

SAGE ENERGY COMPANY

P. O. DRAWER 3068

MIDLAND, TEXAS 79702

915/683-5271

AUG 1 1986

July 31, 1986

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Sage Energy Company, Application to Convert the Lowe State No. 1
to a Disposal Facility; SW/4 of Sec. 10, T-15-S, R-33-E, Lea County,
New Mexico. Case No. 8926.

Attn: Michael E. Stogner

Dear Sir:

As you requested, enclosed for your records are Waiver Letters from Charles B. Gillispie, Jr., Chevron U.S.A., Inc., Maralo Inc. and Wood Petroleum Company, present owner of the lease in the NE/4 of Sec. 15, formerly owned by D. E. Gonzales. Also included is a letter agreement dated June 30th signed by David Hastings, Production Manager for Charles B. Gillispie, Jr. and Jay H. Hardy of Sage Energy.

The case was heard June 25, 1986.

Very truly yours,

Frances Holzgraf

Frances Holzgraf
Production Clerk

Encls.
CERTIFIED MAIL P397 521 583

Jay Hardy

Charles B. Gillespie, Jr.

Oil Producer-Investor

P. O. Box Eight

Midland, Texas 79702

(915) 683-1765

June 30, 1986

Sage Energy Company
P. O. Drawer 3068
Midland, Texas 79702

Attention: Mr. Jay H. Hardy

Re: Application for Authorization
To Inject Sage Energy Company
Lowe State #1
Section 10, T-15S, R-33E
Lea County, New Mexico

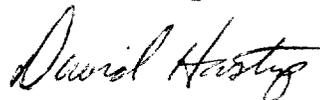
Gentlemen:

As you are aware, Charles B. Gillespie, Jr. owns and operates wells in the referenced wells' area of review. In order to dispose of the water into the captioned well without objection of Charles B. Gillespie, Jr., we request an agreement between us under the following conditions:

1. Only water produced on the W/2, SW/4 Section 10, T-15S, R-33E will be injected into the subject well.
2. The maximum rate of injection will be 40 barrels of water per day. The injection rate will be the average daily injection based on the total volume of water injected during any single month period.
3. Charles B. Gillespie, Jr. will have the right to monitor the injection rate by any industry-accepted method. If Charles B. Gillespie, Jr. desires to use equipment such as a flow meter to monitor said rate, the cost and expense of maintaining such equipment will be borne by Charles B. Gillespie, Jr.
4. Charles B. Gillespie, Jr. reserves the right to object to the NMOCD and any other regulatory and/or judicial body should the average daily rate of injection exceed that agreed upon herein.

If these terms are acceptable to you, please sign and return one copy of this letter to us.

Yours truly,



David Hastings
Production Manager

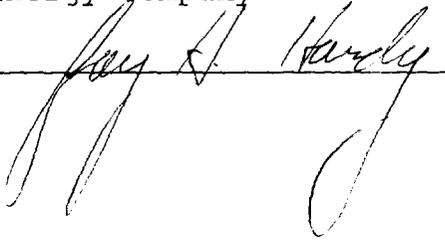
Sage Energy Company
June 30, 1986

Page 2

The above terms are accepted and agreed upon this 2nd day of
July, 1986.

Sage Energy Company

By _____

A handwritten signature in cursive script, appearing to read "Ray A. Hardy", is written over a horizontal line. The signature is fluid and extends above and below the line.

W A I V E R L E T T E R

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Sage Energy Company Lowe State No. 1 (Saunders Penn) Field, 660' FWL
and 1980' FSL of Sec. 10, T-15-S, R-33-E, Lea County, New Mexico.

Dear Sir:

I have been duly notified of the intent of Sage Energy Company to convert the captioned well to a salt water disposal well. I have no objections to this conversion.



Wood Petroleum Company
3817 N. W. Expressway
Oklahoma City, Oklahoma 73112

*Frances - this was
sent to Conservation
Commission.*

SAGE ENERGY COMPANY

P. O. DRAWER 8068

MIDLAND, TEXAS 79702

—
915/683-5271

June 23, 1986

Charles B. Gillispie, Jr.
P. O. Box 8
Midland, Texas 79702

Re: Sage Energy Company, Lowe State No. 1 - Saunders (Penn) Field, 660'
FWL and 1980' FSL of Sec. 10, T-15-S, R-33-E, Lea County, New Mexico

Dear Sir:

Enclosed for your use and information is a copy of the application to convert the referenced well. Notification of our intent to convert this well was made by letter of April 16, 1986. Please indicate your receipt of this application by signing in the space indicated below. Your cooperation is appreciated.

Very truly yours,

Frances Holzgraf
Production Clerk

Encls.

Charles B. Gillispie, Jr.

