



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division
ADMINISTRATIVE ORDER NO. WFX-767

APPLICATION OF SHAHARA OIL, LLC 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-2749, as amended, Shahara Oil, LLC has made application to the Division on October 30, 2000 for permission to expand its Grayburg- Jackson Premier Sand Unit Waterflood Project in the Grayburg Jackson Seven Rivers-Queen-Grayburg-San Andres Pool in Eddy County, New Mexico.

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 well(s) are eligible for conversion to 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, Shahara Oil, LLC, be and the same is hereby authorized to inject water into the Premier Sand member of the Grayburg formation at approximately 3042 feet to approximately 3316 feet through 2 3/8-inch internally plastic or fiberglass lined tubing set in a packer located within 100 feet of the uppermost injection perforations in the following described well(s) for purposes of secondary recovery to wit:

Grayburg Jackson PSU MB Well No. 6

API No. 30-015-04363

1650 FSL & 1650 FEL, Unit 'J', Section 27

Township 17 South, Range 30 East, NMPM

Injection Interval: 3,131 feet to 3,316 feet

Maximum Injection Pressure: 580

Grayburg Jackson PSU AD Well No. 11

API No. 30-015-30008

1310 FNL & 1310 FEL, Unit 'D', Section 27

Township 17 South, Range 30 East, NMPM

Injection Interval: 3,042 feet to 3,199 feet

Maximum Injection Pressure: 580

Eddy County, New Mexico.

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(s), 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(s) or system shall be equipped with a pressure limiting device which will limit the wellhead pressure on the injection well(s) to no greater than 580 psi, pursuant to Division Order No. R-2749, as amended.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well(s) that such higher pressure will not result in migration of the injected fluid from the Premier Sand member of the Grayburg 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 tests 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(s) and shall take such steps as may be timely and necessary to correct such failure or leakage.

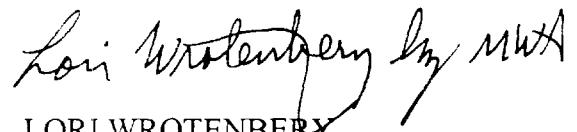
The subject well(s) shall be governed by all provisions of Division Order No. R-2749, as amended, and Rules 702-706 of the Division Rules and Regulations not inconsistent herewith.

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.

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(s), provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

DONE at Santa Fe, New Mexico, on this 14th day of November, 2000.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "Lori Wrotenbery", followed by a stylized flourish or set of initials.

LORI WROTENBERY
Director

S E A L

cc: Oil Conservation Division – Artesia
U.S. Bureau of Land Management - Carlsbad
Case File No.12440 (Order No. R-2749-A)