

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John Bemis
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



March 24, 2013

Mr. William V. Palmer
New Mexico Salt Water Disposal Company
PO Box 1719
Lovington, NM 88260

RE: Injection Pressure Increase

Disposal Permit: SWD-735 Formation: San Andres
Continental State Well No. 1 API: 30-025-22551
Unit F, Sec 18, T10S, R34E, NMPM, Lea County, New Mexico

Dear Mr. Palmer:

Reference is made to your request on behalf of New Mexico Salt Water Disposal Company (OGRID 15878) to increase the maximum allowed surface tubing pressure on the above named well.

This well was permitted by the Division for water disposal into the San Andres formation by Division administrative permit SWD-735 approved January 19, 1999. The Division records show that permit was protested by Yates Petroleum Corporation who allowed the permit with the stipulation that surface injection pressures remain below 500 psi. The permit was issued with 500 psi as maximum allowed pressure.

Until such time as Yates Petroleum Corporation formally withdraws this limitation and until the Division receives another application for disposal from the operator of this well and issues an amended permit, the requested injection pressure increase must be denied.

Sincerely,

A handwritten signature in black ink, appearing to read "Jami Bailey", is written over a horizontal line.

JAMI BAILEY
Director

JB/wvjj

cc: Oil Conservation Division – Hobbs District Office
Files: SWD-735

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
 [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD
 Check One Only for [B] or [C]
 [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS QLM
 [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR
 [D] Other: Specify _____

*DENIED DUE TO
 Rates 500 PSI LIMIT
 in SWD-735 Feb*

- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
 [A] Working, Royalty or Overriding Royalty Interest Owners
 [B] Offset Operators, Leaseholders or Surface Owner
 [C] Application is One Which Requires Published Legal Notice
 [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

William Palmer
 Print or Type Name

Signature

Manager
 Title

2/22/13
 Date

 e-mail Address

February 22, 2013

RECEIVED OCD

2013 FEB 26 A 10:59

William V. Jones

Engineering Bureau

Oil Conservation Division

1220 S. Saint Francis Drive

Santa Fe, NM 87505

RE: Request for Injection Pressure Increase on Continental State #1 SWD

Dear Mr. Jones,

30-025-22551

The Continental State #1 SWD well, located 1976' from the North line and 1970' from the West line of Section 18 Twp 10S Rge 34E in Lea County, NM, has been disposing of water into the San Andres formation under Administrative Order SWD-735. Wellhead pressure has been limited to no more than 500#.

"F"
(1977FWL)
(1970FWL)

1/19/99

On February 21 2013, Cardinal Surveys was rigged up to run a step-rate test. Results show no fracture initiation up to 6100 BPD with 2418# surface pressure. Data from the step-rate test is attached.

15878

(New Mexico Saltwater Disposal Company) therefore, requests an increase in the pressure allowable on the subject well to 2200#.

Thank you for your consideration of this matter. Please feel free to call me if further explanation is needed. My cellular phone number is 575.390.2424

