



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenberg
Director
Oil Conservation Division

AMENDED ADMINISTRATIVE ORDER SWD-431

APPLICATION OF ZIA ENERGY, INC. FOR SALT WATER DISPOSAL, LEA COUNTY, NEW MEXICO.

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), Zia Energy, Inc. made application to the New Mexico Oil Conservation Division on March 29, 2001, to amend Division Order No. SWD-431 dated July 11, 1991, which order authorized Zia Energy, Inc. to utilize its Simmons Well No. 2 (**API No. 30-025-22039**) located 2310' FNL & 1980' FEL (Unit G) of Section 5, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico, to dispose of produced water into the San Andres formation through the perforated interval from approximately 4,730 feet to 4,910 feet, to authorize expansion of the injection interval to include additional porosity zones within the San Andres formation from approximately 4,911 feet to 5,025 feet.

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:

Zia Energy, Inc. is hereby authorized to complete its Simmons Well No. 2 (**API No. 30-025-22039**) located 2310' FNL & 1980' FEL (Unit G) of Section 5, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico, in such a manner as to permit the injection of produced water for disposal purposes into the San Andres formation from approximately 4,730 feet to 5,025 feet through 2 3/8 inch plastic-lined tubing set in a packer located at approximately 4,630 feet.

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.

Prior to commencing injection operations into the well, 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 at the surface or left open to the atmosphere to facilitate detection of leakage in the casing, tubing, or packer.

The injection well or system shall be equipped with a pressure limiting device which will limit the wellhead pressure on the injection well to no more than 946 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 San Andres 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 submit monthly reports of the disposal operations on Division Form C-120-A, 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.

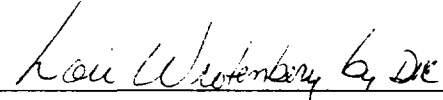
Amended Administrative Order SWD-431

Zia Energy, Inc.

April 17, 2001

Page 3

Approved at Santa Fe, New Mexico, on this 17th day of April, 2001.

A handwritten signature in cursive script, reading "Lori Wrotenbery, Dir", is written over a horizontal line.

LORI WROTENBERY, Director

LW/DRC

cc: Oil Conservation Division – Hobbs