



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



May 26, 2009

Mr. Tony Beilman
Melrose Operating Company
1000 W. Wilshire, Suite 223
Oklahoma City, OK 73116

Re: Administrative Order WFX-853
Cone Jalmat Yates Pool Unit
AOR Repair Requirements

Administrative order WFX-853, issued May 6, 2009 by the Division, granted Melrose Operating Company permission to expand its Cone Jalmat Yates Pool Unit by the addition of 9 injection wells. This order also requires the Cone Jalmat Yates Pool Unit ("CJYPU") Well No. 9 (API No. 30-025-08609) located 660 feet from the South line and 1980 feet from the West line, Unit N of Section 13, Township 22 South, Range 35 East, NMPM, Lea County, New Mexico, to be properly plugged prior to any injection into the approved injection wells.

Attempts to re-enter that well have failed and the well has been plugged from approximately 800 feet deep. Melrose has agreed to maintain the CJYPU Well No. 130 (API No. 30-025-38918), located on the same well pad as is Well No. 9, as a production well thereby forming a pressure sink next to this CJYPU Well No. 9 and protecting formations up-hole from vertical fluid movement. Well No. 130 was approved as an injection well, pending the successful plugging of Well No. 9, in Division administrative Order No. WFX-853, but will not be converted to injection as planned.

The well pad containing Well No. 130 and Well No. 9 forms an inverted five-spot pattern with producing wells CJYPU Well No(s) 120, 121, 32, and 122. The next furthest wells from the Well No. 9 location are four injection wells:

CJYPU No. 103 (API No. 30-025-08604)
CJYPU No. 106 (API No. 30-025-08607)
CJYPU No. 102 (API No. 30-025-08647)
CJYPU No. 108 (API No. 30-025-08608)



The requirement within WFX-853 to plug and abandon the CJYPU Well No. 9 is withdrawn and the permission to utilize Well No. 130 as an injection well is also withdrawn.

The Division hereby grants Melrose permission to utilize the CJYPU Well No. 130 as a producing pressure sink with the added stipulation that the surrounding four injection wells (listed above) remain inactive during time periods when the CJYPU Well No. 130 is not under active artificial lift. The Division's intention is for Melrose to inject in surrounding wells only during time periods when an active pressure sink exists at this location.

Furthermore, if Well No. 130 is temporarily or permanently plugged, CJYPU Well No(s) 103, 106, 102, and 108 shall lose permission to inject *ipso facto*.

Sincerely,



MARK E. FESMIRE, P.E.
Director

cc: Oil Conservation Division – Hobbs
Administrative Order file: WFX-853
Well Files:

CJYPU No. 103 (API No. 30-025-08604)
CJYPU No. 106 (API No. 30-025-08607)
CJYPU No. 102 (API No. 30-025-08647)
CJYPU No. 108 (API No. 30-025-08608)
CJYPU No. 9 (API No. 30-025-08609)
CJYPU No. 130 (API No. 30-025-38918)