

**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. 11839
Order No. R-10904**

**APPLICATION OF ODESSA OIL INVESTMENTS
INC. FOR SALT WATER DISPOSAL, EDDY
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 4, 1997, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 22nd day of October, 1997, 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, Odessa Oil Investments, Inc. (Odessa), seeks authority to re-enter the existing Lakewood State Com Well No. 1 (formerly the Monsanto Company Lakewood State Com Well No. 1) located 1980 feet from the North and West lines (Unit F) of Section 30, Township 19 South, Range 26 East, NMPM, Eddy County, New Mexico, and utilize said well to dispose of produced salt water into the Devonian formation through the open hole interval from approximately 10,300 feet to 10,700 feet.
- (3) Yates Petroleum Corporation, the current lessee of State Lease No. V-05110, which encompasses some 642.40 acres and which includes Lots 1 through 4, the E/2 and the E/2 W/2 of Section 30, appeared at the hearing in opposition to the application.
- (4) The evidence and testimony presented in this case indicates that the following chronology of events has led to the hearing in this matter:

- a) Monsanto Company drilled the Lakewood State Com Well No. 1 in August, 1977, to a total depth of 9,726 feet. The well proved non-productive after being drill stem tested in the Morrow and Cisco formations. The well was subsequently plugged and abandoned in 1978;
- b) Yates held the lease on which the Lakewood State Com Well No. 1 is located until March 1, 1997, at which time the lease expired;
- c) on May 5, 1997, Odessa contacted the Commissioner of Public Lands for the State of New Mexico about entering into a business lease for its proposed conversion of the Lakewood State Com Well No. 1 to a commercial salt water disposal well;
- d) on May 13, 1997, the Division received Odessa's Form C-108 (Application to Inject) dated May 5, 1997, for its proposed conversion of the Lakewood State Com Well No. 1 to a disposal well. As required by Form C-108 and Division Rules and Regulations, Odessa sent a copy of its Form C-108 to Yates and Nearburg Exploration Company, L.L.C. (Nearburg), being offset operators;
- e) on May 20, 1997, Yates received Odessa's Form C-108 and did not enter an objection to the application within the 15-day waiting period;
- f) on May 27, 1997, Nearburg wrote to the Commissioner of Public Lands and nominated Section 30 for an oil and gas lease on the basis of competitive oral bid. In its letter, which was copied to the Division, Nearburg expressed concerns about allowing Odessa to utilize the subject well for disposal purposes and further cited omissions in Odessa's Form C-108;
- g) on June 4, 1997, notice of Odessa's Form C-108 application was published in the Carlsbad Current-Argus;

- h) on June 17, 1997, Yates successfully bid on the subject oil and gas lease. On June 25, 1997, Yates executed a lease agreement with the Commissioner of Public Lands effective July 1, 1997.
- i) on June 23, 1997, Odessa filed an "Application for Business Lease" with the Commissioner of Public Lands for its proposed salt water disposal operation within Section 30;
- j) on July 1, 1997, the Commissioner of Public Lands cashed Odessa's check for first year's offered rental; and,
- k) by letter dated August 8, 1997, the Division informed Odessa that due to the concerns expressed by Nearburg, and due to certain legal issues with respect to who has the right to utilize the Lakewood State Com Well No. 1, its Form C-108 would be set to hearing on September 4, 1997 before a Division examiner.

(5) Yates testified at the hearing that it plans to re-enter the Lakewood State Com Well No. 1 in an attempt to establish hydrocarbon production from the Cisco-Canyon interval.

(6) Subsequent to the hearing, the Division received a copy of a letter dated October 7, 1997, from the Commissioner of Public Lands for the State of New Mexico to Odessa Oil Investments. In its letter, the Commissioner of Public Lands informed Odessa that its application for a business lease covering the SE/4 NW/4 of Section 30 is being rejected due to the fact that "an oil and gas lease was issued on this tract by our Oil and Gas Division and the well bore is more valuable as source of royalties from oil and gas than from salt water disposal".

(7) Inasmuch as the applicant is currently unable to secure a business lease from the Commissioner of Public Lands, it has no rights to re-enter the Lakewood State Com Well No. 1 for the purpose of converting the well to a salt water disposal well.

(8) The application of Odessa Oil Investments should be denied.

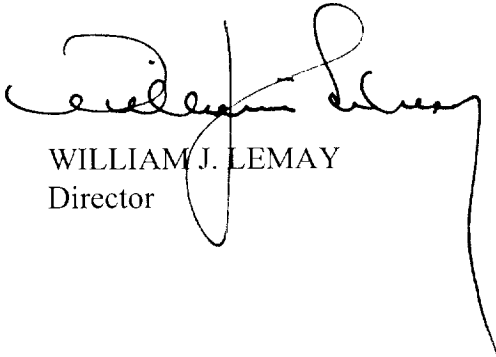
IT IS THEREFORE ORDERED THAT:

(1) The application of Odessa Oil Investments, Inc. for authority to re-enter the existing Lakewood State Com Well No. 1 (formerly the Monsanto Company Lakewood State Com Well No. 1) located 1980 feet from the North and West lines (Unit F) of Section 30, Township 19 South, Range 26 East, NMPM, Eddy County, New Mexico, and utilize said well to dispose of produced water into the Devonian formation through the open hole interval from approximately 10,300 feet to 10,700 feet is hereby denied.

(2) 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.

SATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L