

wfx 8/9/99

APPLICATION FOR AUTHORIZATION TO INJECT

- I. Purpose: Secondary Recovery Pressure Maintenance Disposal Storage
Application qualifies for administrative approval? yes no
- II. Operator: Stephens & Johnson Operating Co.
Address: P. O. Box 2249, Wichita Falls, Tx 76307
Contact party: William M. Kincaid Phone: 940-723-2166
- III. Well data: Complete the data required on the reverse side of this form for each well proposed for injection. Additional sheets may be attached if necessary.
- IV. Is this an expansion of an existing project? yes no Case No. 9646
If yes, give the Division order number authorizing the project Order No. R-9001
- V. Attach a map that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.
- * VI. Attach a tabulation of data on all wells of public record within the area of review which penetrate the proposed injection zone. Such data shall include a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail.
- VII. Attach data on the proposed operation, including:
1. Proposed average and maximum daily rate and volume of fluids to be injected;
 2. Whether the system is open or closed;
 3. Proposed average and maximum injection pressure;
 4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and
 5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.).
- *VIII. Attach appropriate geological data on the injection zone including appropriate lithologic detail, geological name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such source known to be immediately underlying the injection interval.
- IX. Describe the proposed stimulation program, if any.
- * X. Attach appropriate logging and test data on the well. (If well logs have been filed with the Division they need not be resubmitted.)
- * XI. Attach a chemical analysis of fresh water from two or more fresh water wells (if available and producing) within one mile of any injection or disposal well showing location of wells and dates samples were taken.
- XII. Applicants for disposal wells must make an affirmative statement that they have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground source of drinking water.
- XIII. Applicants must complete the "Proof of Notice" section on the reverse side of this form.
- XIV. Certification
- I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.
- Name: William M. Kincaid Title Petroleum Engineer
Signature: Will. M. Kincaid Date: 6-29-99
- * If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be duplicated and resubmitted. Please show the date and circumstance of the earlier submittal. Original "Application for Authorization to Inject"

January, 1989 Case No. 9646, Order No. R-9001.

DISTRIBUTION: Original and one copy to Santa Fe with one copy to the appropriate Division district office.

III. WELL DATA

A. The following well data must be submitted for each injection well covered by this application. The data must be both in tabular and schematic form and shall include:

- (1) Lease name; Well No.; location by Section, Township, and Range; and footage location within the section.
- (2) Each casing string used with its size, setting depth, sacks of cement used, hole size, top of cement, and how such top was determined.
- (3) A description of the tubing to be used including its size, lining material, and setting depth.
- (4) The name, model, and setting depth of the packer used or a description of any other seal system or assembly used.

Division District offices have supplies of Well Data Sheets which may be used or which may be used as models for this purpose. Applicants for several identical wells may submit a "typical data sheet" rather than submitting the data for each well.

B. The following must be submitted for each injection well covered by this application. All items must be addressed for the initial well. Responses for additional wells need be shown only when different. Information shown on schematics need not be repeated.

- (1) The name of the injection formation and, if applicable, the field or pool name.
- (2) The injection interval and whether it is perforated or open-hole.
- (3) State if the well was drilled for injection or, if not, the original purpose of the well.
- (4) Give the depths of any other perforated intervals and detail on the sacks of cement or bridge plugs used to seal off such perforations.
- (5) Give the depth to and name of the next higher and next lower oil or gas zone in the area of the well, if any.

XIV. PROOF OF NOTICE

All applicants must furnish proof that a copy of the application has been furnished, by certified or registered mail, to the owner of the surface of the land on which the well is to be located and to each leasehold operator within one-half mile of the well location.

Where an application is subject to administrative approval, a proof of publication must be submitted. Such proof shall consist of a copy of the legal advertisement which was published in the county in which the well is located. The contents of such advertisement must include:

- (1) The name, address, phone number, and contact party for the applicant;
- (2) the intended purpose of the injection well; with the exact location of single wells or the section, township, and range location of multiple wells;
- (3) the formation name and depth with expected maximum injection rates and pressures; and
- (4) a notation that interested parties must file objections or requests for hearing with the Oil Conservation Division, P. O. Box 2088, Santa Fe, New Mexico 87501 within 15 days.