By: David Hartup

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L. C. Anderson 7-7-86
Chevron U.S.A. Inc.
P. O. Box 1150
Midland, Texas 79702

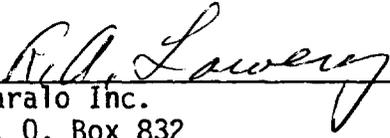
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Maralo Inc.
P. O. Box 832
Midland, Texas 79702

SAGE ENERGY COMPANY

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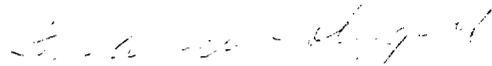
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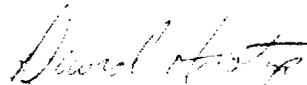
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P. O. Box 2088
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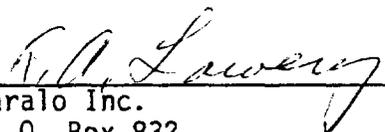
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Maralo Inc.
P. O. Box 832
Midland, Texas 79702

COPY



WAIVER LETTER

Case File
8926

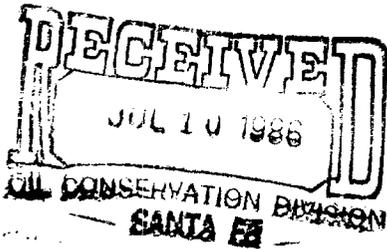
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Wood Petroleum Company
3817 N. W. Expressway
Oklahoma City, Oklahoma 73112



W A I V E R L E T T E R

Case File
8926

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Sage Energy Company Lowe State No. 1 (Saunders Penn) Field, 660' FWL
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L. C. Anderson *7-7-86*

Chevron U.S.A. Inc.
P. O. Box 1150
Midland, Texas 79702

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 8926
Order No. R-8307

APPLICATION OF SAGE ENERGY COMPANY
FOR SALT WATER DISPOSAL, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 25, 1986, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 22nd day of September, 1986, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Sage Energy Company, is the owner and operator of the Lowe State Lease, comprised of the W/2 SW/4 of Section 10, Township 15 South, Range 33 East, NMPM, Lea County, New Mexico.

(3) The applicant proposes to utilize its Lowe State Well No. 1, located 1980 feet from the South line and 660 feet from the West line (Unit L) of said Section 10 to dispose of produced salt water from said lease into the Saunders-Permo Upper Pennsylvanian Pool, with injection into the perforated interval from approximately 9565 feet to 9890 feet, at a rate not to exceed 40 barrels per day.

(4) The injection should be accomplished through 2 3/8-inch plastic lined tubing installed in a packer set at approximately 9500 feet; the casing-tubing annulus should be filled with an inert fluid; and a pressure gauge or approved leak detection device should be attached to the annulus in order to determine leakage in the casing, tubing, or packer.

(5) Prior to commencing injection operations, the casing in the subject well should be pressure-tested throughout the interval from the surface down to the proposed packer setting depth, to assure the integrity of such casing.

(6) At the request of the applicant the disposal well will be taking water on gravity injection and at no time should said well be injecting water under positive surface pressure.

(7) The operator should give advance notification to the supervisor of the Hobbs district office of the Division of the date and time of the installation of disposal equipment and of the mechanical integrity pressure test in order that the same may be witnessed.

(8) The operator should 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.

(9) Approval of the subject application will prevent the drilling of unnecessary wells and otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Sage Energy Company, is hereby authorized to utilize its Lowe State Well No. 1, located 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 10, Township 15 South, Range 33 East, NMPM, Lea County, New Mexico, to dispose of produced salt water from its Lowe State Lease at a rate not to exceed 40 barrels per day into the Saunders-Permo Upper Pennsylvanian Pool, injection to be accomplished through 2 3/8-inch tubing installed in a packer set at approximately 9500 feet, with injection into the perforated interval from approximately 9565 feet to 9890 feet;

PROVIDED HOWEVER THAT, the tubing shall be plastic-lined; the casing-tubing annulus shall be filled with an inert fluid; and a pressure gauge shall be attached to the annulus or the annulus shall be equipped with an approved leak detection device in order to determine leakage in the casing, tubing, or packer.

PROVIDED FURTHER THAT, prior to commencing injection operations, the casing in the subject well shall be pressure-tested to assure the integrity of such casing in a manner that is satisfactory to the supervisor of the Division's district office at Hobbs.

(2) The injection well or system shall be limited to gravity injection only.

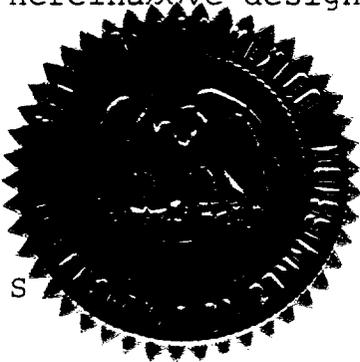
(3) The operator shall notify the supervisor of the Hobbs district office of the Division in advance of the date and time of the installation of disposal equipment and of the mechanical integrity pressure test in order that the same may be witnessed.

(4) The operator shall immediately notify the supervisor of the Division's Hobbs district office of the failure of the tubing, casing, or packer, in said well or the leakage of water from or around said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

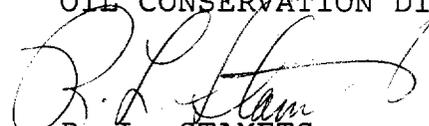
(5) The applicant shall conduct disposal operations and submit monthly reports in accordance with Rules 702, 703, 704, 705, 706, 708, and 1120 of the Division Rules and Regulations.

(6) Jurisdiction of this cause is 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


R. L. STAMETS,
Director