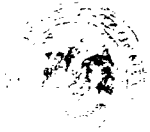


STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



GARREY DARRUTHERS
GOVERNOR

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ORDER NO. WFX-587

APPLICATION OF HONDO OIL AND GAS COMPANY TO EXPAND ITS WATERFLOOD PROJECT IN THE GRAYBURG JACKSON SEVEN RIVERS QUEEN GRAYBURG SAN ANDRES POOL IN EDDY COUNTY, NEW MEXICO

ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION

Under the provisions of Division Order No. R-2268 as amended, Hondo Oil and Gas Company has made application to the Division on July 26-August 2, 1989 for permission to expand its Keel West Waterflood Project in the Grayburg Jackson Seven Rivers Queen Grayburg San Andres Pool in Eddy County, New Mexico.

NOW, on this 26th day of September, 1989, the Division Director finds that:

- (1) The application has been filed in due form.
- (2) Satisfactory information has been provided that all offset operators have been duly notified of the application.
- (3) No objection has been received within the waiting period as prescribed by Rule 701(B).
- (4) The proposed injection wells are eligible for conversion to water injection under the terms of Rule 701.
- (5) The proposed expansion of the above-referenced waterflood project will not cause waste nor impair correlative rights.
- (6) The application should be approved.

IT IS THEREFORE ORDERED THAT:

The applicant, Hondo Oil and Gas Company, be and the same is hereby authorized to inject water into the Grayburg San Andres formation through 2 or 2 3/8-inch plastic lined tubing set in a packer located as near as practical to the injection perforations in the wells shown on Exhibit "A" attached to this order for purposes of secondary recovery.

IT IS FURTHER ORDERED THAT:

Administrative Order WFX-587
Hondo Oil and Gas Company
September 26, 1989
Page 2

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.

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

The casing-tubing annulus in each well 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 wells or system shall be equipped with a pressure limiting device which will limit the wellhead pressure on the injection wells to no more than 0.2 psi/ft. of depth to the uppermost perforation, as shown on Exhibit "A".

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said wells that such higher pressure will not result in migration of the injected fluid from the Grayburg San Andres formation. Such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office.

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

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

The subject wells shall be governed by all provisions of Division Order No. R-2268 and Rules 701-708 of the Division Rules and Regulations not inconsistent herewith.

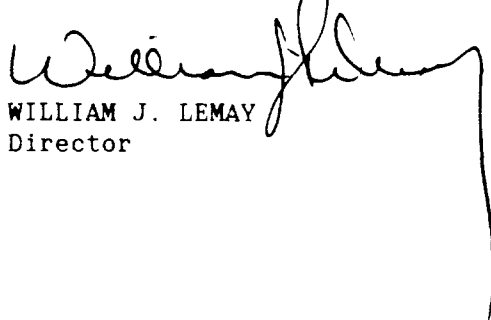
PROVIDED FURTHER THAT, jurisdiction of this cause is hereby retained by the Division for the entry of such further order or orders as may be deemed necessary or convenient for the prevention of waste and/or protection of correlative rights; upon failure of the operator to conduct operations in a manner which will ensure the protection of fresh water or in a manner inconsistent with the requirements set forth in this order, the Division may, after notice and hearing, terminate the injection authority granted herein.

Administrative Order WFX-587
Hondo Oil and Gas Company
September 26, 1989
Page 3

The operator shall submit monthly progress reports of the project in accordance with Rule 706 and 1115 of the Division Rules and Regulations.

Approved at Santa Fe, New Mexico, on this 26th day of September, 1989.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L

Exhibit "A"
Hondo Oil and Gas Company
WFX-587

Well Name and Location	Footage Location	U-S-T-R	Injection Interval (Feet)	Maximum Surface Injection Pressure
H.E. West "A" Well No. 11	1980' FNL - 1980' FEL	G-03-17S-31E	3439-3973	688 PSIG
H.E. West "A" Well No. 15	660' FNL - 330' FEL	A-03-17S-31E	3479-4046	696 PSIG
H.E. West "B" Well No. 20	660' FSL - 1980' FEL	O-10-17S-31E	3353-3937	671 PSIG
H.E. West "B" Well No. 34	1980' FSL - 660' FEL	I-10-17s-31E	3341-3802	668 PSIG