



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRLUTHERS
GOVERNOR

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ORDER NO. WFX-591

APPLICATION OF SIETE OIL AND GAS CORPORATION TO EXPAND ITS
WATERFLOOD PROJECT IN THE SHUGART YATES SEVEN RIVERS QUEEN
GRAYBURG POOL IN EDDY COUNTY, NEW MEXICO

ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION

Under the provisions of Division Order No. R-8657, Siete Oil and Gas Corporation has made application to the Division on October 30, 1989 for permission to expand its Blackhawk Federal Waterflood Project in the Shugart Yates Seven Rivers Queen Grayburg Pool in Eddy County, New Mexico.

NOW, on this 1st day of December, 1989, the Division Director finds that:

- (1) The application has been filed in due form.
- (2) Satisfactory information has been provided that all offset operators have been duly notified of the application.
- (3) No objection has been received within the waiting period as prescribed by Rule 701(B).
- (4) The proposed injection well is eligible for conversion to water injection under the terms of Rule 701.
- (5) The proposed expansion of the above-referenced waterflood project will not cause waste nor impair correlative rights.
- (6) The application should be approved.

IT IS THEREFORE ORDERED THAT:

The applicant, Siete Oil and Gas Corporation, be and the same is hereby authorized to inject water into the Penrose and Grayburg formations at approximately 3768 feet to approximately 4279 feet through 2 3/8-inch plastic lined tubing set in a packer at approximately 3670 feet in the following described well for purposes of secondary recovery to wit:

Blackhawk Federal Well No. 7
2650' FSL & 2310' FWL (Unit F)
Section 24, Township 18 South, Range 31 East, NMPM
Eddy County, New Mexico.

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 the well, the casing shall be pressure tested from the surface to the packer setting depth to assure the integrity of said casing.

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 well or system shall be equipped with a pressure limiting device which will limit the wellhead pressure on the injection well to no more than 754 psi.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the Penrose and Grayburg formations. Such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office.

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

The operator shall immediately notify the supervisor of the Artesia 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.

The subject well shall be governed by all provisions of Division Order No. R-8657 and Rules 701-708 of the Division Rules and Regulations not inconsistent herewith.

PROVIDED FURTHER THAT, jurisdiction of this cause is hereby retained by the Division for the entry of such further order or orders as may be deemed necessary or convenient for the prevention of waste and/or protection of correlative rights; upon failure of the operator to conduct operations in a manner which will ensure the protection of fresh

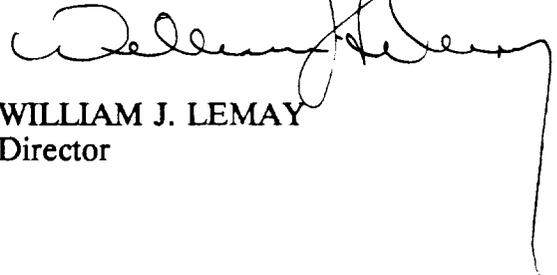
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water or in a manner inconsistent with the requirements set forth in this order, the Division may, after notice and hearing, terminate the injection authority granted herein.

The operator shall submit monthly progress reports of the project in accordance with Rules 706 and 1115 of the Division Rules and Regulations.

Approved at Santa Fe, New Mexico, on this 1st day of December, 1989.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read 'William J. Lemay', is written over the typed name and extends downwards with a long vertical line.

WILLIAM J. LEMAY
Director

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