

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION  
OF STEVENS OPERATING CORPORATION  
FOR SALT WATER DISPOSAL,  
CHAVES COUNTY, NEW MEXICO.

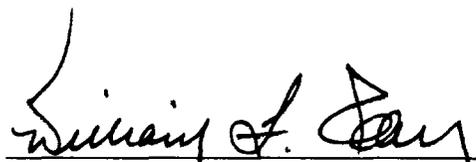
CASE NO. 10199

AFFIDAVIT

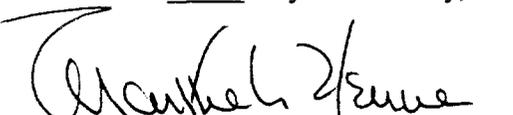
BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
<u>STEVENS</u>	EXHIBIT NO. <u>2</u>
CASE NO.	<u>10199</u>

STATE OF NEW MEXICO     )  
  )ss.  
COUNTY OF SANTA FE     )

WILLIAM F. CARR, attorney in fact and authorized representative of Stevens Operating Corporation, the Applicant herein, being first duly sworn, upon oath, states that the notice provisions of Rule 1207 of the New Mexico Oil Conservation Division have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested persons entitled to receive notice as shown by Exhibit "A" attached hereto, and that pursuant to Rule 1207, notice has been given at the correct addresses provided by such rule.

  
WILLIAM F. CARR

SUBSCRIBED AND SWORN to before me this 8th day of January, 1991.

  
Notary Public

My Commission Expires:

August 19, 1991

**EXHIBIT A**

Yates Petroleum Corporation  
105 South 4th Street  
Artesia, New Mexico 88210

Marsh Operating Corporation  
Post Office Box 1746  
Amarillo, Texas 79195

Plains Radio Broadcasting Company  
Post Office Box 1300  
Amarillo, Texas 79105  
Attn: Jim Walker

CAMPBELL & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN  
WILLIAM P. SLATTERY  
ANNIE-LAURIE COOGAN

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

December 19, 1990

**CERTIFIED MAIL -**  
**RETURN RECEIPT REQUESTED**

Yates Petroleum Corporation  
105 South 4th Street  
Artesia, New Mexico 88210

Re: Application of Stevens Operating Corporation for Salt Water Disposal,  
Chaves County, New Mexico

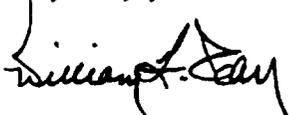
Gentlemen:

This letter is to advise you that Stevens Operating Corporation has filed an application with the New Mexico Oil Conservation Division seeking authority for salt water disposal by disposal of water into the Fusselman formation, in an existing wellbore located 1980 feet from the South line and 2310 feet from the West line of Section 16, Township 10 South, Range 27 East, N.M.P.M., Chaves County, New Mexico.

This application has been set for hearing before a Division Examiner on January 10, 1991. You are not required to attend this hearing but, as the owner of the surface of the land on which the proposed well is located or as a leasehold operator within one-half mile of the proposed injection well, you may be affected by this application and may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases have been requested by the Division (Memorandum 2-90) to file a Prehearing Statement substantially in the form prescribed by the Division. Prehearing statements should be filed by 4:00 o'clock p.m. on the Friday before a scheduled hearing.

Very truly yours,



WILLIAM F. CARR  
ATTORNEY FOR STEVENS OPERATING CORPORATION  
WFC:mlh

P-106 679 655

RECEIPT FOR CERTIFIED MAIL  
U.S. POSTAL SERVICE  
INTERNATIONAL MAIL  
(See Reverse)

Sent to Yates Petroleum Corp.	
Street and No. 105 South 4th Street	
P.O. State and ZIP Code Artesia, New Mexico 88210	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	\$ 2.10
Postmark or Date DEC 19 1990	

PS Form 3800, June 1985

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent the card from being returned to you. The return receipt fee will provide you the name of the person delivering to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes for additional services requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge)

2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  
Yates Petroleum Corp.  
105 South 4th Street  
Artesia, New Mexico 88210

4. Article Number  
P106679655

Type of Service:  
 Registered  
 Certified  
 Express Mail  
 Insured  
 COD  
 Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address  
X

6. Signature - Agent  
X Miller Paul

7. Date of Delivery  
12-21-90

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

CAMPBELL & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN  
WILLIAM P. SLATTERY  
ANNIE-LAURIE COOGAN

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

December 19, 1990

**CERTIFIED MAIL -**  
**RETURN RECEIPT REQUESTED**

Marsh Operating Corporation  
Post Office Box 1746  
Amarillo, Texas 79105

Re: Application of Stevens Operating Corporation for Salt Water Disposal,  
Chaves County, New Mexico