NO ACTION WILL BE TAKEN ON THE APPLICATION UNTIL PROPER PROOF OF NOTICE HAS BEEN SUBMITTED.

NOTICE: Surface owners or offset operators must file any objections or requests for hearing of administrative applications within 15 days from the date this application was mailed to them.

Application for Authorization to Inject

Stephens & Johnson Operating Co. - Mobil 22 Federal No. 10
Unit Letter L, Sec. 22, T26S, R29E
1775' FSL & 790' FWL, API #30-015-25936
Eddy Co., New Mexico

- I. Stephens & Johnson Operating Co. plans to convert Mobil 22 Federal No. 10 to an injection well in the Delaware formation.
- II. Operator: Stephens & Johnson Operating Co.
P. O. Box 2249
Wichita Falls, TX 76307-2249

Attention: William M. Kincaid 940/723-2166
- III. Well Data: See Attachment "A".
- IV. This is an expansion of an existing project, Case No. 9646 Order No. R-9001
- V. See Attachment "B".
- VI. Data on wells within the area of review were previously submitted in the original "Application for Authorization to Inject" in January, 1989 for this project. Case No. 9646, Order No. R-9001.
- VII.
 - 1) Proposed average daily injection volume: 600 BWPD.
Maximum daily injection volume: 1200 BWPD.
 - 2) System will be a closed system.
 - 3) Proposed average injection pressure: 500 psi
Proposed maximum injection pressure: 987 psi
 - 4) Injection water will be reinjected produced water from the producing wells on the Mobil 22 Federal, Gulf Federal, Exxon Federal and Worth Federal leases in the Brushy Draw - Delaware Pool.
- VIII. Geological data on the injection zone and information on underground sources of drinking water were previously submitted in the "Application for Authorization to Inject"

Application for Authorization to Inject
Mobil 22 Federal No. 10

Page 2

in January, 1989 for this project. Case No. 9646, Order No. R-9001.

- IX. The proposed injection interval may be acidized with 2000 gals. 15% NEFE acid.
- X. Well logs and test data are on file at the OCD.
- XI. Fresh Water Analysis from fresh water well was previously submitted in the original "Application for Authorization to Inject" in January, 1989 for this project. Case No. 9646, Order No. R-9001.
- XII. Geologic and engineering data have been examined and no evidence of open faults or any other hydrological connection between the injection zone and any fresh water aquifer has been found.
- XIII. A) Certified letters sent to offset operators (See Attachment "C"). Surface is owned by United States Department of the Interior, Bureau of Land Management.
B) Copy of legal advertisement attached, along with an Affidavit of Publication (Attachment "D").

Stephens & Johnson Operating Co.
OPERATOR

Mobil 22 Federal
LEASE

10	1775' FSL, 790' FWL	22	26S	29E
WELL NO.	FOOTAGE LOCATION	SECTION	TOWNSHIP	RANGE

Schematic

SEE ATTACHED SCHEMATIC

Tabular Data

Surface Casing

Size 368' of 13 3/8 " Cemented with 375 sx.
 TOC surface feet determined by site
 Hole size 17 1/2"

Intermediate Casing

Size 2900' of 8 5/8 " Cemented with 1000 sx.
 TOC surface feet determined by site
 Hole size 12 1/4"

Log string

Size 6192' of 5 1/2 " Cemented with 815 sx.
 TOC 2581' feet determined by temperature survey
 Hole size 7 7/8"
 Total depth 6192'

Injection interval

4911 feet to 4990 feet
 (perforated or ~~XXXXXXXXXX~~, indicate which)

INJECTION WELL DATA SHEET -- SIDE 2

Tubing size 2 3/8" lined with Salta Lining set in a

Nickel Plated Baker Lockset packer at 4860 feet
(brand and model) (material)

(or describe any other casing-tubing seal).

