

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

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Cabinet Secretary

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Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



May 14, 2012

SM Energy Company
Attn: Ms. Ann Ritchie, Agent

ADMINISTRATIVE PRESURE MAINTENANCE MEASUREMENT ORDER

Administrative Order PMX-263
Administrative Application Reference No. pTWG1211850572

Reference is made to your application received on April 27, 2012.

APPLICATION OF ST. MARY LAND & EXPLORATION COMPANY TO EXPAND ITS
PRESSURE MAINTENANCE PROJECT IN THE PARKWAY-DELAWARE POOL IN
EDDY COUNTY, NEW MEXICO

ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION

Under the provisions of Division Order R-9822, SM Energy Company (OGRID No. 154903) has made application to the Division for permission to add additional injection intervals to three Parkway Delaware Unit Wells No. 519, No. 520 and No. 521 in the Parkway Delaware Unit Pressure Maintenance Project located within the Parkway-Delaware Pool (Pool No. 49625) in Eddy County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

The application was filed in due form. No objections have been filed within the waiting period prescribed by Division Rule 26.8(C). The proposed wells are eligible for conversion to injection under the terms of Rule 19.15.26.8. The current operator is in compliance with Rule 19.15.5.9.

The proposed expansion of the above-referenced Pressure Maintenance Project will not cause waste nor impair correlative rights and should be approved.

IT IS THEREFORE ORDERED THAT:

The operator of the Parkway Delaware Unit Pressure Maintenance Project is hereby authorized to inject water into Cherry Canyon member of the Delaware Mountain Group within the unitized interval [see Division Order No R-9821] of the Parkway Delaware Unit in the following-described wells. These wells shall be equipped with plastic-lined tubing set in a packer located within 100 feet of the top of the actual injection interval. The maximum allowed surface injection pressure is specified below:

Parkway Delaware Unit Well No. 519 (API No. 30-015-39878)

1980' FSL, 1380' FWL, Unit K, Sec 35, T19S, R29E, NMPM

Approved Injection Interval: 3,864 to 4,338 feet

Maximum Surface Injection Pressure = 1,225 psi

Parkway Delaware Unit Well No. 520 (API No. 30-015-39879)

2450' FNL, 1330' FWL, Unit F, Sec 35, T19S, R29E, NMPM

Approved Injection Interval: 3,864 to 4,338 feet

Maximum Surface Injection Pressure = 1,225 psi

Parkway Delaware Unit Well No. 521 (API No. 30-015-39880)

1420' FNL, 1330' FWL, Unit F, Sec 35, T19S, R29E, NMPM

Approved Injection Interval: 3,864 to 4,338 feet

Maximum Surface Injection Pressure = 1,225 psi

all located in Eddy County, New Mexico.

IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the injected water enters only the permitted injection interval and is not permitted to escape to other formations or onto the surface.

Prior to commencing injection operations into the well, injection casing shall be pressure tested from the surface to the packer setting depth to assure casing integrity.

The casing-tubing annulus shall openly extend to within 100 feet of the top of the injection interval and 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 injection system shall be equipped with pressure limiting devices which will limit the wellhead pressure to the maximum surface injection pressure described above.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator that such higher pressure will not result in waste of oil and gas or migration of the injected fluid from the permitted injection interval. Such

proper showing shall be accompanied by valid step-rate test(s) run in accordance with and acceptable to this office.

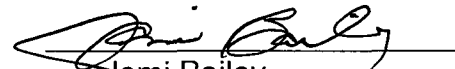
The operator shall notify the supervisor of the Division's district office of the date and time of the installation of injection equipment and of all mechanical integrity tests so that the same may be inspected and witnessed.

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

The subject well(s) shall be governed by all provisions of Division Orders No. R-9821 and No. R-9822, as amended, and Rules 19.15.26.9-19.15.26.13 of the Division Rules and Regulations not inconsistent herewith.

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 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 one year deadline, may grant an extension thereof for good cause shown.


Jami Bailey
Division Director

JB/tw

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