

AGUA, INC.

POST OFFICE BOX 1978
HOBBS, NEW MEXICO
88240

April 23, 1971

TELEPHONE: 505 393-6166

WFX - 352
11/11/71
RECEIVED

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OIL CONSERVATION COMM.

State of New Mexico
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Eastcap Queen Unit
Waterflood Project Expansion

Gentlemen:

Under the provisions of Rule 701, AGUA, INC. is hereby making application to the Commission for permission to expand its Eastcap Queen Unit Waterflood Project in the Caprock-Queen Pool, Chaves County, New Mexico, and to inject water into the Queen formation through the following-described wells for the purposes of secondary recovery, to wit:

Unit Well No. 4-34 located in Unit D of Sec. 34, T14S, R31E
Unit Well No. 2-3 located in Unit B of Sec. 3, T15S, R31E
Unit Well No. 4-3 located in Unit D of Sec. 3, T15S, R31E

Administrative Order WFX No. 337, dated April 20, 1970, authorized AGUA, INC. to expand its Eastcap Queen Unit Waterflood Project in the Caprock-Queen Pool, Chaves County, New Mexico, by the conversion of eight additional wells to inject water into the Queen formation for the purposes of secondary recovery. Subsequent to the issuance of Administrative Order WFX No. 337, AGUA, INC. has acquired three wells by conveyance, copy attached, from Union Oil Company of California, such wells being direct offsets to the Eastcap Queen Unit and in conformance with the injection pattern of the Eastcap Queen Unit Waterflood Project will function as back-up injection wells.

Attached is a plat of the Eastcap Queen Unit showing the present injection wells and the three wells acquired from Union. All wells within a 2-mile radius of the proposed injection wells are producing or have produced from the Queen formation.

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The present injection pattern of the Eastcap Queen Unit Waterflood Project is designed and operated for the purpose of cross-flooding. Well Nos. 2, 5, 11, 13 and 20 were converted to injection in a pilot cross-flood program during November, 1970 and response in the cross-producing wells during March, 1971 was evidenced by an increase of 18 barrels of oil per day. Such response, attributed to the pilot cross-flood program, indicates the need to go to a full-scale pattern to achieve a thorough and efficient sweep of oil by the cross-flood. Well Nos. 18, 19, 35 and possibly 25 will be removed from an injection status when a full-scale pattern is adopted.

The three subject wells were scheduled for abandonment by Union by reason of flood-out; however, conversion to injection would enable the Eastcap Queen Unit Waterflood Project to more efficiently cross-flood the Eastcap Queen Unit.

The proposed injection wells are perforated opposite the Queen formation. Injection fluid will primarily be produced water; any make-up will be fresh water purchased from the Cities Service - Drickey Queen Sand Unit. It is anticipated that each of the proposed wells will accept approximately 400 - 500 BHPD.

Attached are all data as required under Rule 701.

Yours very truly,

AGUA, INC.



W. G. Abbott
Manager

JVR/jo
Attachments

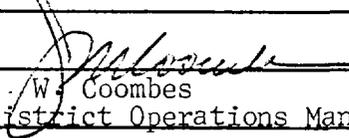
WAIVER

Union Oil Company of California does hereby waive any objection to the proposed water injection wells described as follows:

Township 14 South, Range 31 East, Chaves County, New Mexico
Tract 35 - Well No. 4-34 - NW/4 NW/4 Section 34

Township 15 South, Range 31 East, Chaves County, New Mexico
Tract 3A - Well No. 4-3 - NW/4 NW/4 Section 3
Tract 65 - Well No. 2-3 - NW/4 NE/4 Section 3

