



ADMINISTRATIVE ORDER SWD-674

APPLICATION OF PENWELL ENERGY, INC. FOR SALT WATER DISPOSAL, EDDY COUNTY, NEW MEXICO.

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Under the provisions of Rule 701(B), Penwell Energy, Inc. made application to the New Mexico Oil Conservation Division on July 30, 1997 for permission to complete for salt water disposal its Wagon Wheel '22' Federal Well No.1 located 2080 feet from the North line and 1980 feet from the East line (Unit G) of Section 22, Township 22 South, Range 22 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, Penwell Energy, Inc. is hereby authorized to complete its Wagon Wheel '22' Federal Well No.1 located 2080 feet from the North line and 1980 feet from the East line (Unit G) of Section 22, Township 22 South, Range 22 East, NMPM, Eddy County, New Mexico, by utilization of an inverted submersible pump for purposes of separating gas production and water production from the Cisco Canyon formation with perforations at approximately 7418 feet to 7778 feet and to dispose of the produced water into the Devonian formation within the same wellbore through perforations at approximately 10,260 feet to 10,555 feet through 2 3/8-inch plastic-coated tubing set in a packer located within 100 feet of the uppermost injection perforation.

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. Additionally, a packer shall be located within 50 feet of the uppermost production perforation so as to prevent unnecessary exposure of casing to potentially corrosive gas(es).

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 2052 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 Devonian 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 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.

Administrative Order SWD-674

Penwell Energy, Inc.

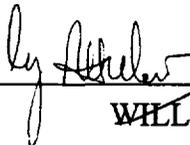
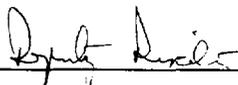
September 17, 1997

Page 3

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 17th day of September, 1997.

WILLIAM J. LEMAY, Director

WJL/BES

xc: Oil Conservation Division – Artesia
Bureau of Land Management - Carlsbad