Other Data

1. Name of the injection formation Delaware
2. Name of field or pool (if applicable) Brushy Draw - Delaware Pool
3. Is this a new well drilled for injection? Yes No
If no, for what purpose was the well originally drilled? As a productive oil well.
4. Has the well ever been perforated in any other zone(s)? List all such perforated intervals and give plugging detail (sacks of cement or bridge plug(s) used) Perfs at 6091-6103', set CIBP at 6046' with 2 sx cement on top. Perf at 5941-5988', set CIBP at 5900' with 2 sx cement on top. Perfs at 5728-5770', set CIBP at 5650' with 2 sx cement on top.
5. Give the depth to and name of any overlying and/or underlying oil or gas zones (pools) in this area. Bell Canyon formation is approximately 2800' from surface. The Brushy Draw Canyon formation is approximately 5350' from surface.

Mobil 22 Federal No. 10
WELL

Brushy Draw - Delaware
FIELD

DATE

PRESENT COMPLETION _____

SUGGESTED COMPLETION

WELL CLASS WI

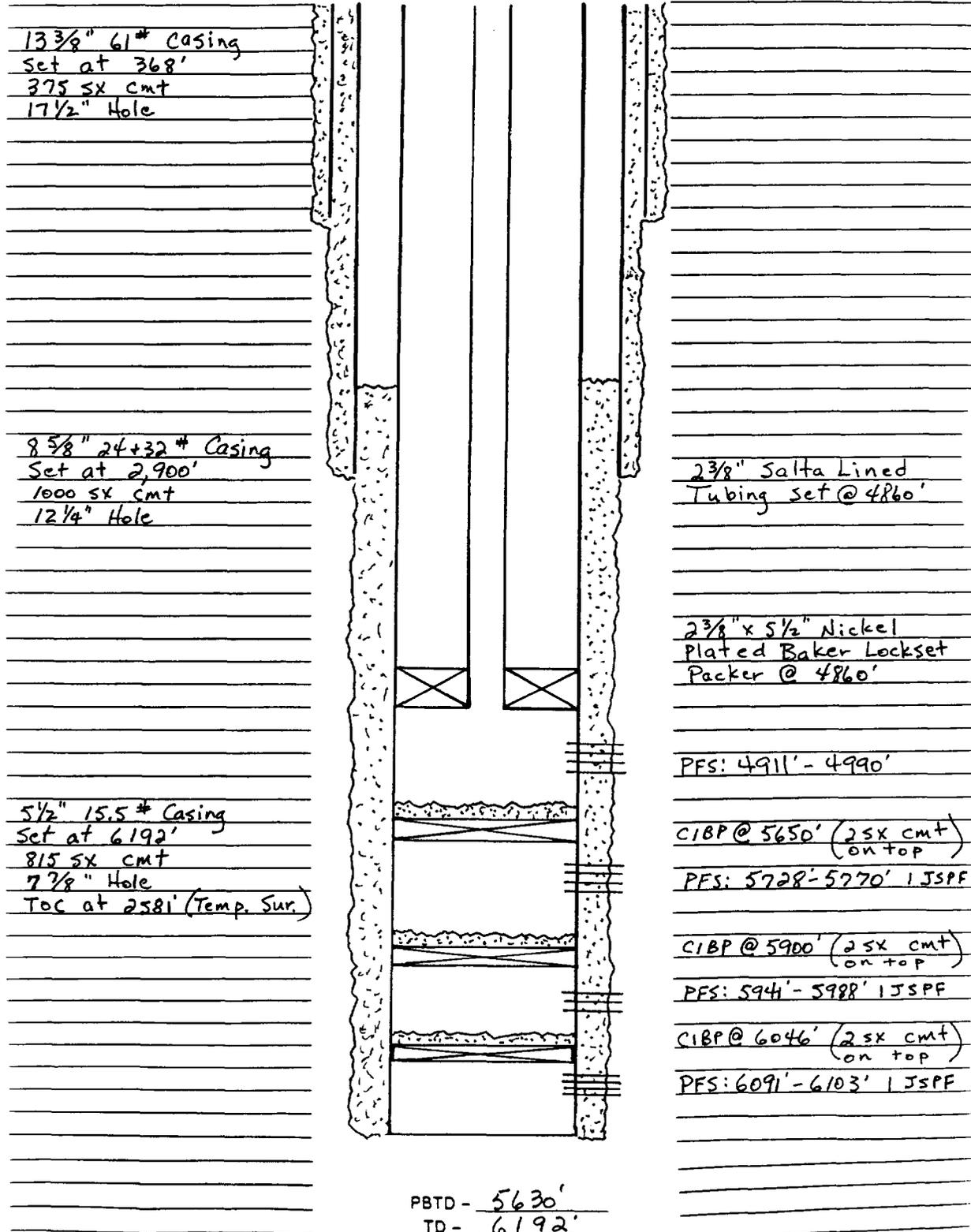
KB ELEVATION 2887'

