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June 28, 2002

Via Fax and U.S. Mail

Case 12905

David Catanach
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

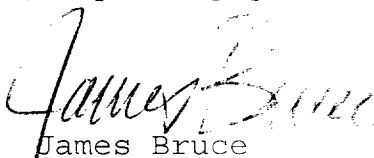
Re: Division Administrative Order SWD-836; §6-16S-36E

Dear Mr. Catanach:

I represent DKD, L.L.C. ("DKD"). DKD is an offset lessee and operator to the SWD well approved by the above order, but did not receive notice of the application. DKD objects to the application, and requests that (1) the application be set for hearing, and (2) the administrative order be stayed pending the issuance of a hearing order.

Please call me if you have any questions.

Very truly yours,



James Bruce

Attorney for DKD, L.L.C.

cc: Pronghorn Management Corporation
DKD, L.L.C.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

ADMINISTRATIVE ORDER SWD-836

APPLICATION OF PRONGHORN MANAGEMENT CORPORATION FOR SALT WATER DISPOSAL, LEA COUNTY, NEW MEXICO.

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

approved 5/3/02
→ Watson MAY own the well
→ Says well name is Gulf State B # 2T

Under the provisions of Rule 701(B), Pronghorn Management Corporation made application to the New Mexico Oil Conservation Division on April 5, 2002, for permission to re-enter for produced water disposal its 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) of Section 6, Township 16 South, Range 36 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:

Pronghorn Management Corporation is hereby authorized to re-enter its 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) of Section 6, Township 16 South, Range 36 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 and Glorieta formations from a depth of 6000 feet to 6200 feet through 2 plastic-lined tubing set in a packer located approximately at 5950 feet.

IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the injected water enters proposed injection interval and is not permitted to escape to other formations or onto the :

Prior to perforating for injection, the following cementing operations must take place. Set a 5 ½ inch CIBP at 10500 feet, spot mud, then perforate above the current cement approximately 9762 feet and squeeze cement through perforations to the surface. Next, set from the retainer to 6500 feet and set a cement plug inside the 5 ½ inch casing at 6500 feet on cement then run a CBL/CET from 6500 feet to the surface with pressure on the annulus. Submit to the Hobbs District office for approval.

The casing shall be pressure tested from the surface to the packer setting depth to test 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 leaks 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 1200 psi.

The Director of the Division may authorize an increase in injection pressure if 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 step-rate test run in accordance with and acceptable to this office.

THIS ORDER IS HEREBY ISSUED BY THE DIRECTOR OF THE DIVISION OF OIL AND GAS ADMINISTRATION, STATE OF TEXAS, ON THIS 29TH DAY OF APRIL, 2002.

may be timely and necessary to correct such failure or leakage.

PROVIDED FURTHER THAT, jurisdiction is retained by the Division 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 free flow of 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 submit monthly reports of the disposal operations on Division Order No. 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, but if, however, the Division, upon written request by the operator, may grant an extension thereof for a good cause shown.

Approved at Santa Fe, New Mexico, on this 30th day of April 2002.

LORI WROTENBERY,

LW/WVJ

cc: Oil Conservation Division – Hobbs

Case 17902 :

Application of Pronghorn Management Corporation for Approval of a Salt Water Disposal Well, Lea County, New Mexico. Applicant seeks approval to utilize its State "T" Well No. 2 (API No. 30-025-03735) located 4290 feet from the South line and 500 feet from the West line NW/4 SW/4, Section 6, Township 16 South, Range 36 East, to dispose of produced water into the San Andres and Glorieta formations from a depth of 6000 feet to 6400 feet. This well is located approximately 2 miles west of Lovington, New Mexico.