

Entered May 3, 1984
JDR

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. 8139
Order No. R-7521

APPLICATION OF BBC, INC. FOR SALT
WATER DISPOSAL, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on April 11, 1984, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 3rd day of May, 1984, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, BBC, Inc., proposes to re-enter the Penroc Oil Corporation Foxie "A" Federal Well No. 1, located 660 feet from the South line and 1980 feet from the East line of Section 18, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico, to utilize said well to dispose of produced salt water into the Upper Delaware formation, with injection into the open-hole interval from 2800 feet to 3750 feet.

(3) That Penroc Oil Corporation is the operator of the federal oil and gas lease upon which the subject proposed disposal well is located and drilled the subject well as operator for the Forest unit, and has appeared in opposition to this application.

(4) That said Forest Unit is a working interest unit consisting of all of Section 17 and 18 in said Township 20 South, Range 28 East.

(5) That Edward R. Hudson is the lessee of record for the federal oil and gas lease upon which the subject proposed disposal well is located, and has opposed this application.

(6) That Robert Enfield is a working interest owner in the Forest unit and has appeared in opposition to the application.

(7) That Cities Service Oil and Gas Corporation is a working interest owner in the Forest Unit and an offset operator to the subject well and has appeared in opposition to the application.

(8) That the subject proposed disposal well was drilled by Penroc Oil Corporation as a lower Morrow test and was plugged and abandoned in 1977.

(9) That the applicant is not an owner or operator of the subject well but has obtained a right-of-way permit from the Bureau of Land Management dated March 19, 1984, granting to applicant a right-of-way to re-enter the subject well for disposal purposes subject the valid rights in existence at the time of the granting of the right-of-way.

(10) That expert testimony was presented which attempted to demonstrate that the proposed disposal zone did not contain commercial quantities of oil.

(11) That the protestants presented expert testimony which attempted to demonstrate that the proposed disposal zone did contain commercial quantities of oil.

(12) That the evidence of the existence or non-existence of commercial oil in said zone was inconclusive.

(13) That oil might be wasted or the correlative rights of Penroc Oil Corporation, Robert Enfield, Edward R. Hudson, and Cities Service Oil and Gas Corporation might be violated if the subject well is utilized for disposal purposes prior to affording to those interested parties the reasonable opportunity to further test for the potential of oil production from the Upper Delaware Formation in the area.

(14) That in order to afford to those parties owning interests under the SW/4 SE/4 of said Section 18 and the offsetting proration units the reasonable opportunity to determine the presence of oil production in the Delaware formation, said parties shall have a period of time not to exceed 90 days in which to seek the drilling of a well or wells to test for production from the Delaware formation.

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(15) That any well to be drilled under the provisions of Finding No. (14) above shall be drilled to completion within 6 months following the date of this order.

(16) That the operator of any well drilled under the provisions of Finding No. (14) above shall notify the Director of the Division of the establishment of commercial production therefrom in writing giving proof of the commercial nature of such production.

(17) If no operator files an application to drill or in the event commercial production from the proposed Delaware disposal interval has not been established by the drilling of a well pursuant to Paragraph (14) above, then the subject application shall be granted upon the terms and conditions set forth herein.

(18) That the injection should be accomplished through 4 1/2-inch plastic lined tubing string installed in a packer set at approximately 2745 feet; that the casing-tubing annulus should be filled with an inert fluid; and that 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.

(19) That the injection well or system should be equipped with a pressure limiting switch or other acceptable device which will limit the wellhead pressure on the injection well to no more than 560 psi.

(20) That the applicant should notify the supervisor of the Artesia district office of the Division of the date and time of the installation of disposal equipment so that the same may be inspected.

(21) That the applicant 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 intervals or onto the surface.

(22) That should Cities Service Oil and Gas Corporation detect a pressure increase in its CW No. 1 well located in Unit F of Section 19, Township 20 South, Range 28 East, NMPM, then the applicant shall immediately cease disposal into the Foxie "A" Federal No. 1 well pending a hearing before the Division.

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IT IS THEREFORE ORDERED:

(1) That after the effective date of this order and within a period not to exceed 90 days thereafter, any operator having an interest under the SW/4 SE/4 of Section 18, Township 20 South, Range 28 East, NMPM, Eddy County New Mexico, or the owner of any offsetting 40-acre oil proration unit may file an application to drill a well thereon to test the Delaware formation.

(2) That any such operator shall give notice of such filing to the applicant, BBC Inc., and to the Director of the Division.

(3) That any well to be drilled under the provisions of Paragraph (1) above shall be drilled to completion within six months following the date of this order.

(4) That any operator establishing commercial production in any well drilled under the above order shall give notice and proof in writing to BBC Inc. and the Director of the Division within said six-month period.

(5) That in the event that no application to drill is filed and noticed as provided in Ordering Paragraphs (1) and (2) above, or that in the event that no well drilled pursuant to Order Paragraph (1) above is completed as a commercial producer in the proposed injection interval within six months of the date of this Order, then in that event, the applicant, BBC Inc., is authorized to utilize the Foxie "A" Federal No. 1 well, located 660 feet from the South line and 1980 feet from the East line, Section 18, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico, to dispose of produced salt water into the Upper Delaware Formation, injection to be accomplished through 4 1/2-inch tubing string installed in a packer set at approximately 2745 feet, with injection into open-hole intervals from 2800 feet to 3750 feet;

PROVIDED HOWEVER, that the tubing shall be plastic-lined; that the casing-tubing annulus shall be filled with an inert fluid; and that 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.

(4) That the injection well or system shall be equipped with a pressure limiting switch or other acceptable device which will limit the wellhead pressure on the injection well to no more than 560 psi.

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(5) That upon notification from Cities Service Oil and Gas Corporation of an increase in pressure at their CW No. 1 well in Unit F, Section 19, Township 20 South, Range 28 East, NMPPM, applicant shall immediately cease disposal pending an order of the Division entered after notice and hearing.

(6) That the operator shall notify the supervisor of the Artesia district office of the Division of the date and time of the installation of disposal equipment so that the same may be inspected.

(7) That the operator shall immediately notify the supervisor of the Division's Artesia 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.

(8) That 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.

(9) That 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


JOE D. RAMEY,
Director

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