

**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 12885
ORDER NO. R-10541-A**

**APPLICATION OF ARMSTRONG ENERGY CORPORATION FOR
APPROVAL OF A PRESSURE MAINTENANCE PROJECT AND FOR
QUALIFICATION OF THE PROJECT AREA FOR THE RECOVERED OIL
TAX RATE PURSUANT TO THE ENHANCED OIL RECOVERY ACT, LEA
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 27, 2002, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24th day of July, 2002, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) By Order No. R-10541 issued in Case No. 11436 on February 6, 1996, the Division authorized Armstrong Energy Corporation to institute a pressure maintenance project on a portion of its Mobil Lea State Lease by the injection of produced water into the third sand interval of the Cherry Canyon formation of the Delaware Mountain group in its proposed Mobil Lea State Well No. 6 to be drilled at a location 330 feet from the South line and 990 feet from the West line (Unit M) of Section 2, Township 20 South, Range 34 East, NMPM, Northeast Lea-Delaware Pool, Lea County, New Mexico.

(3) The pressure maintenance project was designated the Lea Pressure Maintenance Project, and the project area comprised the SW/4 of Section 2, Township 20 South, Range 34 East, NMPM.

(4) The applicant, Armstrong Energy Corporation (Armstrong), appeared at the hearing and testified that for various reasons, the Lea Pressure Maintenance Project was never initiated. Armstrong now seeks:

- (a) to re-authorize the Lea Pressure Maintenance Project;
- (b) to amend the original plan of development for the Lea Pressure Maintenance Project by changing the well designation and location for the initial project injection well. Armstrong now proposes to drill the Mobil Lea State Well No. 8 at a location 330 feet from the South line and 1650 feet from the West line (Unit N) of Section 2, in lieu of drilling the Mobil Lea State Well No. 6; and
- (c) authority to inject into the Mobil Lea State Well No. 8 at a surface injection pressure of 1186 psi.

(5) Pursuant to the provisions of Order No. R-10541, the injection authority for the Mobil Lea State Well No. 6 expired on February 6, 1997. Consequently, Order No. R-10541 is not valid at the current time.

(6) The applicant testified that with the exception of amending the well location for the proposed initial injection well, it proposes to implement pressure maintenance operations within the SW/4 of Section 2 in accordance with the evidence and testimony presented in Case No. 11436.

(7) The applicant further testified that the current cost to implement pressure maintenance operations within the SW/4 of Section 2 is \$612,000.

(8) The evidence presented demonstrates that the applicant's proposed amendments to the plan of operation within the Lea Pressure Maintenance Project are reasonable, and should therefore be granted.

(9) No offset operator or interest owner appeared at the hearing in opposition to the application.

(10) The application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The application of Armstrong Energy Corporation to reinstate Division Order No. R-10541 and authorize pressure maintenance operations within the SW/4 of Section 2, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico, is hereby approved.

(2) Ordering Paragraphs No. (1), (4), (6) and (17) of Division Order No. R-10541 are hereby amended to read as follows:

“(1) The applicant, Armstrong Energy Corporation, is hereby authorized to institute a pressure maintenance project on a portion of its Mobil Lea State Lease by the injection of produced water into the third sand interval of the Cherry Canyon formation of the Delaware Mountain group in its proposed Mobil Lea State Well No. 8 to be drilled at a standard location 330 feet from South line and 1650 feet from the West line (Unit N) of Section 2, Township 20 South, Range 34 East, NMPM, Northeast Lea-Delaware Pool, Lea county, New Mexico.

(4) Injection into the Mobil Lea State Well No. 8 shall be through 2 7/8-inch internally lined or coated tubing with injection into the perforated interval from approximately 5,930 feet to 5,970 feet.

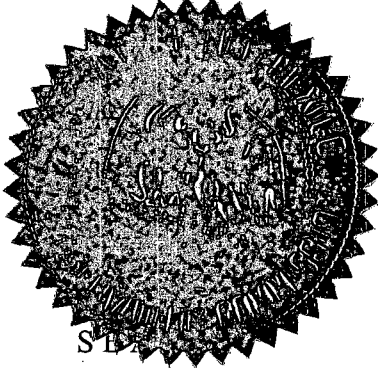
(6) The Mobil Lea State Well No. 8 or its pressurization system shall be equipped with a pressure-limiting switch or other acceptable device that will limit the wellhead pressure on the injection well to no more than 1186 psi.

(17) The injection authority granted herein for the Mobil Lea State Well No. 8 shall terminate one year after the effective date of this order if the operator has not commenced injection operations into the well, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause.”

(3) Order No. R-10541 is hereby revived, and shall continue in effect except as hereby amended.

(4) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director