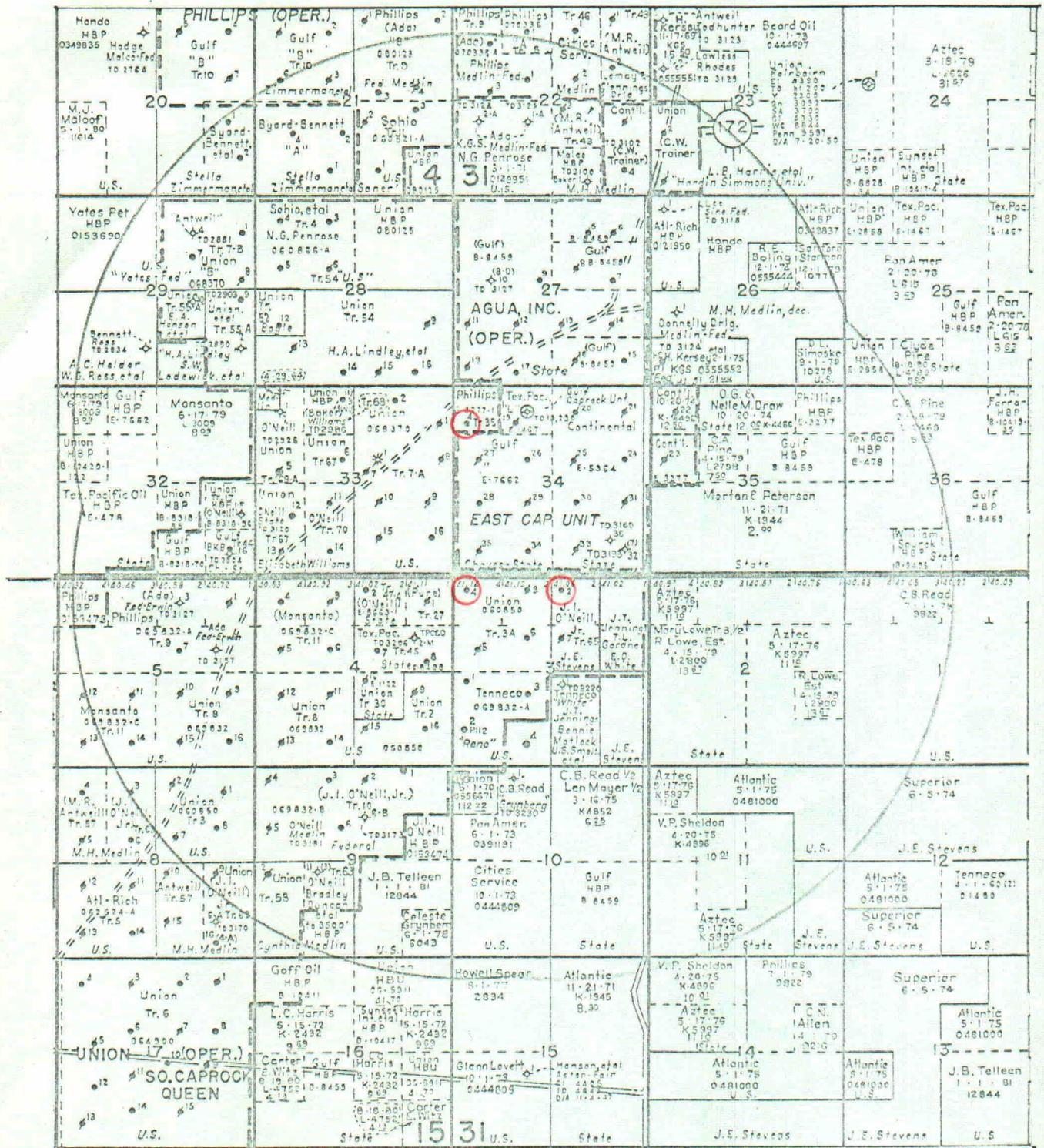
Company: UNION OIL COMPANY OF CALIFORNIA

By: 

