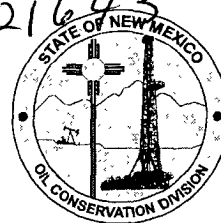


# New Mexico Energy, Minerals and Natural Resources Department

**Bill Richardson**  
Governor

Joanna Prukop  
Cabinet Secretary  
Reese Fullerton  
Deputy Cabinet Secretary

Mark Fesmire  
Division Director  
Oil Conservation Division



**MAY 27 2008**  
**OCD-ARTESIA**

**Administrative Order SWD-1121**  
**May 12, 2008**

APPLICATION OF YATES PETROLEUM CORPORATION FOR PRODUCED WATER  
DISPOSAL, EDDY COUNTY, NEW MEXICO.

## ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), Yates Petroleum Corporation (OGRID No. 25575) made application to the New Mexico Oil Conservation Division for permission to utilize for produced water disposal its Cigarillo SWD Well No. 1 (API No. 30-015-21643) located 1980 feet from the North line and 1980 feet from the East line of Section 36, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico.

### THE DIVISION DIRECTOR FINDS THAT:

The applicant is in good standing with Rule 40. The application has been duly filed under the provisions of Rule 701(B) of the Division Rules. Satisfactory information has been provided that all affected parties have been duly notified as required in Rule 701B(2). The applicant has presented satisfactory evidence that all requirements prescribed in Rule 701 will be met and no objections have been received within the waiting period prescribed by said rule.

### IT IS THEREFORE ORDERED THAT:

The applicant is hereby authorized to utilize its Cigarillo SWD Well No. 1 (API No. 30-015-21643) located 1980 feet from the North line and 1980 feet from the East line of Section 36, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico, in such manner as to permit the injection of produced water for disposal purposes into the Devonian formation through an open hole completion from approximately 13,500 feet to approximately 13,665 feet and through plastic-lined tubing set in a packer located within 100 feet of the top of the injection interval.



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.

The operator shall send copies of all mudlogs, electric logs, temperature surveys and cement bond logs run on this injection well to the Artesia district office of the Division so as to be included in the Divisions well file. In addition, the operator shall file results of any swab testing on this well with the Artesia district office on sundry forms.

After installing injection tubing, 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 or an approved leak detection device in order to determine leakage in the casing, tubing, or packer.

The injection well or system shall be equipped with a pressure limiting device in workable condition which shall, at all times, limit surface injection pressure to the maximum allowable pressure for this well.

The wellhead injection pressure on the well shall be limited to **no more than 2,700 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 injection formation. Such proper showing shall consist of at the least a valid step-rate test run in accordance with and acceptable to this office and may require notice to the nearest potash lessee or other affected parties.

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 any mechanical integrity test so that the same may be inspected and witnessed.

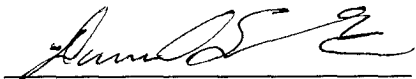
The operator shall immediately notify the supervisor of the Artesia district office of the Division of the failure of the tubing, casing, or packer in said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

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 provide written notice of the date of commencement of injection and the initial reservoir pressure to the Artesia district office of the Division.

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 mailed prior to the expiration date, may grant an extension thereof for good cause shown.

  
MARK E. FESMIRE, P.E.  
Director

MEF/wvjj

cc: Oil Conservation Division – Artesia  
State Land Office – Oil, Gas, and Minerals Division