



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

ADMINISTRATIVE ORDER SWD-629

***APPLICATION OF LOUIS DREYFUS NATURAL GAS CORPORATION FOR SALT
WATER DISPOSAL, EDDY COUNTY, NEW MEXICO.***

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Under the provisions of Rule 701(B), Louis Dreyfus Natural Gas Corporation made application to the New Mexico Oil Conservation Division on May 6, 1996, for permission to complete for salt water disposal its Barbados State Well No.1 located 1980 feet from the South line and 660 feet from the East line (Unit I) of Section 32, Township 23 South, Range 26 East, NMPM, Eddy 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;
- (3) The applicant has presented satisfactory evidence that all requirements prescribed in Rule 701 will be met; and
- (4) The city of Carlsbad, New Mexico, exercised its authority, on behalf of the public community, to make known valid concerns with the proposed operation. Louis Dreyfus Natural Gas Corporation has agreed to certain stipulations arising from these concerns which are made part of this Division Order as Exhibit 'A', and attached hereto. No other objections have been received within the waiting period prescribed by said rule.

IT IS THEREFORE ORDERED THAT:

The applicant herein, is hereby authorized to complete its Barbados State Well No.1 located 1980 feet from the South line and 660 feet from the East line (Unit I) of Section 32, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico, in such manner as to permit the injection of salt water for disposal purposes into the Delaware formation at approximately 3166 feet to 4450 feet through 2 7/8-inch plastic-lined tubing set in a packer located at approximately 3060 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 633 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 Delaware 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 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 Artesia 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.

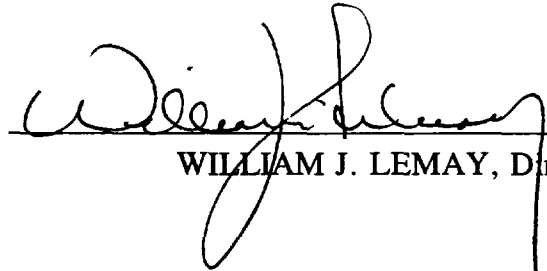
PROVIDED FURTHER THAT, jurisdiction of this cause is hereby retained by the Division for the entry of such further order or orders as may be deemed necessary or convenient for the prevention of waste and/or protection of correlative rights; upon failure of the operator to conduct operations in a manner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

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

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, may grant an extension thereof for good cause shown.

Approved at Santa Fe, New Mexico, on this 24th day of June, 1996.



WILLIAM J. LEMAY, Director

S E A L

WJL/BES

xc: Oil Conservation Division - Artesia
City of Carlsbad - Environmental Services Dept. - Mr. John Waters

EXHIBIT 'A'

City of Carlsbad Requirements

Louis Dreyfus Natural Gas Corporation (LDNG) agrees that the proposed Barbados State Well No.1 salt water disposal well and related facilities will be subject to the following:

- a) The salt water disposal well and related facilities will only be used for the disposal of water from currently producing oil and/or gas wells and any future producing oil and/or gas wells located in the following sections:

Section 27, 28, 29, 32, and 34 or T22S-R26E, and Sections 3, 4, and 5 of T23S-R26E, all located in Eddy County, New Mexico.

- b) The water disposal well and related facilities will be limited to the disposal of water from producing oil and/or gas wells which are either operated by LDNG or in which LDNG owns an interest. In no event will the disposal well and related facilities become a commercial facility. This condition shall be applicable to the successors and assigns of LDNG.
- c) At all times during the operation of the disposal well and related facilities, the City of Carlsbad, its employees and agents shall have access, at its individual risk and expense, to inspect the facility. The City of Carlsbad, its employees and agents, agree to indemnify and hold harmless LDNG, its employees and agents from and against any and all liens, judgments, and claims of any kind or character resulting from or arising out of its right to inspect the disposal well and related facilities, including without limitation any injuries resulting from such inspection.
- d) The City of Carlsbad reserves the right to report any and all results obtained from said sampling of the permitted well to the proper authorities (i.e., New Mexico Oil Conservation Division and/or New Mexico Environment Department) at any time.
- e) The City of Carlsbad also requires that the permit holder submit a report stating the quantity injected at the SWD for each month to the Environmental Services Department of the City of Carlsbad. This report will be sent at the same time as required by the NMOCD.