DF ELEVATION 2886'

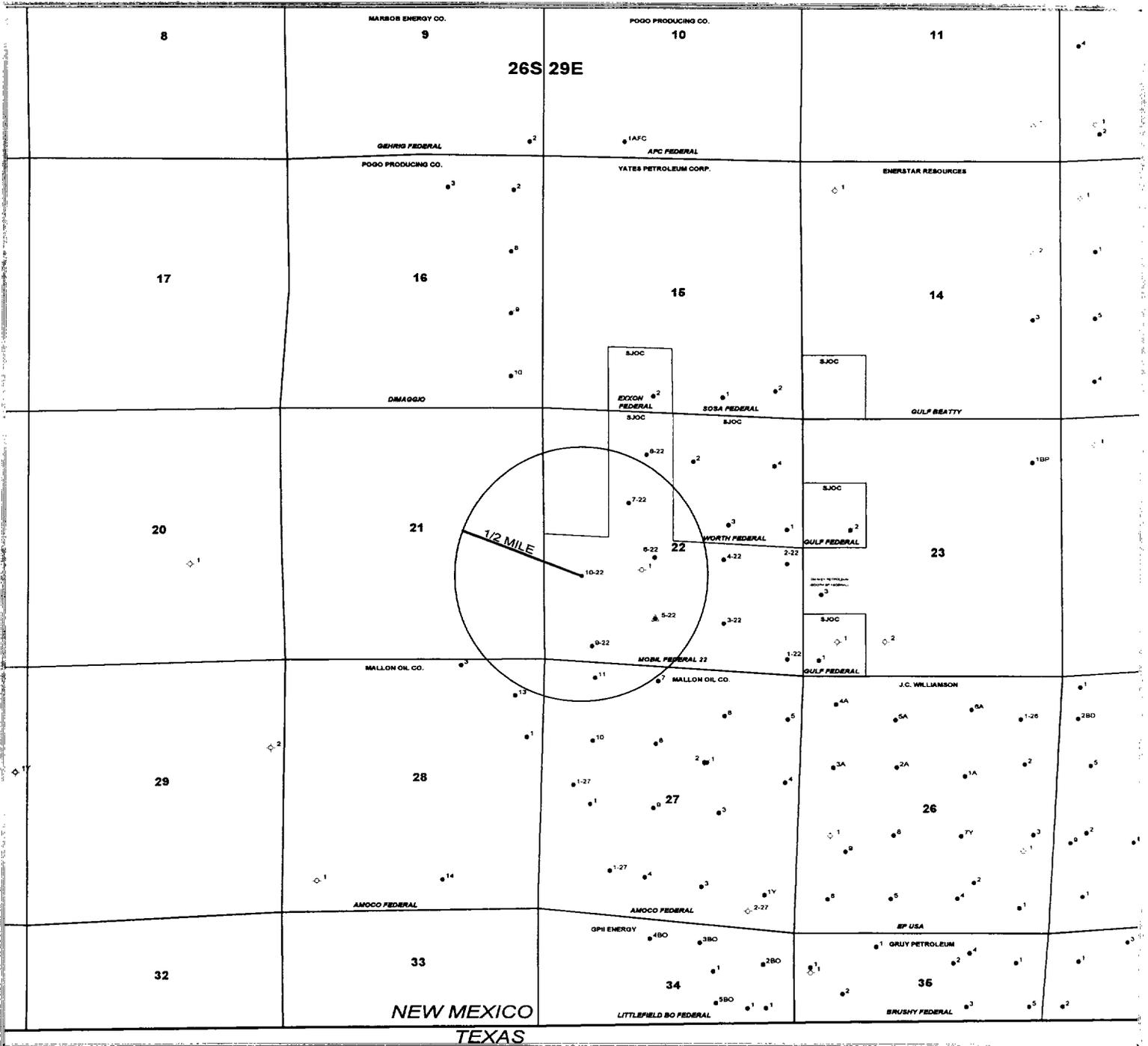
GL ELEVATION 2876'

