



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

ADMINISTRATIVE ORDER SWD-673

APPLICATION OF MALLON OIL COMPANY FOR SALT WATER DISPOSAL, EDDY
COUNTY, NEW MEXICO.

ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), Mallon Oil Company made application to the New Mexico Oil Conservation Division on August 19, 1997, for permission to complete for salt water disposal its Pennzoil "10" Federal Well No. 2 located 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 10, Township 24 South, Range 26 East, NMPM, Eddy County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

- (1) The application has been duly filed under the provisions of Rule 701(B) of the Division Rules and Regulations;
- (2) Satisfactory information has been provided that all offset operators and surface owners have been duly notified;
- (3) The applicant has presented satisfactory evidence that all requirements prescribed in Rule 701 will be met; and
- (4) No objections have been received within the waiting period prescribed by said rule.

IT IS THEREFORE ORDERED THAT:

The applicant herein, Mallon Oil Company is hereby authorized to complete its Pennzoil "10" Federal Well No. 2 located 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 10, Township 24 South, Range 26 East, NMPM, Eddy County, New Mexico, in such manner as to permit the injection of salt water for disposal purposes into the Bone Spring formation at approximately 6,096 feet to 7,660 feet through 2 7/8-inch plastic-lined tubing set in a packer located at approximately 6,046 feet.

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 applicant shall cement the production casing above, across and below the proposed injection interval in the following described wells within the "area of review" in a manner satisfactory to the supervisor of the Division's Artesia district office:

Mallon Oil Company---O'Neil "B" Com Well No. 1
2300' FSL & 1980' FEL (Unit J) Section 10, T-24S, R-26E, NMPM

Wadi Petroleum Inc.---Pennzoil Federal "9" Well No. 1
1980' FSL & 1980' FEL (Unit J) Section 9, T-24S, R-26E, NMPM

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 1219 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 Bone Spring formation. 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 conductance of remedial cement operations, the installation of disposal 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

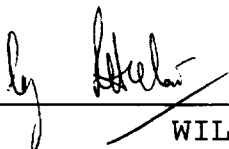
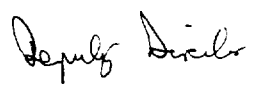
tubing, casing, or packer in said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

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.

The operator shall submit monthly reports of the disposal operations in accordance with Rule Nos. 706 and 1120 of the Division Rules and Regulations.

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.

Approved at Santa Fe, New Mexico, on this 9th day of September, 1997.

WILLIAM J. LEMAY, Director

WJL/DRC

xc: Oil Conservation Division - Artesia
NM State Land Office - Oil and Gas Division
US Bureau of Land Management - Carlsbad