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Oil Conservation Division



Administrative Order WFX-852

April 13, 2009

Tony Beilman
Melrose Operating Company
1000 W. Wilshire, Suite 223
Oklahoma City, OK 73116

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Under the provisions of Division Order R-2243, Melrose Operating Company has made application to the Division for permission to add five water injection wells to its Jalmat Field Yates Sand Unit Waterflood Project located within the Jalmat; Tansill-Yates-Seven Rivers Oil Pool (33820) in Lea County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

The application was filed in due form. No objections have been filed within the waiting period prescribed by Division Rule 26.8C.(2). The proposed injection wells are eligible for conversion to injection under the terms of Rule 26.8. The operator is in compliance with Rule 5.9.

The proposed expansion of the above-referenced waterflood project, will prevent waste, is in the best interests of conservation, will not impair correlative rights, and should be approved.

IT IS THEREFORE ORDERED THAT:

Melrose Operating Company (OGRID No. 184860) is hereby authorized to inject water into the unitized interval, through plastic-lined tubing set in packers located within 100 feet of the top of the injection intervals in the following-described wells within the Jalmat Field Yates Sand Unit Waterflood Project for purposes of secondary recovery:



| API | Well Num | Unit | Sec | Tsp | Rge | Top Perf | Bot Perf | Tubing | Pressure | Comments |
|--------------|----------|------|-----|-----|-----|----------|----------|--------|----------|------------|
| 30-025-08611 | 132 | G | 13 | 22S | 35E | 3748 | 3878 | 2-3/8 | 750 | |
| 30-025-08613 | 134 | E | 13 | 22S | 35E | 3773 | 3915 | 2-3/8 | 754 | |
| 30-025-08622 | 136 | G | 14 | 22S | 35E | 3833 | 3951 | 2-3/8 | 764 | |
| 30-025-38935 | 137 | F | 14 | 22S | 35E | 3700 | 4200 | 2-3/8 | 740 | Est Perf's |
| 30-025-08627 | 138 | E | 14 | 22S | 35E | 3857 | 4048 | 2-3/8 | 771 | |
| 30-025-08629 | 139 | L | 14 | 22S | 35E | 3883 | 4040 | 2-3/8 | 777 | |
| 30-025-38936 | 140 | K | 14 | 22S | 35E | 3866 | 4036 | 2-3/8 | 773 | |
| 30-025-38937 | 142 | I | 14 | 22S | 35E | 3818 | 3992 | 2-3/8 | 764 | |
| 30-025-38938 | 143 | P | 14 | 22S | 35E | 3814 | 4044 | 2-3/8 | 763 | |
| 30-025-08620 | 144 | O | 14 | 22S | 35E | 3852 | 3960 | 2-3/8 | 770 | |
| 30-025-38939 | 146 | B | 23 | 22S | 35E | 3828 | 4018 | 2-3/8 | 766 | |
| 30-025-08637 | 147 | A | 23 | 22S | 35E | 3816 | 3928 | 2-3/8 | 763 | |
| 30-025-38940 | 148 | H | 23 | 22S | 35E | 3700 | 4200 | 2-3/8 | 740 | Est Perf's |
| 30-025-38868 | 159 | F | 13 | 22S | 35E | 3768 | 3952 | 2-3/8 | 754 | |
| 30-025-38871 | 182 | A | 14 | 22S | 35E | 3804 | 3962 | 2-3/8 | 761 | |
| 30-025-38873 | 187 | A | 13 | 22S | 35E | 3610 | 3700 | 2-3/8 | 722 | |
| 30-025-36972 | 207 | M | 14 | 22S | 35E | 3964 | 4074 | 2-3/8 | 793 | |
| 30-025-36974 | 209 | C | 23 | 22S | 35E | 3898 | 4040 | 2-3/8 | 780 | |
| 30-025-36977 | 212 | D | 23 | 22S | 35E | 3962 | 4028 | 2-3/8 | 792 | |
| 30-025-38931 | 239 | H | 13 | 22S | 35E | 3700 | 4200 | 2-3/8 | 740 | Est Perf's |
| 30-025-38942 | 245 | G | 23 | 22S | 35E | 3700 | 4200 | 2-3/8 | 740 | Est Perf's |
| 30-025-38943 | 246 | F | 23 | 22S | 35E | 3700 | 4200 | 2-3/8 | 740 | Est Perf's |
| 30-025-38944 | 247 | J | 14 | 22S | 35E | 3815 | 4040 | 2-3/8 | 759 | |

Prior to commencing injection operations into any wells listed above, the applicant shall plug and abandon the CJYPU Well No. 9-N (API No. 30-025-08609) located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 13, Township 22 South, Range 35 East, NMPM, Lea County, New Mexico, in a manner that is acceptable to the supervisor of the Division's Hobbs District Office.

Subsequent to the completion of plugging operations on the CJYPU Well No. 9-N, the applicant shall submit documentation to the Santa Fe Office of the Division verifying that this work has been completed. This documentation shall be in the form of a cover letter addressed to the Engineering Bureau complete with all applicable Form C-103's (Sundry Notices). Failure to comply with this directive may result in the cancellation of injection authority.

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 commencing injection operations into these wells, the casing shall be pressure tested from the surface to the packer setting depth to assure casing integrity.

The casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge at the surface or left open to the atmosphere to facilitate detection of leakage in the casing, tubing or packer.

The injection wells or injection system shall be equipped with pressure limiting devices which will limit the wellhead pressure to the maximum surface injection pressure described above.

The Director of the Division may authorize increases in injection pressure upon a proper showing by the operator that higher pressure will not result in migration of the injected fluid from the permitted injection interval or harmful formation fracturing. Such proper showing shall consist of valid step-rate tests and possibly injection profiles or pressure transient testing run in accordance with and acceptable to this office.

The operator shall notify the supervisor of the District Office of the date and time of the installation of injection equipment and of all mechanical integrity tests so that the same may be inspected and witnessed.

The operator shall immediately notify the supervisor of the District Office of the failure of the tubing, casing or packer in said wells and shall take such steps as may be timely and necessary to correct such failure or leakage.

The subject wells shall be governed by all provisions of Division Order No. R-2243, and Rules 26.9 through 26.13 not inconsistent herewith.

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 injection authority granted herein shall terminate one year after the effective date of this order if the operator has not commenced injection operations into at least one of the subject wells, provided however, the Division, upon written request by the operator received prior to the one year deadline, may grant an extension thereof for good cause shown.


MARK E. FESMIRE, P.E.
Director

MEF/tw

cc: Oil Conservation Division – Hobbs