Title: G. W. Coombes
District Operations Manager

Date: April 21, 1971

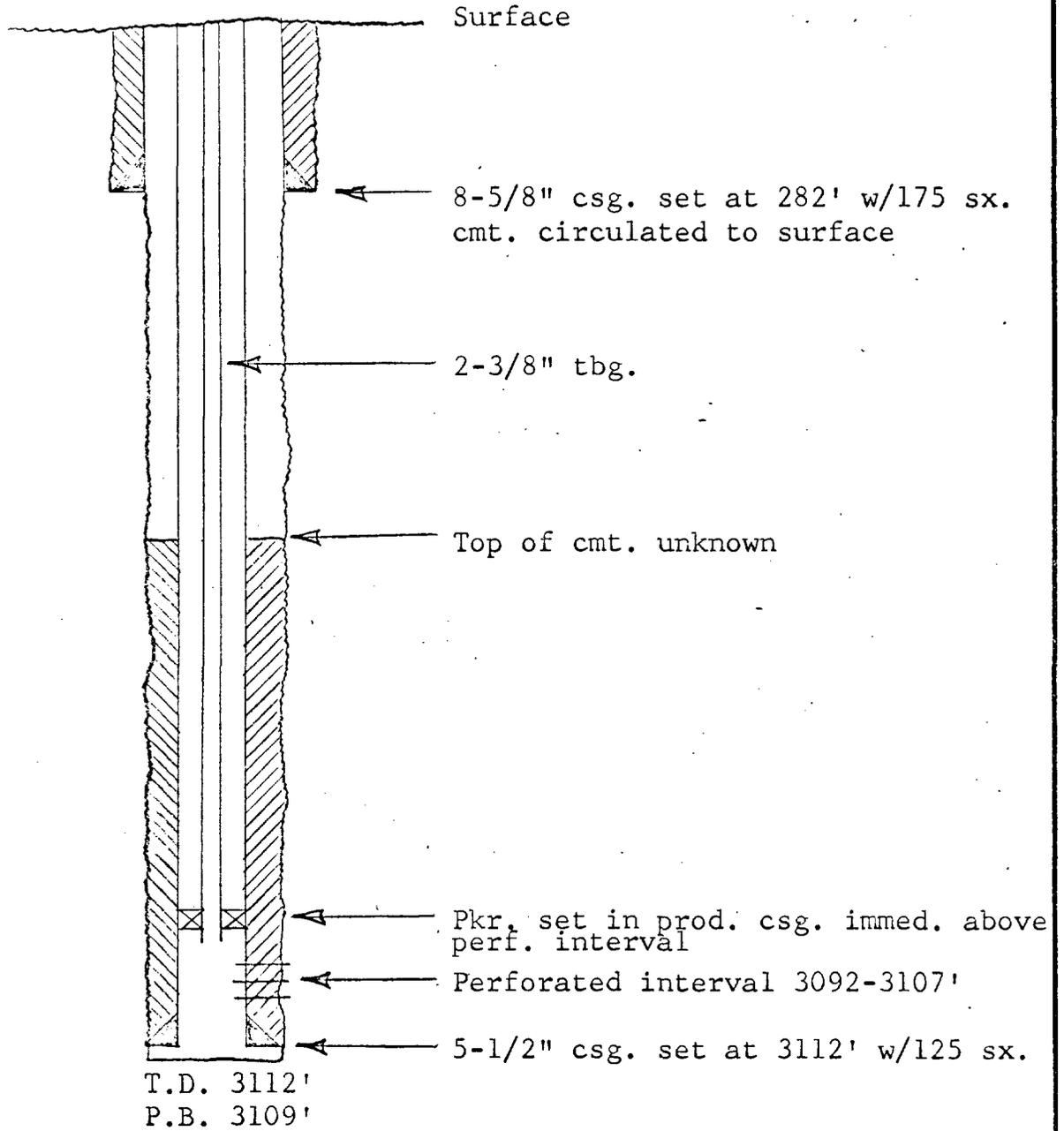
RANGE 31 EAST



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14
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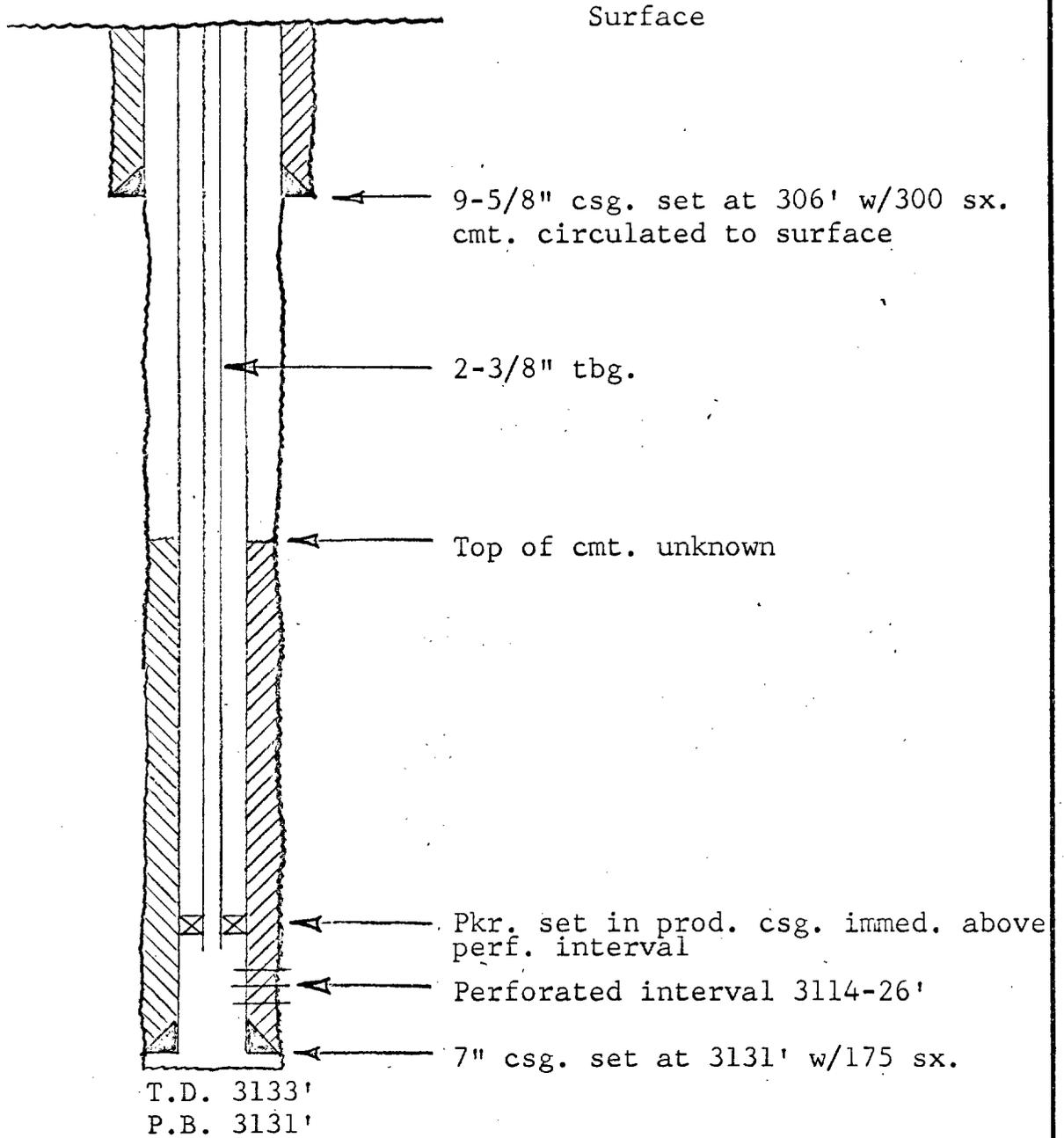
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Plat Showing Location
of
Three Proposed Injection Wells
in the
Caprock-Queen Pool
Chaves County, New Mexico
Proposed by: AGUA, INC., Operator
Eastcap Queen Unit



