



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

ADMINISTRATIVE ORDER SWD-838

APPLICATION OF DUKE ENERGY FIELD SERVICES, LP FOR ACID GAS DISPOSAL, EDDY COUNTY, NEW MEXICO.

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), Duke Energy Field Services, LP made application to the New Mexico Oil Conservation Division on May 7, 2002, for permission to complete for acid gas disposal its Duke AGI Well No. 1 to be located 1232 feet from the South line and 1927 feet from the East line (Unit O) of Section 7, Township 18 South, Range 28 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:

Duke Energy Field Services, LP is hereby authorized to complete its Duke AGI Well No. 1 to be located 1232 feet from the South line and 1927 feet from the East line (Unit O) of Section

7, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico, in such a manner as to permit the injection of acid gas for disposal purposes into the Devonian formation from a depth of 11200 feet to 11500 feet through 2 7/8 inch plastic-lined tubing set in a packer located at approximately 11100 feet.

IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the injected gas 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 and at least once per year thereafter, the casing shall be pressure tested from the surface to the packer setting depth to assure the integrity of said casing.

During drilling operations, the operator shall monitor the well for hydrocarbon shows. Any hydrocarbon shows within the Devonian shall be reported to the Division prior to commencing injection operations into the well.

The operator shall obtain native formation water samples from the Devonian formation subsequent to completion of drilling operations. These water samples shall be analyzed and the results sent to the Santa Fe Office of the Division.

The casing-tubing annulus shall be loaded with an inert corrosion inhibited 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 operator shall ensure that injected acid gas is properly dehydrated prior to entering the Devonian injection zone.

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 2000 psi. The operator shall attempt to maintain the injected fluid in the non-corrosive phase with minimum pressure regulating devices as necessary.

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 gases from the Devonian formation. Such proper showing shall at least 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 date and time of the installation of disposal equipment and of any mechanical integrity test so that the same may be inspected and witnessed.

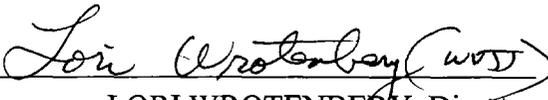
The operator shall immediately notify the supervisor of the Artesia District Office of the Division of the failure of the tubing, casing, or packer in said well or the leakage of water, oil or gas from or around any producing or plugged and abandoned well within the area, and shall take such steps as may be timely and necessary to correct such failure or leakage.

PROVIDED FURTHER THAT, jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh water or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the injection authority granted herein.

The operator shall submit monthly reports of the disposal operations on Division Form C-115, 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 29th day of May 2002.


LORI WROTENBERY, Director

LW/WVJ

cc: Oil Conservation Division – Artesia



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June 11, 2002

Paul R. Owen
325 Paseo de Peralta
PO Box 2307
Santa Fe, New Mexico 87504

RE: ADMINISTRATIVE ORDER SWD-838

Dear Mr. Owen:

Reference is made to your June 11, 2002, letter on behalf of Duke Energy Field Services, LP concerning the definition of "dehydrated" acid gas to be injected into the Duke AGI Well No. 1. This well will be an Acid Gas injection well located in the SW/4 SE/4, Section 7, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico and is currently approved under administrative permit SWD-838.

Concerning the following statement in order SWD-838: "The operator shall ensure that injected gas is properly dehydrated prior to entering the Devonian injection zone". The Division's intent is that dehydration shall occur between stages of compression and integral with the compressor. This dehydration shall not require installation of an additional and separate dehydrator except as could be necessary to keep the gas in the non-corrosive state – this state being optimum for maintenance of injection tubulars.

Thank you for seeking timely clarification on this matter.

Many Regards,

William V Jones Jr

Engineer

New Mexico Oil Conservation Division

Cc: Oil Conservation Division – Artesia
SWD-838