



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

ORDER NO. SWD-354

GARREY CARRUTHERS
GOVERNOR

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SANTA FE, NEW MEXICO 87504
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APPLICATION OF HONDO OIL AND GAS COMPANY

ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), Hondo Oil and Gas Company made application to the New Mexico Oil Conservation Division on September 9, 1988, for permission to complete for salt water its Ballard "DE" Federal Well No. 3, located in Unit D, of Section 27, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

(1) The application has been duly filed under the provisions of Rule 701(B) of the Division Rules and Regulations.

(2) Satisfactory information has been provided that all offset operators and surface owners have been duly notified; and

(3) The applicant has presented satisfactory evidence that all requirements prescribed in Rule 701 will be met.

(4) No objections have been received within the waiting period prescribed by said rule.

IT IS THEREFORE ORDERED THAT:

(1) The applicant herein, Hondo Oil & Gas Company is hereby authorized to complete its Ballard "DE" Federal Well No. 3 located in Unit D of Section 27, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico, in such a manner as to permit the injection of salt water for disposal purposes into the Seven Rivers formation at approximately 3615 feet to approximately 4000 feet through 2 7/8-inch plastic lined tubing set in a packer located at approximately 3600 feet.

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.

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

The casing-tubing annulus 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 system shall be equipped with a pressure limiting device which will limit the wellhead pressure on the injection well to no more than 723 psi.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the Seven Rivers 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 Hobbs district office of the Division of the date and time of the installation of disposal 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 Hobbs district office of the Division of the failure of the tubing, casing or packer in said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

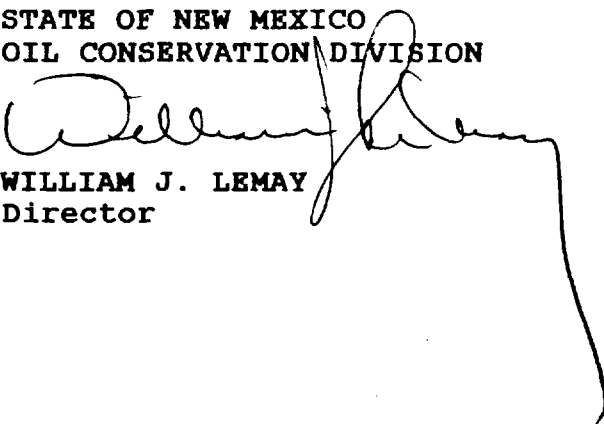
PROVIDED FURTHER THAT, jurisdiction of this cause is hereby retained by the Division for such further order or orders as any seem necessary or convenient for the prevention of waste and/or protection of correlative rights; upon failure of the operator to conduct operations in a manner which will ensure 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.

The operator shall submit monthly reports of the disposal operations in accordance with Rule 706 and 1120 of the Division Rules and Regulations.

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Approved at Santa Fe, New Mexico, on this 8th day of
November, 1988.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

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