Sincerely,

William V Palmer

Manager

New Mexico Saltwater Disposal Co

PO Box 1719

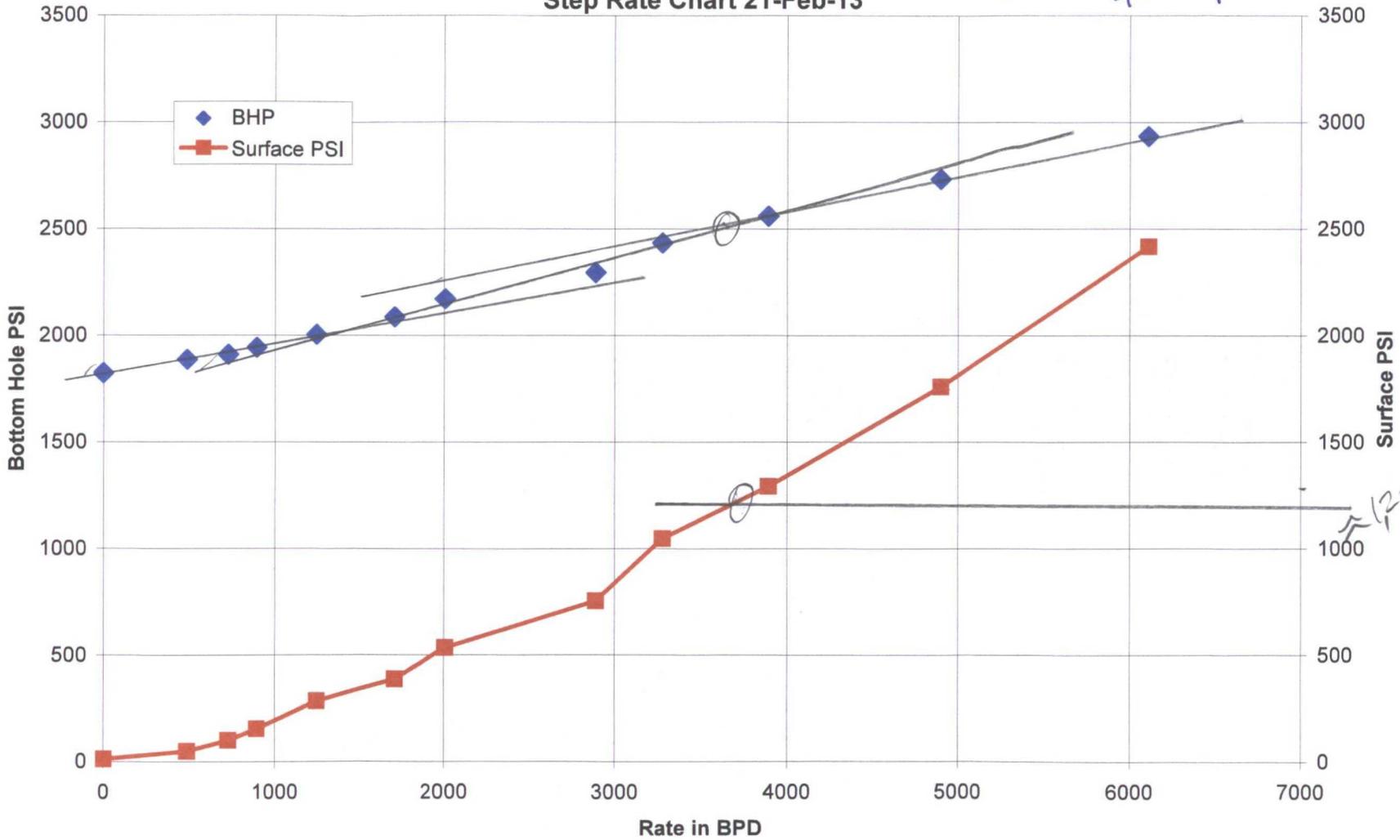
Lovington, NM 88260

(No Loss)
SWD; SA POOL
~4692-4826
SWD-735
(2 3/8") (500 PSC)



NEW MEXICO SWD
M.J. & S. VERDE INC.
Continental No. 1 SWD
Step Rate Chart 21-Feb-13

