

April 11, 2006

HAND-DELIVERED

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87504

Case 13707

2006 APR 11 PM 4 59

Re: Application of Yates Petroleum Corporation to rescind or amend Administrative Order SWD-1021, Lea County, New Mexico.

Dear Mr. Fesmire:

Enclosed in triplicate is the Application of Yates Petroleum Corporation in the above-referenced case as well as a copy of a legal advertisement. BP requests that this application be placed on the docket for the May 11, 2006 examiner hearings.

Sincerely,


Ocean Munds-Dry

Enclosures

cc: Dave Boneau

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

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**IN THE MATTER OF THE APPLICATION OF
YATES PETROLEUM CORPORATION,
TO RESCIND OR AMEND
ADMINISTRATIVE ORDER SWD-1021
LEA COUNTY, NEW MEXICO.**

CASE NO. 13707

APPLICATION

Yates Petroleum Corporation ("Yates"), through its undersigned attorneys, hereby makes application for an order rescinding or amending Administrative Order SWD-1021 that was entered on January 25, 2006, authorizing Manzano, LLC ("Manzano") to utilize its Peter Grande State Well No. 1 (API No. 30-025-36993) located 330 feet from the South line and 400 feet from the West line of Section 1, Township 10 South, Range 32 East, NMPM, Lea County, New Mexico, in such manner as to permit the injection of produced water for disposal purposes into the San Andres formation through perforations from 4,350 feet to 4,470 feet and through plastic-line tubing set in a packer located within 100 feet of the top of the injection interval. In support of its application, Yates states:

1. Yates is the operator of the Mescalero State Well No. 1 (API No. 30-025-33969) located in Section 2, Township 10 South, Range 32 East, NMPM, Lea County, New Mexico. Manzano's Peter Grande State Well No. 1 is 730 feet from Yates' Mescalero State Well No. 1.
2. Yates was sent timely notice by Manzano on January 4, 2006. However, due to an internal communication problem, Yates did not have review the application until February 6, 2006. The application was granted on January 25, 2006 and therefore Yates did not have an opportunity as an offset operator to timely object as prescribed in Division Rule 701.

3. Although the period for objection by offset operators has past, the Division retained jurisdiction “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.” See Attachment A (Administrative Order SWD-1021).

4. The injection of produced water into the San Andres formation at Manzano’s Peter Grande State Well No. 1 presents a threat to the oil production of Yates’ Mescalero State Well No. 1. The authorized injection interval is from 4350 feet to 4470 feet in the San Andres formation. Yates’ Mescalero well does not have cement behind production casing from 2995 feet to 7500 feet.

5. If Administrative Order SWD-1021 is not rescinded or amended, the injection of produced water will cause waste and will impair Yates’ correlative rights.

6. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

7. A copy of this application has been sent to Manzano, LLC.

WHEREFORE, Yates Petroleum Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 11, 2006 and after notice and hearing as required by law, the Division enter its order rescinding or amending Administrative Order SWD-1021.

Respectfully submitted,

HOLLAND & HART LLP

By: Ocean Munds-Dry

Ocean Munds-Dry
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR YATES PETROLEUM
CORPORATION

CASE 13707: **Application of Yates Petroleum Corporation to rescind or amend Administrative Order SWD-1021, Lea County, New Mexico.** Applicant in the above-styled cause seeks an order rescinding or amending Administrative Order SWD-1021 issued on January 25, 2006, which authorizes Manzano, LLC to utilize its Peter Grande State Well No. 1 (API No. 30-025-36993) located 330 feet from the South line and 400 feet from the West line of Section 1, Township 10 South, Range 32 East, NMPM, Lea County, New Mexico, in such a manner as to permit the injection of produced water for disposal purposes into the San Andres formation through perforations from 4,350 feet to 4,470 feet and through plastic line tubing set in a packer located within 100 feet of the top of the injection interval. Yates seeks an order from the Division to protect its Mescalero State Well No. 1 (API No. 30-025-33969) located in Section 2, Township 10 South, Range 32 East, NMPM, Lea County, New Mexico. Said wells are located approximately 20 miles west of Tatum, New Mexico.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

ADMINISTRATIVE ORDER SWD-1021

APPLICATION OF MANZANO, LLC FOR PRODUCED WATER DISPOSAL, LEA COUNTY, NEW MEXICO.

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), Manzano, LLC made application to the New Mexico Oil Conservation Division for permission to utilize for produced water disposal its Peter Grande State Well No. 1 (API No. 30-025-36993) located 330 feet from the South line and 400 feet from the West line of Section 1, Township 10 South, Range 32 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;
- (3) The applicant has presented satisfactory evidence that all requirements prescribed in Rule 701 will be met; and
- (4) No objections have been received within the waiting period prescribed by said rule.

IT IS THEREFORE ORDERED THAT:

The applicant is hereby authorized to utilize its Peter Grande State Well No. 1 (API No. 30-025-36993) located 330 feet from the South line and 400 feet from the West line of Section 1, Township 10 South, Range 32 East, NMPM, Lea County, New Mexico, in such manner as to permit the injection of produced water for disposal purposes into the San Andres formation through perforations from 4,350 feet to 4,470 feet and through plastic-lined tubing set in a packer located within 100 feet of the top of the injection interval.

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.

While preparing for injection, the operator shall install a CIBP and cement within 200 feet below the lowermost permitted injection interval.

Prior to beginning commercial injection operations, the operator shall report the initial static fluid level in the well to the Division referencing this permit number.

After installing injection tubing, 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 or an approved leak detection device in order to determine leakage in the casing, tubing, or packer.

The wellhead injection pressure on the well shall be limited to **no more than 870 psi**. In addition, the injection well or system shall be equipped with a pressure limiting device in workable condition which shall, at all times, limit surface injection pressure to the maximum allowable pressure for this well.

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 injection 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 any 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.

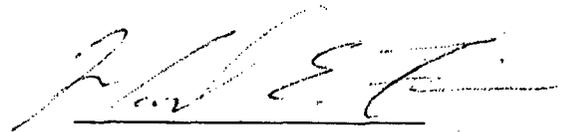
PROVIDED FURTHER THAT, jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh water or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the injection authority granted herein.

The operator shall provide written notice of the date of commencement of injection to the Hobbs district office of the Division.

The operator shall submit monthly reports of the disposal operations on Division Form C-115, 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 January 25, 2006.



MARK E. FESMIRE, P.E.
Director

MEF/wvjj

cc: Oil Conservation Division – Hobbs
State Land Office – Oil, Gas, and Minerals Division