



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

ADMINISTRATIVE ORDER NO. WFX-704

**APPLICATION OF SDX RESOURCES, INC. TO EXPAND ITS WATERFLOOD PROJECT  
IN THE EAST MILLMAN QUEEN-GRAYBURG-SAN ANDRES POOL IN EDDY COUNTY,  
NEW MEXICO**

**ADMINISTRATIVE ORDER  
OF THE OIL CONSERVATION DIVISION**

Under the provisions of Division Order No. R-10589, SWD Resources, Inc. has made application to the Division on January 9, 1997 for permission to expand its State '7' Leasehold Waterflood Project in the East Millman Queen-Grayburg-San Andres Pool in Eddy County, New Mexico.

**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 injection under the terms of Rule 701.
- (5) The proposed expansion of the above referenced State '7' Leasehold Waterflood Waterflood Project will not cause waste nor impair correlative rights.
- (6) The subject waterflood project is an approved Enhanced Oil Recovery Project which qualified for applicable tax credits under the Recovered Oil Tax Rate as provided in Laws of 1992, Chapter 38.
- (6) The application should be approved.

**IT IS THEREFORE ORDERED THAT:**

The applicant, SDX Resources, Inc., be and the same is hereby authorized to inject water into the Queen and Grayburg formations at approximately 2100 feet to approximately 2210 feet through 2 3/8-inch plastic lined tubing set in a packer at approximately 1900 feet in the following described well for purposes of secondary recovery to wit:

**Conoco '7' State Well No.12 (API No.30-015-25160)  
Section 7, Township 19 South, Range 29 East**

**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 420 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 Queen 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 tests 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-10589, as amended and Rules 702-706 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 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.

*Administrative Order WFX-704*  
*SDX Resources, Inc.*  
*February 6, 1997*  
*Page 3*

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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, may grant an extension thereof for good cause shown.

DONE at Santa Fe, New Mexico, on this 6th day of February, 1997.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

by  Deputy Director  
WILLIAM J. LEMAY  
Director

S E A L

cc: Oil Conservation Division - Artesia  
Taxation and Revenue Dept. - Mr. John Chavez, Secretary  
File EOR-29