PERMANENT WELL BORE DATA

DATA ON THIS COMPLETION



Attachment "B"



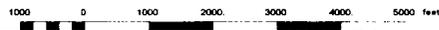
STEPHENS & JOHNSON OPERATING COMPANY

BRUSHY DRAW FIELD
EDDY COUNTY, NEW MEXICO

LEGEND

- Producing Oil Well
- ⊙ Producing Gas Well
- ▲ Water Injection Well
- ⊕ Dry Hole
- Plugged & Abandoned Well
- Location

1" = 3000'



Attachment "C"

List of all offset leasehold operators and surface owner that were sent certified letters of notification:

Leasehold Operators Within One-Half Mile

G P II Energy, Inc.
Box 385
Artesia, NM 88211

Mallon Oil Company
999 18th St., Suite 1700
Denver, CO 80202

POGO Producing Company
Box 2504
Houston, TX 77252

J. C. Williamson
214 W. Texas, Suite 1250
Midland, TX 79707

Yates Petroleum Corporation
105 S. Fourth St.
Artesia, NM 88210

Surface Owner:

BLM
2909 W. Second Street
Roswell, NM 88202-1857

SENDER: ■ Complete items 1 and/or 2 for additional services. ■ Complete items 3, 4a, and 4b. ■ Print your name and address on the reverse of this form so that we can return this card to you. ■ Attach this form to the front of the mailpiece, or on the back if space does not permit. ■ Write "Return Receipt Requested" on the mailpiece below the article number. ■ The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: G P II Energy, Inc. Box 385 Artesia, NM 88211		4a. Article Number Z 209 928 163	
		4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
		7. Date of Delivery 7-6-94	
5. Received By: (Print Name) Nancy King		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature: (Addressee or Agent) X <i>Nancy King</i>			
PS Form 3811, December 1994		102595-98-B-0229 Domestic Return Receipt	

SENDER: ■ Complete items 1 and/or 2 for additional services. ■ Complete items 3, 4a, and 4b. ■ Print your name and address on the reverse of this form so that we can return this card to you. ■ Attach this form to the front of the mailpiece, or on the back if space does not permit. ■ Write "Return Receipt Requested" on the mailpiece below the article number. ■ The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: Mallon Oil Company 999 18th St., Suite 1700 Denver, CO. 80202		4a. Article Number Z 209 928 164	
		4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
		7. Date of Delivery JUL 7 1994	
5. Received By: (Print Name)		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature: (Addressee or Agent) X <i>C. D. LARSEN</i>			
PS Form 3811, December 1994		102595-98-B-0229 Domestic Return Receipt	

SENDER: ■ Complete items 1 and/or 2 for additional services. ■ Complete items 3, 4a, and 4b. ■ Print your name and address on the reverse of this form so that we can return this card to you. ■ Attach this form to the front of the mailpiece, or on the back if space does not permit. ■ Write "Return Receipt Requested" on the mailpiece below the article number. ■ The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: POGO Producing Company Box 2504 Houston, TX 77252		4a. Article Number Z 209 928 165	
		4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
		7. Date of Delivery JUL - 6 1994	
5. Received By: (Print Name)		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature: (Addressee or Agent) X <i>Goe</i>			
PS Form 3811, December 1994		102595-98-B-0229 Domestic Return Receipt	

Is your RETURN ADDRESS completed on the reverse side?

