

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



Administrative Order SWD-1140-A

November 24, 2009

Mr. Jose Velez
Reef Exploration, L.P.
1901 N. Central Expressway
Suite 300
Richardson, TX 75080

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Division Rule 26.8B., Reef Exploration, L.P. seeks an administrative order to utilize its State 2 Well No. 8 (API 30-015-35749) located 660 feet from the West line and 1980 feet from the South line, Unit L of Section 2, Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico, for produced water disposal purposes.

THE DIVISION DIRECTOR FINDS THAT:

The application has been duly filed under the provisions of Division Rule 26.8B. Satisfactory information has been provided that affected parties as defined in Rule 26.8B.(2) have been notified and no objections have been received within the prescribed waiting period. The applicant has presented satisfactory evidence that all requirements prescribed in Rule 26.8 will be met and the operator is in compliance with Division Rule 5.9.

IT IS THEREFORE ORDERED THAT:

The applicant, Reef Exploration, L.P. (OGRID 246083), is hereby authorized to utilize its State 2 Well No. 8 (API 30-015-35749) located 660 feet from the West line and 1980 feet from the South line, Unit L of Section 2, Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico, for disposal of waste water originating only from producing wells operated by the operator of this disposal well into the Delaware Mountain Group from 4600 feet to 5880 feet through plastic-lined tubing set within 100 feet of the disposal interval.

IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the disposed water enters only the proposed disposal interval and is not permitted to escape to other formations or onto the



surface.

The well shall be equipped with a bottom plug or other interior barrier installed and pressure tested below the maximum permitted disposal depth. This plug shall be set within 200 feet of the permitted disposal interval or as directed by the Division's inspectors.

After installing tubing, 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 casing shall be pressure tested from the surface to the packer setting depth to assure casing integrity.

The wellhead injection pressure on the well shall be limited to **no more than 920 psi**. In addition, the disposal well or system shall be equipped with a pressure limiting device in workable condition which shall, at all times, limit surface tubing pressure to the maximum allowable pressure for this well.

The Director of the Division may administratively authorize an increase in surface tubing pressure up to a surface pressure gradient of 0.5 psi/foot upon a proper showing by the operator of said well that such higher pressure will not result in migration of the disposed fluid from the target formation. Such proper showing shall be demonstrated by an acceptable Step-Rate-Test.

The operator shall notify the supervisor of the Division's district office in Artesia 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 provide written notice of the date of commencement of disposal to the Division's district office. The operator shall submit monthly reports of the disposal operations on Division Form C-115, in accordance with Division Rules 26.13 and 7.24.

Without limitation on the duties of the operator as provided in Division Rules 30 and 29, or otherwise, the operator shall immediately notify the Division's district office of any failure of the tubing, casing or packer in the well, or of any leakage or release of water, oil or gas from around any produced or plugged and abandoned well in the area, and shall take such measures as may be timely and necessary to correct such failure or leakage.

The injection authority granted under this order is not transferable except upon division approval. The division may require the operator to demonstrate mechanical integrity of any injection well that will be transferred prior to approving transfer of authority to inject.

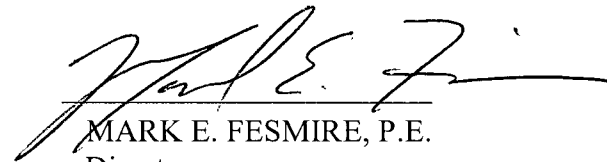
The division may revoke this injection permit after notice and hearing if the operator is in violation of 19.15.5.9 NMAC.

In accordance with Division Rule No 26.12.C., the disposal 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, mailed by the operator prior to the termination date, may grant an extension thereof for good

cause. One year after disposal into the well has ceased, the authority to dispose will terminate *ipso facto*.

Compliance with this order does not relieve the operator of the obligation to comply with other applicable federal, state or local laws or rules, or to exercise due care for the protection of fresh water, public health and safety and the environment.

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 or protectable waters or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the disposal authority granted herein.



MARK E. FESMIRE, P.E.
Director

MEF/wvjj

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