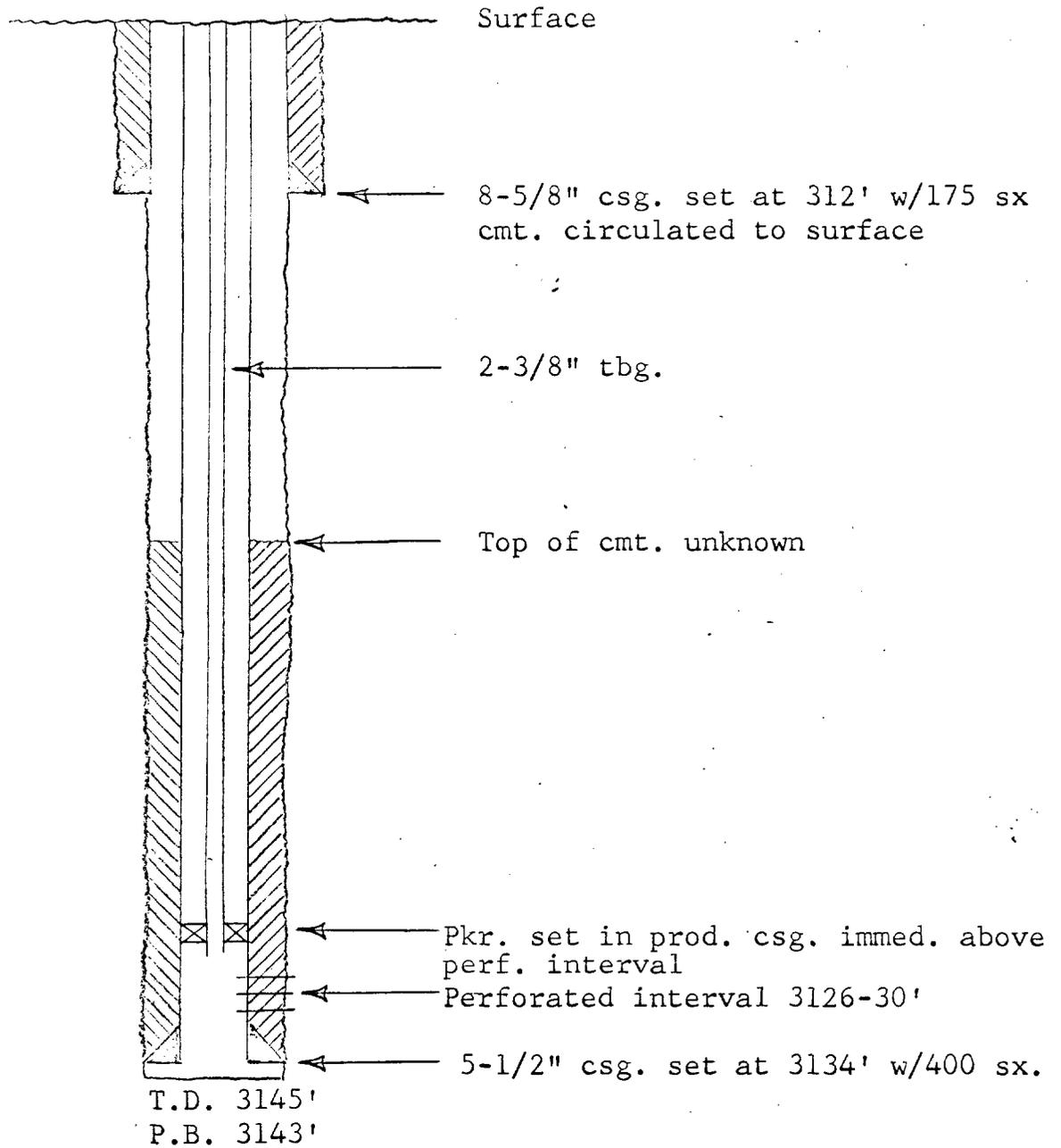
Diagrammatic Sketch
Proposed Injection Well No. 4-34
Located 990' FNL & 330' FWL of Sec. 34, T14S, R31E
Chaves County, New Mexico

DWN.	4/71	JVR	AGUA, INC.	SCALE None
				HOBBS, NEW MEXICO



Diagrammatic Sketch
Proposed Injection Well No. 2-3
Located 330' FNL&2310' FEL of Sec. 3, T15S, R31E
Chaves County, New Mexico