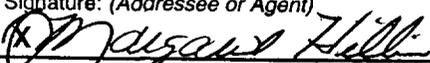
Is your RETURN ADDRESS completed on the reverse side?

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Thank you for using Return Receipt Service.

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	3. Article Addressed to: J. C. Williamson 214 W. Texas, Suite 1250 Midland, TX 79707		4a. Article Number Z 209 928 171	
	5. Received By: (Print Name)		4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
6. Signature: (Addressee or Agent) 		7. Date of Delivery 7-6-99		
8. Addressee's Address (Only if requested and fee is paid)		PS Form 3811, December 1994		

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?	SENDER: ■ Complete items 1 and/or 2 for additional services. ■ Complete items 3, 4a, and 4b. ■ Print your name and address on the reverse of this form so that we can return this card to you. ■ Attach this form to the front of the mailpiece, or on the back if space does not permit. ■ Write "Return Receipt Requested" on the mailpiece below the article number. ■ The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
	3. Article Addressed to: Yates Petroleum Corporation 105 S. Fourth St. Artesia, NM 88210		4a. Article Number Z 209 928 173	
	5. Received By: (Print Name) Cheryl Combs		4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
6. Signature: (Addressee or Agent) X Cheryl Combs		7. Date of Delivery 7-6-99		
8. Addressee's Address (Only if requested and fee is paid)		PS Form 3811, December 1994		

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?	SENDER: ■ Complete items 1 and/or 2 for additional services. ■ Complete items 3, 4a, and 4b. ■ Print your name and address on the reverse of this form so that we can return this card to you. ■ Attach this form to the front of the mailpiece, or on the back if space does not permit. ■ Write "Return Receipt Requested" on the mailpiece below the article number. ■ The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
	3. Article Addressed to: ULM 2909 W. Second Street Roswell, NM 88202-1857		4a. Article Number Z 209 928 174	
	5. Received By: (Print Name)		4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
6. Signature: (Addressee or Agent) X Jerry Hall		7. Date of Delivery 7-6-99		
8. Addressee's Address (Only if requested and fee is paid)		PS Form 3811, December 1994		

Thank you for using Return Receipt Service.

Affidavit of Publication

Copy of Publication:

NO. 16627

STATE OF NEW MEXICO

County of Eddy:

Gary Scott being duly

sworn, says: That he is the Publisher of The Artesia Daily Press, a daily newspaper of general circulation, published in English at Artesia, said county and county and state, and that the here to attached

Legal Notice

was published in a regular and entire issue of the said Artesia Daily Press, a daily newspaper duly qualified for that purpose within the meaning of Chapter 167 of the 1937 Session Laws of the state of New Mexico for

1 consecutive weeks/days on the same

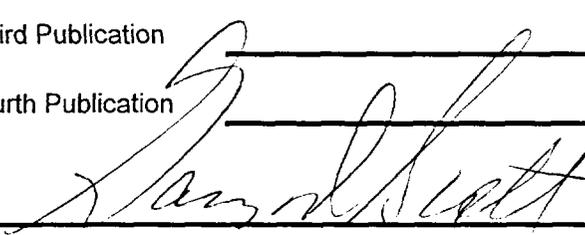
day as follows:

First Publication June 23 1999

Second Publication _____

Third Publication _____

Fourth Publication _____



Subscribed and sworn to before me this

23rd day of June 1999

Barbara B. Boman
Notary Public, Eddy County, New Mexico

My Commission expires September 23, 1999

LEGAL NOTICE

NOTICE OF APPLICATION FOR FLUID INJECTION WELL PERMIT

Stephens & Johnson Operating Co., P.O. Box 2249, Wichita Falls, TX 76307 is applying to the New Mexico Oil Conservation Division for a permit to inject fluid into a formation which is productive of oil or gas.