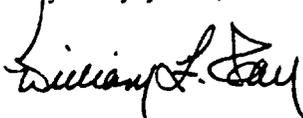
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Very truly yours,



WILLIAM F. CARR  
ATTORNEY FOR STEVENS OPERATING CORPORATION  
WFC:mlh

P-106 679 656

RECEIPT FOR CERTIFIED MAIL

U.S. POSTAL SERVICE  
POST OFFICE BOX 1746

See Reverse

sent to <b>Marsh Operating Corp.</b>	
Street and No. <b>Post Office Box 1746</b>	
P.O. State and ZIP Code <b>Amarillo, Texas 79105</b>	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	\$ <b>2.00</b>
Postmark or Date <b>DEC 19 1980</b>	

PS Form 3800, June 1985

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN  
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JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

December 19, 1990

**CERTIFIED MAIL -**  
**RETURN RECEIPT REQUESTED**

Plains Radio Broadcasting Company  
Post Office Box 1300  
Amarillo, Texas 79105  
Attn: Jim Walker

Re: Application of Stevens Operating Corporation for Salt Water Disposal,  
Chaves County, New Mexico

Gentlemen:

This letter is to advise you that Stevens Operating Corporation has filed an application with the New Mexico Oil Conservation Division seeking authority for salt water disposal by disposal of water into the Fusselman formation, in an existing wellbore located 1980 feet from the South line and 2310 feet from the West line of Section 16, Township 10 South, Range 27 East, N.M.P.M., Chaves County, New Mexico.

This application has been set for hearing before a Division Examiner on January 10, 1991. You are not required to attend this hearing but, as the owner of the surface of the land on which the proposed well is located or as a leasehold operator within one-half mile of the proposed injection well, you may be affected by this application and may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

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Very truly yours,



WILLIAM F. CARR  
ATTORNEY FOR STEVENS OPERATING CORPORATION  
WFC:mlh

**SENDER:** Complete items 1 and 2 within additional services are desired, and complete items 3 and 4.  
 Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent the card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional services the following services are available. Consult postmaster for rates and check boxes for additional service(s) requested.  
 1.  Show to whom delivered, date, and addressee's address. (Extra charge)  
 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:

Plains Radio Broadcasting Co.  
 Post Office Box 1300  
 Amarillo, Texas 79105  
 Attn: Jim Walker

4. Article Number  
**P 106 679 657**

Type of Service:  
 Registered  
 Certified  
 Express Mail  
 Insured  
 COD  
 Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address  
**X**

8. Addressee's Address (ONLY if requested and fee paid)

6. Signature Agent  
*Jim Walker*  
**X**

*fee not paid*

7. Date of Delivery  
**DEC 19 1990**

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-665 DOMESTIC RETURN RECEIPT

P-106 679 657

RECEIPT FOR CERTIFIED MAIL  
 See Reverse

Sent to: Attn: Jim Walker Plains Radio Broadcasting Co.	
Street and No. Post Office Box 1300	
P.O. State and ZIP Code Amarillo, Texas 79105	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	\$ 2.20
Postmark or Date: <b>DEC 19 1990</b>	

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. 10199  
Order No. R-9420

APPLICATION OF STEVENS OPERATING  
CORPORATION FOR APPROVAL OF SALT  
WATER DISPOSAL, CHAVES COUNTY,  
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on January 10, 1991, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 28th day of January, 1991, 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, Stevens Operating Corporation, seeks authority to dispose of produced salt water into the Undesignated Diablo-Fusselman Pool, in the perforated interval from approximately 6904 feet to 6944 feet in its Hanlad Well No. 1 located 1980 feet from the South line and 2310 feet from the West line (Unit K) of Section 16, Township 10 South, Range 27 East, NMPM, Chaves County, New Mexico.

CASE NO. 10199  
Order No. R-9420  
Page -2-

(3) The subject well is currently a shut-in gas well in the Pennsylvanian formation with open perforations from approximately 6547 feet to 6600 feet.

(4) The evidence presented by the applicant indicates that the subject well is capable of marginal gas production from the Pennsylvanian formation.

(5) According to further evidence, injection into the Diablo-Fusselman Pool should have no detrimental effect on producing wells within the pool.

(6) At the hearing the applicant testified that it may, at a later time, wish to produce the remaining gas reserves from the Pennsylvanian formation and therefore requested that it be allowed to leave the Pennsylvanian perforations open and utilize a dual packer system for injection.

