

New Mexico Energy, Minerals and Natural Resources Department

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Oil Conservation Division



Administrative Order SWD-1130
June 5, 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 Loving SWD Well No. 2 (API No. 30-015-26497) located 2080 feet from the South line and 2040 feet from the East line of Section 16, Township 23 South, Range 28 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 offset operators and surface owners have been duly notified. 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:

Yates Petroleum Corporation ("operator") is hereby authorized to utilize its Loving SWD Well No. 2 (API No. 30-015-26497) located 2080 feet from the South line and 2040 feet from the East line of Section 16, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico, in such manner as to permit the injection of produced water for disposal purposes into the Bell Canyon and Upper Cherry Canyon members of the Delaware formation through perforations from 2590 feet (see below) to approximately 3780 feet and through plastic-lined tubing set in a packer located within 100 feet of the top of the injection interval.

HOWEVER: Prior to perforating and injecting above 3050 feet in this well, the



operator shall provide proof and receive written confirmation from the Division that the following remedial cementing operations were completed on the Loving AIB State Well No. 5 (API No. 30-015-34733). The cement top in the annulus shall be raised from approximately 2,917 feet to at least 2,400 feet with competent cement.

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.

As preparation for injection into this well, the operator shall obtain prior and subsequent approval from the Artesia office of the Division on sundry form(s) to: (i) plug back the existing perforations; (ii) install an additional permanent plug in the casing at a depth of approximately 200 feet below the lowermost permitted injection interval; and (iii) perforate at the cement top (approximately 2522 feet) and pump cement with a design to circulate to the surface.

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 518 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/wvj

cc: Oil Conservation Division – Artesia