NEW MEXICO ENERGY, MINERALS and
NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

ADMINISTRATIVE ORDER SWD-1013

APPLICATION OF TIPTON OIL AND GAS ACQUISITIONS, INC. FOR PRODUCED WATER DISPOSAL, LEA COUNTY, NEW MEXICO.

ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), Tipton Oil and Gas Acquisitions, Inc. made application to the New Mexico Oil Conservation Division for permission to utilize for produced water disposal its Sunray 682 Ltd Well No. 3 (API No. 30-025-22946) located 1,980 feet from the North line and 660 feet from the East line of Section 36, Township 9 South, Range 33 East, NMPM, Lea 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 is hereby authorized to utilize its Sunray 682 Ltd Well No. 3 (API No. 30-025-22946) located 1,980 feet from the North line and 660 feet from the East line of Section 36, Township 9 South, Range 33 East, NMPM, Lea County, New Mexico, in such manner as to permit the injection of produced water for disposal purposes into the Pennsylvanian Bough "C" formation through perforations from 9,734 feet to 9,744 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 conduct a bradenhead survey of all casing annulus', witnessed by inspectors from the Hobbs district. If the bradenheads are in poor shape according to district inspectors, the operator shall perform the following work prior to any injection into this well:

(i) If the bradenhead between the surface and intermediate casing has pressure and/or a flow as per the district inspector, the operator shall repair the casing to stop the flow or pressure buildup by a method acceptable to the district inspector.

(ii) If the bradenhead between the intermediate and the production casing has pressure and/or a flow as per the district inspector, the operator shall perform remedial actions to stop the pressure buildup or flow by a method acceptable to the district inspector.

Whether bradenhead repairs are required or not, the operator shall run a cement bond log from bottom to top to determine the condition of cement and/or the cement top prior to any injection into the well and supply this bond log to the district office in Hobbs.

The operator shall swab test the injection perforations and report the results of the test and the initial static fluid level to the Division.

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 wellhead injection pressure on the well shall be limited to **no more than 1,947 psi.** In addition, 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 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 a valid step-rate test run in accordance with and acceptable to this office.

The operator shall notify the supervisor of the Hobbs 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 Hobbs 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 to the Hobbs 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, may grant an extension thereof for good cause shown.

Approved at Santa Fe, New Mexico, on this 27th day of December 2005.

for MARK E. FESMIRE, P.E.
Director

MEF/wvjj

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