



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Administrative Order SWD-1021-A

APPLICATION OF MANZANO, LLC FOR PRODUCED WATER DISPOSAL, LEA COUNTY, NEW MEXICO

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), Manzano, LLC (OGRID 231429) made application to the New Mexico Oil Conservation Division for permission to utilize for produced water disposal its Peter Grande State Well No. 1 (API No. 30-025-36993) located 330 feet from the South line and 400 feet from the West line of Section 1, Township 10 South, Range 32 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) Prior orders pertaining to this well are SWD-1021 and R-12570.
- (3) Satisfactory information has been provided that all offset operators and surface owners have been duly notified;
- (4) The applicant has presented satisfactory evidence that all requirements prescribed in Rule 701 will be met, with conditions of approval and operation including the following:
 - (a) the Mescalero ARL State Well No. 1 must be remedially cemented prior to any injection;
 - (b) any future pressure increase must be justified by Step-Rate-Test, notice and approval of Yates and Chesapeake, and proof that the Jordon 12 State Well No. 1 has a competent bradenhead.
- (5) No objections have been received within the waiting period prescribed by said rule.

IT IS THEREFORE ORDERED THAT:

Manzano, LLC is hereby authorized to utilize its Peter Grande State Well No. 1 (API No. 30-025-36993) located 330 feet from the South line and 400 feet from the West line of Section 1, Township 10 South, Range 32 East, NMPM, Lea County, New Mexico, in such manner as to permit the injection of produced water for disposal purposes into the San Andres formation through perforations from 4350 feet to 4470 feet and through plastic-lined tubing set with a packer located within 100 feet of the top of the injection interval.

IT IS FURTHER ORDERED THAT:

The operator shall 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.

Prior to any injection into this well, the operator must show that the Mescalero ARL State Well No. 1 (API No. 30-025-33969) has been remedially cemented so that cement covers the intended injection interval with an adequate factor of safety, and also covers any secondary injection intervals deeper in the San Andres or Glorieta formations – as directed by the Hobbs district office and approved by Yates Petroleum Corporation. The operator must submit written evidence of the coverage of this cement to the engineering bureau of the Division in Santa Fe and receive the bureau's written approval prior to beginning injection.

As preparation for injection, the operator shall squeeze perforations in the permitted injection well above the intended injection interval, pressure test the casing, perforate the intended injection interval, and record and report the fluid level.

The casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge or an approved leak detection device in order to determine leakage in the casing, tubing, or packer.

After installing injection tubing, the casing shall be pressure tested from the surface to the packer setting depth to assure casing integrity.

The wellhead injection pressure on the well shall be limited to **no more than 870 psi**. In addition, the injection well or system shall be equipped with a pressure limiting device in workable condition which shall, at all times, limit surface injection pressure to the maximum allowable pressure for this well.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that:

- (a) such higher pressure will not result in migration of the injected fluid from the injection formation. Such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office; and

(b) notice has been provided to Yates Petroleum Corporation and to Chesapeake Operating, Inc. of the application to increase pressure; and

(c) a bradenhead flow test is done on the Jordon 12 State Well No. 1 (API No. 30-025-33532) and the test passes according to the Hobbs district office.

The operator shall notify the supervisor of the Hobbs district office of the Division of the date and time of the installation of disposal equipment and of any mechanical integrity test so that the same may be inspected and witnessed.

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

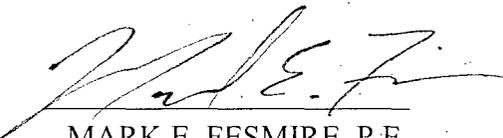
PROVIDED FURTHER THAT, jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh water or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the injection authority granted herein.

The operator shall provide written notice of the date of commencement of injection to the Hobbs district office of the Division.

The operator shall submit monthly reports of the disposal operations on Division Form C-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, provided however, the Division, upon written request by the operator received by the Division prior to the termination date, may grant an extension thereof for good cause shown.

Approved at Santa Fe, New Mexico, on January 18, 2008.



MARK E. FESMIRE, P.E.
Director

MEF/wvjj

cc: Oil Conservation Division – Hobbs
State Land Office – Oil, Gas, and Minerals Division