Mexico 88201

Phone: 575/622-3770
Fax: 575/622-8643

July 7, 2011

RECEIVED OGD

2011 JUL 11 P 12:04

Mr. Richard Ezeanyim
Oil Conservation Division
1120 S. Saint Francis Drive
Santa Fe, NM 87505

Hold!

RE: SWD - Administrative Order #SWD 1258
Allied State #1 SWD 30-05-20950

Dear Mr. Ezeanyim,

Read & Stevens, Inc received permission to dispose of water into the Delaware formation in the Allied State #1 SWD well located 1980' FSL & 990' FEL of S10 T23S R26E, Eddy County, NM. This Administrative Order was issued on January 11, 2011 with a maximum surface pressure listed at 550#. Read & Stevens, Inc commenced disposal into this well on June 10, 2011.

Disposal rates fell from an initial disposal rate of 400 BPD to the current 150 BPD with 550# surface pressure. This decrease in disposal rate inhibits Read & Stevens, Inc from further energy development in the area.

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Indicative of the data stated above, Read & Stevens Inc respectfully asks for a maximum surface pressure increase on its Allied State #1 SWD to 650#. Thank you for your consideration. I am looking forward to hearing from you.

Sincerely,

William Palmer
William Palmer
Manager, Production & Completions
Read & Stevens, Inc
PO Box 1719
Lovington, NM 88260

W

2750-3650 Permitted
3300-3550 actually P & S
according to well file



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



July 11, 2011

William Palmer
Read & Stevens, Inc.
PO Box 1719
Lovington, NM 88260

Attention: William Palmer, Manager, Production & Completions

RE: Requests for Injection Pressure Increase

Allied State Well No. 1 (API No. 30-015-20950) SWD-1258
Unit Letter I, Sec 10, T23S, R26E, NMPM, Eddy County, New Mexico
Permitted Interval: perforated casing from 2750 feet to 3660 feet
Actual Interval: perforated casing from 3300 feet to 3550 feet??

Dear Mr. Palmer:

We received your letter request to raise the pressure limit on this disposal well on July 11, 2011.

On January 11, 2011, SWD-1258 was signed by the Director allowing this well to be used for disposal into the Delaware formation from 2750 to 3660 feet and given a pressure limit of 550 psi.

It is our understanding that this well will not take a sufficient volume of water at the present pressure limit and a higher pressure limit is needed for increased water disposal operation.

You have run a Step Rate Test on July 7, 2011 and wish to use these test results as a basis for an increased maximum surface disposal pressure.

Any increase in pressure authorized will assume the tubing size, packer setting depth and perforation depths do not change.

I have a couple questions and suggested items that should be added and the application package mailed to Mr. Terry Warnell, Engineering Bureau, Oil Conservation



Division, (OCD Address is below):

- a. The cover letter with your request should be the first page, then.
- b. Please send form "Administrative Order Checklist" available on the OCD web site (the first unnumbered "form").
- c. Please send a wellbore diagram of this well showing the way it is equipped and actual perforated depths.
- d. Please note it seems from the well file that the actual disposal interval differs from that permitted. Do you have plans to take advantage of the rest of the permitted interval?
- e. The application to convert this well for disposal stated that Read & Stevens would swab test the disposal interval to test for hydrocarbons and obtain a water sample – I saw an intention to do this in the well file, but no actual record of it being done. Do you know about this? If you have this data, please send.
- f. Please also send a graph of the interpreted Step Rate Test data (specifying whether it is Surface or Bottom hole data or both). Also please email a copy of the detailed actual test data to Terry Warnell in the Engineering Bureau in Santa Fe – click on his name on the web site.
- g. Send a copy of any report prepared for you by the Step Rate Testing service or Pressure Testers – if such report exists.
- h. Have you tried backflowing the well? Why do you think it lost its injectivity so soon? Do you maintain a Hall Plot on this well?

Terry will be back in the office next week and it would help to email him to ensure he does not require additional items.

Sincerely,

A handwritten signature in black ink, appearing to read "WV Jones", written in a cursive style.

William V. Jones
Engineer,