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Governor

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Acting Cabinet Secretary

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Oil Conservation Division



Administrative Order PMX-259
February 17, 2011

APPLICATION OF ARMSTRONG ENERGY CORPORATION TO EXPAND INJECTION INTO THE CHERRY CANYON FORMATION FOR PRESSURE MAINTENANCE IN THE MOBIL LEA STATE WELL No. 3 IN LEA COUNTY, NEW MEXICO

ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION

Under the provisions of Division Order R-10541, as amended, Armstrong Energy Corporation (OGRID No. 1092) has made application to the Division on January 20, 2011 to expand its Mobil Lea State Pressure Maintenance Project in the SW/4 of Section 2, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

The application was filed in due form. No objections have been filed within the waiting period prescribed by Division Rule 26.8(C). The proposed well(s) are eligible for conversion to injection under the terms of Rule 26.8. The current operator is in compliance with Rule 5.9.

The proposed expansion of the above-referenced Pressure Maintenance Project will not cause waste nor impair correlative rights and should be approved.

IT IS THEREFORE ORDERED THAT:

The operator is hereby authorized to inject water for purposes of secondary recovery into Cherry Canyon formation of the Delaware Mountain group within the unitized interval [see Division Order No R-10541] of the Mobil Lea State Lease in the Mobil Lea State Well No 3.

This well shall be equipped with plastic-lined tubing set in a packer located within 100 feet of the top of the actual injection interval. The maximum allowed surface injection pressure is specified below.



Mobil Lea State Well No. 3 (API No. 30-025-32105)
990' FSL, 870' FWL, Unit M, Sec 2, T20S, R34E, NMPM
Injection Interval (Perforated): 5,578 to 5,936 feet
Maximum Surface Injection Pressure = **1,115 psi**

IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the injected water enters only the permitted injection interval and is not permitted to escape to other formations or onto the surface.

Prior to commencing injection operations into the well, injection casing shall be pressure tested from the surface to the packer setting depth to assure casing integrity.

The casing-tubing annulus shall openly extend to within 100 feet of the top of the injection interval and shall be loaded with an inert fluid and equipped with a pressure gauge at the surface or left open to the atmosphere to facilitate detection of leakage in the casing, tubing or packer.

The injection well or injection system shall be equipped with pressure limiting devices which will limit the wellhead pressure to the maximum surface injection pressure described above.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator that such higher pressure will not result in waste of oil and gas or migration of the injected fluid from the permitted injection interval. Such proper showing shall be accompanied by valid step-rate test(s) run in accordance with and acceptable to this office.

The operator shall notify the supervisor of the Division's district office of the date and time of the installation of injection equipment and of all mechanical integrity tests so that the same may be inspected and witnessed.

The operator shall immediately notify the supervisor of the Division's district office of any failure of tubing, casing, or packer and shall take such steps as may be timely and necessary to correct such failure or leakage.

The subject well(s) shall be governed by all provisions of Division Order No. R-10541, as amended and Rules 26.9-26.13 of the Division Rules and Regulations not inconsistent herewith.

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 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 mailed prior to the one year deadline, may grant an extension thereof for good cause shown.



J. Daniel Sanchez
Acting Division Director

JDS/tw

cc: Oil Conservation Division – Hobbs
New Mexico State Land Office-Santa Fe