

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

Governor

Joanna Prukop
Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



June 30, 2009

Jose L. Velez
Regulatory Affairs
Reef Exploration, L.P.
1901 N. Central Expwy., Suite 300
Richardson, Texas 75080

Re: **Request for Extension of Commencement of Injection Operations into the State 2 Well No. 8 (API No. 30-015-35749) Pursuant to Order No. SWD-1140.**

Dear Mr. Velez:

The Oil Conservation Division (OCD) received your letter of June 25, 2009, regarding the above referenced well on June 29, 2009. The OCD has reviewed your request and determined that Reef Exploration has not yet decided whether to use this well for injection operations.

Your request for extension of injection operations beyond August 26, 2009, is hereby **denied** without prejudice. Order No. SWD-1140 shall expire on August 26, 2009, if injection operations are not commenced by this date. At the expiration of Order No. SWD-1140, Reef Exploration would need to re-apply when it has decided to use this well for injection operations.

If you have any questions, please contact Richard Ezeanyim at (505)-476-3467.

Sincerely,

Mark E. Fesmire, P.E.
Director

Cc: Oil Conservation Division District Office - Artesia





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2009 JUN 29 PM 1 08

Thursday, June 25, 2009

State of New Mexico
Energy Minerals and Natural Resources
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Re: **Injection Permit – Administrative Order SWD-1140**
State 2 Well No. 8
API #30-015-35749

Richard,

Per our conversation via phone on June 23, 2009 please accept this letter as Reef Exploration's request for an extension to the above referenced injection permit. We would like additional time to evaluate the economic viability of conducting the proposed conversion to injection.

If you need any other information or have questions, please contact me directly at 972-437-6792 or by email at josev@reefoggc.com.

Regards,

A handwritten signature in black ink, appearing to be "J. Velez", written over a horizontal line.

Jose L. Velez
Regulatory Affairs

Enclosures

REEF OIL & GAS PARTNERS, L.P.
REEF EXPLORATION, L.P.

1901 N Central Expy, Ste 300 • Richardson, TX 75080
(972) 437-6792 • Fax: (972) 994-0369
Toll Free: (877) 915-7333 • www.reefoggc.com

OCT 07 2008

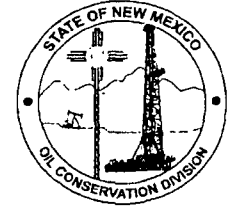
OCD-ARTESIA

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Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



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SEP - 9 2008
HOBBS OCD
OCD-ARTESIA
SEP - 5 2008

Administrative Order SWD-1140
August 26, 2008

APPLICATION OF REEF EXPLORATION, LP FOR PRODUCED WATER
DISPOSAL, EDDY COUNTY, NEW MEXICO

ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), Reef Exploration, LP (OGRID 246083) made application to the New Mexico Oil Conservation Division for permission to utilize for produced water disposal its State 2 Well No. 8 (API No. 30-025-35749) located 1980 feet from the South line and 660 feet from the West line of Section 2, Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

The application has been duly filed under the provisions of Rule 701(B) of the Division Rules and Regulations. Satisfactory information has been provided that affected parties as defined in Rule 701B(2) have been notified and no objections have been received within the prescribed waiting period. The applicant has presented satisfactory evidence that all requirements prescribed in Rule 701 will be met and the operator is in compliance with the Division's Rule 40.

IT IS THEREFORE ORDERED THAT:

Reef Exploration, LP is hereby authorized to utilize its State 2 Well No. 8 (API No. 30-025-35749) located 1980 feet from the South line and 660 feet from the West line of Section 2, Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico, in such manner as to permit the injection of its own produced water for disposal purposes into the Bell Canyon and Cherry Canyon members of the Delaware Mountain Group through perforations from 4600 feet to 5850 feet and through plastic-lined tubing set with 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.

As preparation and prior to injection in this well, the operator shall ensure the Division has a copy of the cement bond log on this well and shall plug back the wellbore with cast iron bridge plug to within 200 feet below the bottom of the injection interval. The operator shall report all swab test results to the Division and shall report the initial standing fluid level or reservoir pressure of the injection interval.

After installing injection tubing, 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 casing shall be pressure tested from the surface to the packer setting depth to assure casing integrity.

The wellhead injection pressure on the well shall be limited to **no more than 920 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.

This well is NOT eligible for future injection pressure increases, except after sufficient evidence and notice are presented at an examiner hearing.

The operator shall notify the supervisor of the Division's district office 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 provide written notice of the date of commencement of injection to the Division's district office. The operator shall submit monthly reports of the disposal operations on Division Form C-115, in accordance with Rule Nos. 706 and 1115 of the Division Rules and Regulations.

Without limitation on the duties of the operator as provided in Division Rules 19 and 116, or otherwise, the operator shall immediately notify the Division's district office of any failure of the tubing, casing or packer in the well, or of any leakage or release of water, oil or gas from around any produced or plugged and abandoned well in the area, and shall take such measures as may be timely and necessary to correct such failure or leakage.

In accordance with Rule No 705.C, 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, mailed by the operator prior to the termination date, may grant an extension thereof for good cause shown. One year after injection operations into the well has ceased, the injection authority will terminate *ipso facto*.

Compliance with this order does not relieve the operator of the obligation to comply with other applicable federal, state or local laws or rules, or to exercise due care for the protection of fresh water, public health and safety and the environment.

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 or protectable waters or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the injection authority granted herein.



MARK E. FESMIRE, P.E.

Director

MEF/wvj

cc: Oil Conservation Division – Artesia
State Land Office – Oil, Gas, and Minerals Division