The applicant proposes to inject fluid into the Delaware Zone-Brushy Draw-Delaware Pool, Mobil 22 Federal Lease, Well Number 10. The proposed Injection well is located in Sec. 22, T-26-S, R-29-E, Unit Ltr L, 1775' FSL & 790' FWL, in Eddy County, New Mexico. Fluid will be injected into strata in the average subsurface depth interval from 4911 feet to 4990 feet. Expected maximum injection rage will be 1200 BWPD and the maximum injection pressure will be 987#.

Interested parties must file objections or requests for hearings with the Oil Conservation Division, P.O. Box 2088, Santa Fe, New Mexico 87501.

Published in the Artesia Daily Press, Artesia, N. M. June 23, 1999.

Legal 16627

811 Sixth Street, Suite 300

Post Office Box 2249

WICHITA FALLS, TEXAS
76307-2249

August 4, 1999

New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

AUG 9 1999

Attn: Mr. Mark Ashley

Re: Application for Authorization to Inject
Stephens & Johnson Operating Co.
Mobil 22 Federal Well No. 10
Eddy County, New Mexico

Dear Mr. Ashley:

In connection with our application for Authorization to Inject for the Mobil 22 Federal well No. 10, Stephens & Johnson Operating Co. would like to state that within the area of review nothing has changed since the original application for Authorization to Inject was submitted in January, 1989. The original application was for the Mobil 22 Federal well No. 5 and was Case number 9646, Order number R-9001.

No new wells have been drilled, no other existing wells have been converted to water injection status and to the best of our knowledge the status and condition of all existing wells have not changed since submission of the January, 1989 application. All of the wells within the area of review are in good condition and we believe the conversion of the Mobil 22 Federal well No. 10 to water injection status should not be a threat to the environment.

Should you require any additional information concerning our application, please do not hesitate to contact us.

Yours very truly,

STEPHENS & JOHNSON OPERATING CO.



William M. Kincaid

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 9646
ORDER NO. R-9001

APPLICATION OF SUN EXPLORATION AND
PRODUCTION COMPANY FOR A WATERFLOOD
PROJECT, EDDY COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 12, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 26th day of September, 1989, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Sun Exploration and Production Company ("Sun"), seeks authority to institute a pilot waterflood project on its Mobil "22" Federal Lease comprising the E/2 NW/4 and S/2 of Section 22, Township 26 South, Range 29 East, NMPM, Eddy County, New Mexico, by the injection of water into the Brushy Draw-Delaware Pool through its existing Mobil Federal "22" Well No. 5 located 990 feet from the South line and 2310 feet from the West line (Unit N) of Section 22.

(3) J.C. Williamson, an operator in the Brushy Draw-Delaware Pool and operator of a commercial disposal well in the area, filed a written objection to Sun's application prior to the hearing and at the time of the hearing appeared in opposition to this case.

(4) At the hearing, Sun demonstrated that an incremental secondary recovery of oil of 220.8 MSTBU could be obtained by institution of the proposed pilot waterflood project, resulting in the recovery of additional oil which would not otherwise be recovered, and the waste of oil would thereby be prevented.

(5) The volumes which Sun proposes to inject do not exceed the current reservoir voidage from the proposed injection well and the four offsets thereto and the correlative rights of operators in the pool will therefore not be impaired by the proposed injection.

(6) The wells in the proposed project area are in an advanced state of depletion and should therefore be properly classified as "stripper wells."

(7) Sun proposes to utilize the Mobil Federal "22" Well No. 5 to inject water produced from the Brushy Draw-Delaware Pool back into this pool in the perforated interval from approximately 4938 feet to 5010 feet.

