

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 12905
ORDER NO. R-11855**

**APPLICATION OF PRONGHORN MANAGEMENT CORPORATION FOR
APPROVAL OF A SALT WATER DISPOSAL WELL, LEA COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 5, 2002, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 28th day of October, 2002, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Pronghorn Management Corporation ("Pronghorn"), seeks approval to utilize the State "T" Well No. 2 (API No. 30-025-03735) located 4290 feet from the South line and 500 feet from the West line (Unit L, Lot 12) of Section 6, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, to dispose of produced water into the San Andres and Glorieta formations from a depth of 6,000 feet to 6,400 feet.

(3) DKD, L.L.C., an offset operator, appeared at the hearing in opposition to the application.

(4) The record in this case shows that:

(a) a Division Form C-108 (Application to Inject) for injection into the State "T" Well No. 2 was

originally filed by Pronghorn for administrative approval on April 5, 2002;

- (b) on April 30, 2002 the Division issued Administrative Order No. SWD-836, which order authorized Pronghorn to utilize the State "T" Well No. 2 to dispose of produced water into the San Andres and Glorieta formations from a depth of 6,000 feet to 6,200 feet;
 - (c) subsequently, DKD, L.L.C. contacted and advised the Division that it operates acreage within one-half mile of the State "T" Well No. 2, and that it was not provided notice of the administrative application filed by Pronghorn on April 5, 2002, as required by Form C-108 and Division Rule No. 701.B.;
 - (d) DKD, L.L.C. further advised the Division that it objected to the application, and
 - (e) by letter dated July 9, 2002 the Division advised Pronghorn that due to the apparent deficiency in notice to DKD, L.L.C., and the valid objection received by the Division, Order No. SWD-836 would be suspended pending the outcome of a hearing before a Division examiner.
- (5) The evidence presented by both parties demonstrates that:
- (a) in 1992 or 1993 Pronghorn acquired State of New Mexico Lease No. V-4886, which comprises Lots 11, 12, 13 and 14 of Section 6, Township 16 South, Range 36 East, NMPM. Subsequently, Pronghorn's lease from the State of New Mexico terminated due to lack of production. On June 1, 1996 this land was re-leased by the Commissioner of Public Lands to Chesapeake Operating, Inc. ("Chesapeake");
 - (b) on May 1, 2002, Chesapeake assigned a portion of Lease No. V-4886, being Lots 13 and 14 of Section 6, to DKD, L.L.C. This document was recorded in

the Lea County, New Mexico County Clerk's office on May 14, 2002;

- (c) Chesapeake retained Lots 11 and 12 of Section 6;
- (d) prior to termination of its lease, Pronghorn operated several wells within Lots 11, 12, 13 and 14 of Section 6, among them the State "T" Well No. 1 located in Lot 13, the State "T" Well No. 2 located in Lot 12, the State "T" Well No. 3 located in Lot 14, and the State "T" Well No. 4 located in Lot 11. Pronghorn testified that it has plugged, or is currently in the process of plugging, the State "T" Wells No. 1, 3 and 4, although Division records do not reflect that any such plugging has taken place thus far;
- (e) Division records show Pronghorn to be the current operator of the State "T" Well No. 2;
- (f) the surface land on which the State "T" Well No. 2 is located is owned by Felipe A. Moreno and Adelaida P. Moreno;
- (g) Mr. Danny Watson, the owner of DKD, L.L.C., is the surface owner of certain acreage located on Lease No. V-4886. Mr. Watson contends that Pronghorn, in fulfilling its obligation to plug and abandon its wells located on this lease, has not satisfactorily cleaned and restored the surface to its original condition;
- (h) DKD, L.L.C. further contends that the San Andres formation in the area of the State "T" Well No. 2 is potentially productive, and that allowing injection into this formation may violate its, or others, correlative rights;
- (i) neither Chesapeake, Felipe A. Moreno, nor Adelaida P. Moreno has granted any authority to Pronghorn to inject water for commercial disposal purposes on Lot 12; and

- (j) Pronghorn has not applied to, nor received any approval from the Commissioner of Public Lands to commercially inject fluid into the State "T" Well No. 2 within Lot 12.

(6) DKD, L.L.C. did not present any geologic or engineering evidence to support its position that the San Andres formation may be productive in the area of the State "T" Well No. 2 and that approval of the application may violate its correlative rights.

(7) DKD, L.L.C.'s assertion that Pronghorn has not adequately cleaned up the surface on certain acreage it owns on Lease No. V-4886 is not relevant, and should therefore not be a factor in this case.

(8) At the time Pronghorn filed its Form C-108 for administrative approval to inject into the State "T" Well No. 2, the owner of record of Lots 13 and 14 was Chesapeake. The evidence shows that Pronghorn provided notice to Chesapeake in accordance with Division rules

(9) With regards to Division Order No. SWD-836, it appears that there is no deficiency in notice to DKD, L.L.C., however, it also appears that there is a deficiency in notice to the surface owner, Felipe A. Moreno and Adelaida P. Moreno.

(10) Pronghorn did not provide notice of this case to the surface owners, Felipe A. Moreno and Adelaida P. Moreno.

(11) Pronghorn has not secured from either Chesapeake, the lessee of State Lease No. V-4886, the Commissioner of Public Lands, nor the surface owner, any type of additional authorization that may be necessary in order to utilize the State "T" Well No. 2 for commercial disposal operations

(12) Due to the notice deficiency described above, Division Order No. SWD-836 should be rescinded.

(13) Due to the notice deficiency in this case, and due to certain outstanding issues related to Pronghorn's right to inject water into this well on State Lease No. V-4886, the application should be denied.

(14) Pronghorn may reapply to the Division to utilize the State "T" Well No. 2 for disposal purposes at such time as the issues described in Finding No. (13) are addressed and resolved.

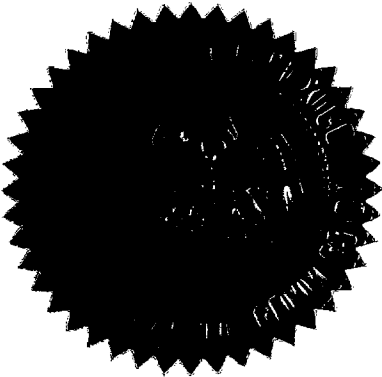
IT IS THEREFORE ORDERED THAT:

(1) The application of Pronghorn Management Corporation to utilize the State "T" Well No. 2 (API No. 30-025-03735) located 4290 feet from the South line and 500 feet from the West line (Unit L, Lot 12) of Section 6, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, to dispose of produced water into the San Andres and Glorieta formations from a depth of 6,000 feet to 6,400 feet, is hereby denied.

(2) Division Order No. SWD-836 dated April 30, 2002, is hereby rescinded.

(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director