See Y for agreement on SWD-735
for 500 PSI
MAX on THIS well



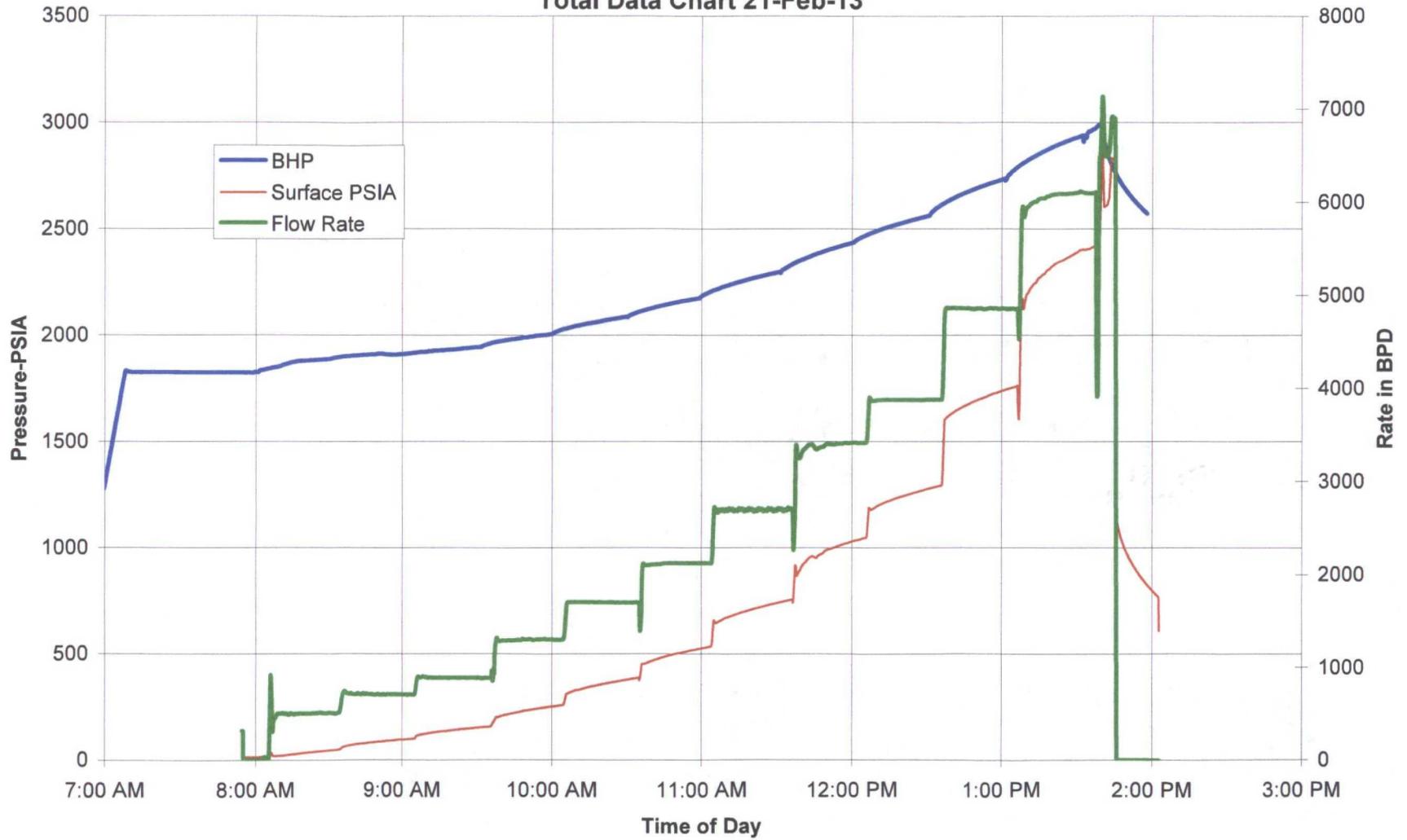
~1200 PSI



New Mexico SWD Co

Prod. 8-13-13

Continental NO. 1 SWD
Total Data Chart 21-Feb-13



Step Rate Test



Cardinal Surveys Company

21-Feb-13

Read & Stevens Inc *New Mexico SWD*

Well: Continental No. 1 SWD

Field;

County: Lee County, New Mexico

SC60162

File No. 21.148

No Parting Pressure Found

Downhole PSI Tool Ser. No. CSC2601
Surface PSI Gauge Ser. No. CSC 2701
Tool @ 6,170'

| | Start | End | Rate |
|----|----------|----------|-----------------|
| 1 | 7:08 AM | 8:00 AM | 0 4,260' |
| 2 | 8:00 AM | 8:30 AM | 500 |
| 3 | 8:30 AM | 9:00 AM | 700 |
| 4 | 9:00 AM | 9:30 AM | 900 |
| 5 | 9:30 AM | 10:00 AM | 1300 |
| 6 | 10:00 AM | 10:30 AM | 1700 |
| 7 | 10:30 AM | 11:00 AM | 2100 |
| 8 | 11:00 AM | 11:30 AM | 2700 |
| 9 | 11:30 AM | 12:00 PM | 3300 |
| 10 | 12:00 PM | 12:30 PM | 3900 |
| 11 | 12:30 PM | 1:00 PM | 4900 |
| 12 | 1:00 PM | 1:30 PM | 5900 |
| 13 | 1:40 PM | 1:55 PM | 15 Min Fall Off |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |

Step Rate Test
21-Feb-13

Reed & Stevens Inc *New Mexico SWD*
Well: Continental No. 1 SWD
Field:
Location: Lee County, New Mexico

