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August 11, 1995

HAND-DELIVERED

Michael E. Stogner
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco
Santa Fe, New Mexico 87505

RECEIVED

AUG 11 1995

Oil Conservation Division

Re: Oil Conservation Division Case No. 10322:
Application of Yates Petroleum Corporation for Underground Gas Storage,
Chaves County, New Mexico

Dear Mr. Stogner:

Pursuant to your request at the June 29, 1995 Oil Conservation Division hearing, I am enclosing for your consideration Yates Petroleum Corporation's proposed order of the Division granting its application in the above-referenced case.

If you need anything further, from Yates to proceed with your consideration of this application, please advise.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enc.

cc: Pinson McWhorter (w/enclosure)
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

STATE OF NEW MEXICO

ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

Case No. 10322
Order No. R-_____

APPLICATION OF YATES PETROLEUM
CORPORATION FOR UNDERGROUND
GAS STORAGE, CHAVES COUNTY, NEW MEXICO.

**YATES PETROLEUM CORPORATION'S
PROPOSED
ORDER OF THE DIVISION**

BY THE DIVISION

This cause came on for hearing at 8:15 a.m. on June 29, 1995, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of August, 1995, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Yates Petroleum Corporation ("Yates"), seeks authority to initiate an underground gas storage project in the Undesignated Southeast Acme-San Andres Pool by injecting gas produced from the San Andres formation into its existing Trailblazer "ANL" Well No. 2, located 2310 feet from the North line and 330 feet from the East line, in the SE/4 NE/4 (Unit H) of Section 11, Township 8 South, Range 27 East.

(3) The casinghead gas injected into the Trailblazer "ANL" Well No. 2 will be produced from a state lease which has a common working interest and royalty interest ownership and a common beneficiary with the lease on which this injection well is located.

(4) The Commissioner of Public Lands has no objection to the project.

(5) Injection and storage will be for a temporary period of time and will continue only until a pipeline can be constructed to a gas sales plant.

(6) The Trailblazer "ANL" Well No. 2 is capable of producing approximately 1 mmcf per day and 18 barrels of oil. By temporarily converting this well to injection, casinghead gas can be stored in the gas cap in the San Andres P₁ zone and then after a pipeline is constructed produced along with the gas that is currently recoverable from this zone.

(7) The evidence demonstrated that storage of gas in the Trailblazer "ANL" Well No. 2 will benefit other wells in the pool that are currently unable to produce and will result in the more efficient production of oil from the pool thereby preventing waste.

(8) The applicant should be authorized to store casinghead gas in the San Andres P₁ porosity zone of the San Andres formation by injection in its Trailblazer "ANL" Well No. 2 through the perforated interval from approximately 2159 feet to 2174 feet.

(9) The injection should be accomplished through 2 7/8-inch tubing installed in a packer set at approximately 2074 feet; a gauge or other leak detection device should be attached to the casing-tubing annulus in order to determine leaking in the casing, tubing or packer.

(10) Prior to commencing injection operations in the subject well, the casing should be pressure tested throughout the interval from the surface down to the proposed packer setting depth, to assure the integrity of such casing.

(11) The injection well or pressurization system should be initially equipped with a pressure control device or acceptable substitute which will limit the surface injection pressure to no more than 500 psi.

(12) The operator should give advance notification to the supervisor of the Artesia District Office of the Division of the date and time of the installation of injection equipment and of the mechanical integrity pressure test in order that the same may be witnessed.

(13) The injection authority granted herein for the Trailblazer "ANL" Well No. 2 should terminate (a) one year after the effective date of this Order if the operator has not commenced injection operation operations into the subject well, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown; or (b) the date the operator returns the Trailblazer "ANL" Well No. 2 to production.

IT IS THEREFORE ORDERED:

(1) The application of Yates Petroleum Corporation for an underground gas storage project is approved and the applicant is hereby authorized to re-inject produced San Andres gas into the San Andres P₁ porosity zone of the Undesignated Southeast Acme-San Andres Pool through its existing Trailblazer "ANL" Well No. 2 located 2310 feet from the North line and 330 feet from the East line, in the SE/4 NE/4 (Unit H) of Section 11, Township 8 South, Range 27 East.

(2) The applicant shall take all steps necessary to ensure that the injected gas enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface from injection, production, or plugged and abandoned wells.

(3) Injection in the Trailblazer "ANL" Well No. 2 shall be accomplished through 2 7/8-inch tubing installed in a packer set at approximately 2074 feet with an approved pressure gauge or attention-attracting leak detection device.

(4) The injection well or pressurization system shall be equipped with a pressure control device or acceptable substitute which will limit the surface injection pressure to 500 psi.

(5) Prior to commencing injection operations in the Trailblazer "ANL" Well No. 2, the casing shall be pressure-tested throughout the interval from the surface down to the proposed packer setting depth, to assure the integrity of such casing.

(6) The operator shall give advance notification to the supervisor of the Artesia

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District Office of the Division of the date and time of the installation of injection equipment and of the mechanical integrity pressure test in order that the same may be witnessed.

(7) The applicant shall immediately notify the supervisor of the Artesia District Office of the Division of the failure of the tubing, casing or packer in the injection well, and shall take such steps as may be timely necessary to correct such failure or leakage.

(8) The subject project is hereby designated the Trailblazer Gas Storage Project, and the applicant shall conduct operations in accordance with Division Rule Nos. 701 through 708 and shall submit monthly reports in accordance with Division Rules 706 and 1131-A.

(9) The injection authority granted herein for the Trailblazer "ANL" Well No. 2 shall terminate (a) 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; or (b) the date the operator returns the Trailblazer "ANL" Well No. 2 to production.

(10) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LeMAY
Director

SEAL