(7) The proposed wellbore configuration would be such that detection of leakage in the bottom packer or lower portion of tubing would be very difficult, and, any such leakage may have detrimental effects on the producing capability of the Pennsylvanian formation.

(8) In order to provide protection against unintentional injection into the Pennsylvanian formation, the applicant should be required to squeeze cement the interval from 6547 feet to 6600 feet prior to commencing injection operations into the Fusselman formation.

(9) Injection should be accomplished through 2 3/8-inch tubing installed in a packer located at approximately 6795 feet; the casing-tubing annulus should be filled with an inert fluid; and a pressure gauge or approved leak detection device should be attached to the annulus in order to determine leakage in the casing, tubing or packer.

(10) In conjunction with the injection of produced water, the applicant should utilize a corrosion inhibiting fluid injection system to minimize and control corrosion in the tubing.

CASE NO. 10199  
Order No. R-9420  
Page -3-

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

(12) The injection well or system should be equipped with a pressure limiting switch or other acceptable device which will limit the surface pressure on the injection well to no more than 1380 psi.

(13) The Director of the Division should be authorized to administratively approve an increase in the injection pressure upon a proper showing by the operator that such higher pressure will not result in migration of the injected fluid from the Fusselman formation.

(14) The operator should notify the supervisor of the Artesia district office of the Division of the date and time of the installation of disposal equipment, conductance of squeeze cement operations, and of the mechanical integrity pressure test in order that the same may be witnessed.

(15) The operator should 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.

(16) Approval of the subject application will prevent the drilling of unnecessary wells and otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Stevens Operating Corporation, is hereby authorized to utilize its Hanlad Well No. 1 located 1980 feet from the South line and 2310 feet from the West line (Unit K) of Section 16, Township 10 South, Range 27 East, NMPM, Chaves County, New Mexico, to dispose of produced salt water into the Fusselman formation, Undesignated Diablo-Fusselman Pool, injection to be accomplished through 2 3/8-inch tubing installed in a packer located at approximately 6795 feet, with injection into the perforated interval from approximately 6904 feet to 6944 feet.

CASE NO. 10199  
Order No. R-9420  
Page -4-

PROVIDED HOWEVER THAT, the casing-tubing annulus shall be filled with an inert fluid and a pressure gauge or approved leak detection device shall be attached to the annulus in order to determine leakage in the casing, tubing or packer.

PROVIDED FURTHER THAT, prior to commencing injection operations, the casing in the subject well shall be pressure-tested throughout the interval from the surface down to the proposed packer setting depth, to assure the integrity of such casing.

(2) Prior to commencing injection operations, the applicant shall squeeze cement the perforated Pennsylvanian interval from approximately 6547 feet to 6600 feet.

(3) In conjunction with the injection of produced water, the applicant shall utilize a corrosion inhibiting fluid injection system to minimize and control corrosion in the tubing.

(4) The injection well or system shall be equipped with a pressure limiting switch or other acceptable device which will limit the surface pressure on the injection well to no more than 1380 psi.

(5) The Director of the Division shall be authorized to administratively approve an increase in the injection pressure upon a proper showing by the operator that such higher pressure will not result in migration of the injected fluid from the Fusselman formation.

(6) 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, conductance of squeeze cement operations, and of the mechanical integrity pressure test in order that the same may be witnessed.

(7) 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.

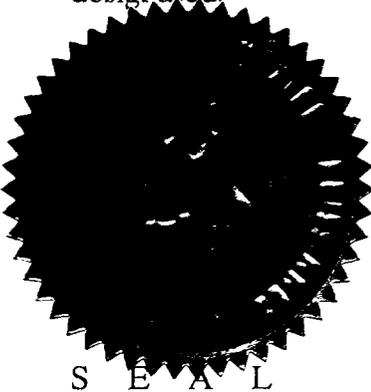
CASE NO. 10199  
Order No. R-9420  
Page -5-

(8) The operator shall immediately notify the supervisor of the Division's Artesia district office of the failure of the tubing, casing, or packer in said well or the leakage of water from or around said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

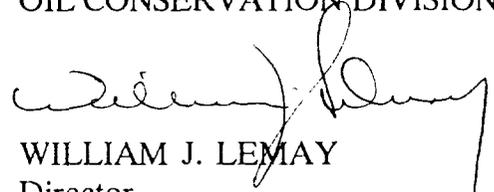
(9) The applicant shall conduct disposal operations and submit monthly reports in accordance with Rules 702 through 706, 708 and 1120 of the Division Rules and Regulations.

(10) Jurisdiction is hereby 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