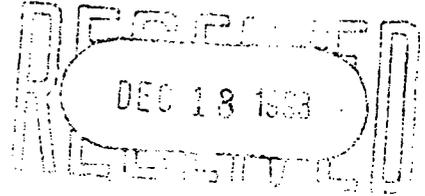


| | S Time | E Time | D Time Min | Last Rate BPD | Step BPD | BHP PSIA | Surf PSIA | Cum BBL | Delta BBL | Avg. BPD | Lower Trend | Upper Trend |
|----|----------|----------|---------------|------------------|-------------|-------------|--------------|------------|--------------|-------------|----------------|----------------|
| 1 | 7:08 AM | 8:00 AM | 52 | 0 | 0 | 1824.4 | 13.8 | 0 | 0 | 0 | | |
| 2 | 8:00 AM | 8:30 AM | 30 | 500 | 500 | 1887.1 | 49.3 | 10.1 | 10.1 | 485 | | |
| 3 | 8:30 AM | 9:00 AM | 30 | 700 | 200 | 1910.7 | 101.3 | 25.2 | 15.1 | 725 | | |
| 4 | 9:00 AM | 9:30 AM | 30 | 900 | 200 | 1943.7 | 155.5 | 43.8 | 18.6 | 893 | | |
| 5 | 9:30 AM | 10:00 AM | 30 | 1300 | 400 | 2005.6 | 285.4 | 69.8 | 26 | 1248 | | |
| 6 | 10:00 AM | 10:30 AM | 30 | 1700 | 400 | 2087.7 | 387.2 | 105.4 | 35.6 | 1709 | | |
| 7 | 10:30 AM | 11:00 AM | 30 | 2100 | 400 | 2173 | 535.4 | 147.2 | 41.8 | 2006 | | |
| 8 | 11:00 AM | 11:30 AM | 30 | 2700 | 600 | 2296.2 | 756.4 | 207.4 | 60.2 | 2890 | | |
| 9 | 11:30 AM | 12:00 PM | 30 | 3300 | 600 | 2435.5 | 1048.4 | 275.7 | 68.3 | 3278 | | |
| 10 | 12:00 PM | 12:30 PM | 30 | 3900 | 600 | 2560.8 | 1293.5 | 356.8 | 81.1 | 3893 | | |
| 11 | 12:30 PM | 1:00 PM | 30 | 4900 | 1000 | 2734 | 1760 | 458.9 | 102.1 | 4901 | | |
| 12 | 1:00 PM | 1:30 PM | 30 | 5900 | 1000 | 2934.7 | 2418.2 | 586.2 | 127.3 | 6110 | | |
| 13 | 1:40 PM | 1:55 PM | 15 | 0 | 0 | 2586.6 | 775.1 | 586.2 | 0 | 0 | | |
| 14 | | | | | | | | | | | | |
| 15 | | | | | | | | | | | | |
| 16 | | | | | | | | | | | | |

Intersect #DIV/0! BPD
 BHP PSI #DIV/0! PSIA

NEW MEXICO SALT WATER DISPOSAL COMPANY, INC.
400 N. PENN. SUITE 1000 P. O. BOX 1518
ROSWELL, NEW MEXICO 88202
PHONE 505 622-3770

December 16, 1998



Yates Petroleum Corporation
105 S. 4th
Artesia, New Mexico 88210

Attention: Randy Patterson

RE: Continental State #1
SWD Waiver

Dear Randy:

Pursuant to our conversation of Monday, December 14, 1998, New Mexico Salt Water Disposal Company, Inc. agrees with your stipulation to limit maximum surface injection pressure at the wellhead to 500 psig on the subject well.

If you have any other questions concerning our operation, please give me a call.

Sincerely,

NEW MEXICO SALT WATER DISPOSAL COMPANY, INC.


John C. Maxey, Jr.
Agent

AOR TIL 2
PA 2
REPAIR Ø
②

JCM/sr/swdltrs/yatescs1

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

December 18, 1998

New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Attention: Mr. Ben Stone

New Mexico Salt Water Disposal Company, Inc.
P. O. Box 1518
Roswell, New Mexico 88202

Attention: Mr. John C. Maxey, Jr.

500 PSI

Re: Request for Exemption to OCD Rule 701
Continental State #1
1976.6' FNL & 1970.1' FWL
Section 18 T10S-R34E
Lea County, New Mexico

Gentlemen:

Yates Petroleum Corporation, pursuant to your request dated December 2, 1998 and our subsequent agreement, hereby waives any objection to your application to dispose of salt water into the San Andres formation in the captioned well. This waiver of objection is specifically subject to the agreement between New Mexico Salt Water Disposal Company, Inc. and Yates Petroleum Corporation dated December 16, 1998 attached.

Should you require anything further, please do not hesitate to contact me.

Very truly yours,

YATES PETROLEUM CORPORATION

Randy G. Patterson
Land Manager

RGP/mw

Enclosure