DWN.	4/71	JVR	AGUA, INC. HOBBS, NEW MEXICO	SCALE None
				DWG. NO. A-164



Diagrammatic Sketch Proposed Injection Well No. 4-3 Located 330' FN&WL of Sec. 3, T15S, R31E Chaves County, New Mexico		
DWN.	4/71	JVR
AGUA, INC.		SCALE None
HOBBS, NEW MEXICO		DWG. NO. <i>A-165</i>

CONVEYANCE

STATE OF NEW MEXICO Y
 Y
COUNTY OF CHAVES Y

KNOW ALL MEN BY THESE PRESENTS, THAT:

THIS CONVEYANCE, dated and effective this 16th day of February 1971 at 7:00 o'clock a.m., by and between UNION OIL COMPANY OF CALIFORNIA, a California corporation, with offices at 300 North Carrizo Street, Midland, Texas 79701, as Operator of the South Caprock Queen Unit, Chaves County, New Mexico, hereinafter called "Assignor", and AGUA, INC., P. O. Box 1978, Hobbs, New Mexico 88240, as Operator of the Eastcap Queen Unit, Chaves County, New Mexico, hereinafter called "Assignee",

WITNESSETH THAT:

Assignor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, does hereby sell, transfer, assign, convey and deliver to Assignee, its successors and assigns, without warranty either express or implied, and subject to the terms and covenants hereinafter set forth, all of the right, title and interest of Assignor in and to the following described Injection Wells:

1. Township 14 South, Range 31 East, Chaves County, New Mexico
Tract 35 - Well No. 4-34 - NW/4 NW/4 Section 34

Township 15 South, Range 31 East, Chaves County, New Mexico
Tract 3A - Well No. 4-3 - NW/4 NW/4 Section 3
Tract 65 - Well No. 2-3 - NW/4 NE/4 Section 3

for the purpose of being used by the Eastcap Queen Unit as injection wells only; the interest transferred, conveyed and assigned hereby shall not include any mineral interest, royalty interest, oil and gas leasehold interest or any other interest in lands or in the oil, gas, and other hydrocarbons produced therefrom.

2. Assignor makes no representation of any kind concerning the existence, quantity, quality, size, weight, merchantability, serviceability, or fitness for purpose of said injection wells, material, equipment, or other property sold hereunder.

Assignee agrees to remove the material and equipment assigned, transferred and conveyed hereby in a reasonable, prudent and workmanlike manner, to plug and abandon any and all wells located on the subject lands, and restore the surface surrounding said wells in accordance with all applicable laws. the

rules and regulations of the New Mexico Oil Conservation Commission, and the specifications established by Union Oil Company of California acting through its designated representative. Assignee will promptly file all required reports with regard to the plugging and abandonment of said wells with all appropriate regulatory agencies and shall furnish a copy of said report to Union Oil Company of California within five (5) days after said report is filed.

Assignee hereby agrees to assume all of Assignor's obligations resulting from the rights granted herein subsequent to the effective date hereof; and Assignee agrees to indemnify and save and hold Assignor, its representatives, successors and assigns, harmless from any and all claims, demands, losses, costs, risks, and expenses, including, but not limited to, reasonable attorney fees incident to, resulting from or arising out of Assignee's use, maintenance, and abandonment of said injection wells, and the restoration of the lands surrounding said injection wells, or the failure to perform any of such tasks. Assignee hereby agrees that this indemnification clause shall include, but not be limited to, any and all claims, demands, or causes of action by landowners or third parties, due to use by Assignee of the rights granted herein, such as, by way of example, obtaining from the owners of the surface and minerals of any lands affected such permits or consents as may be necessary. In this connection, it is expressly agreed that this Conveyance constitutes the consent of Assignor only insofar as Assignor's right, title and interest may be effective, and shall not be construed as an attempt by Assignor to grant to Assignee the right to use, maintain, or abandon said Injection Wells.

All of the terms, provisions, covenants, and agreements herein contained shall extend to and be binding upon the parties hereto, their respective representatives, successors and assigns, but no assignment by Assignee of the whole or any part of its interest in said injection wells and appurtenances thereto shall relieve Assignee of its obligation hereunder. The burden of all covenants and agreements herein made by Assignee shall run with the ownership of its interest in said injection wells.