(8) The operator should take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape into other formations or onto the surface from injection, production or plugged and abandoned wells.

(9) Injection should be accomplished through 2 7/8-inch internally cement-lined tubing installed in a packer set at approximately 5850 feet; the casing-tubing annulus should be filled with an inert fluid; and a pressure gauge or approved leak-detection device should be attached to the annulus in order to determine leaks in the casing, tubing or packer.

(10) Prior to commencing injection operations, the casing of the subject well should be pressure-tested throughout the interval, from the surface down to the proposed packer-setting depth, to assure integrity of such casing.

(11) Sun testified that injection at a pressure equal to 0.2 psi per foot of depth to the uppermost perforation (987.6 psi) may be sufficient but requested that it be authorized to inject at higher rates to be administratively approved by the Division after step-rate tests are run by Sun and witnessed by the Division and establishing that injection under higher pressures will not damage the confining strata.

(12) The Director of the Division should be authorized to administratively approve an increase in the injection pressure upon a proper showing by the operator that such high pressure will not result in migration of the injected waters from the Delaware formation.

(13) The operator should give advance notification to 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 pressure-test in order that the same may be witnessed.

(14) The subject application should be approved and the project should be governed by the provisions of Rules 702 through 708 of the Division Rules and Regulations.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Sun Exploration and Production Company, is hereby authorized to institute a pilot waterflood project on its Mobil "22" Federal Lease, as described below, by the injection of water into the Brushy Draw-Delaware Pool through its existing Mobil Federal "22" Well No. 5 located 990 feet from the South line and 2310 feet from the West line (Unit N) of Section 22, Township 26 South, Range 29 East, NMPM, Eddy County, New Mexico:

MOBIL "22" FEDERAL LEASE
EDDY COUNTY, NEW MEXICO

TOWNSHIP 26 SOUTH, RANGE 29 EAST, NMPM
Section 22: E/2 NW/4 and S/2.

(2) Injection into said well shall be accomplished through 2 7/8-inch internally cement-lined tubing installed in a packer set at approximately 5850 feet, with injection into the perforated interval from approximately 4938 feet to 5010 feet;

PROVIDED HOWEVER THAT, the casing-tubing annulus shall be filled with an inert fluid; and a pressure gauge shall be attached to the annulus or the annulus shall be equipped with an approved leak-detection device in order to determine leakage in the casing, tubing or packer.

PROVIDED FURTHER THAT, prior to commencing injection operations, the casing in the subject well shall be pressure-tested to assure the integrity of such casing in a manner that is satisfactory to the supervisor of the Division's Hobbs District Office.

(3) The injection well or system shall be equipped with a pressure-limiting switch or other acceptable device which will limit the wellhead pressure on the injection well to no more than 987 psi.

(4) 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 Delaware formation.

(5) The operator shall notify the supervisor of the Artesia District Office of the Division in advance of the date and time of the installation of injection equipment and of the mechanical integrity pressure-test in order that the same may be witnessed.

(6) The operator shall immediately notify the supervisor of the Division's Artesia District Office of the failure of the tubing, casing or packer, in said well or the leakage of water from or around said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

(7) The subject waterflood project is hereby designated the Mobil

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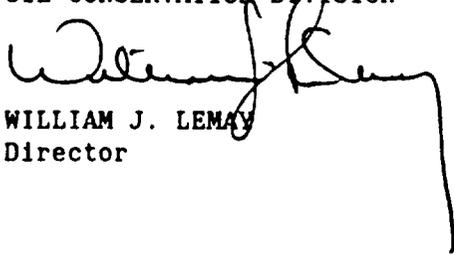
"22" Federal Lease Waterflood Project and shall be governed by the provisions of Rules 701 through 708 of the Division Rules and Regulations.

(8) Monthly progress reports of the waterflood project herein authorized shall be submitted to the Division in accordance with Rules 706 and 1115 of the Division Rules and Regulations.

(9) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L