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RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

†ALSO ADMITTED IN ARIZONA

SANTA FE, NEW MEXICO 87504-2265

JASON KELLAHIN (RETIRED 1991)

June 2, 1992

Mr. William J. LeMay
Oil Conservation Division
310 Old Santa Fe Trail
Room 218
Santa Fe, New Mexico 87504

HAND DELIVERED

RE: Application of Beach Exploration
Inc. for Amendment to Order R-9453
to Increase the Injection Pressure
Limitation in its Red Lake Unit
Penrose Waterflood Project,
Eddy County, New Mexico

RECEIVED

JUN 02 1992

OIL CONSERVATION DIVISION

10495

Dear Mr. LeMay:

On behalf of Beach Exploration Inc., please set the enclosed application to increase the injection limitation pressure in its Red Lake Unit Waterflood Penrose Project in Eddy County, New Mexico, for the next available Examiner's hearing now scheduled for June 25, 1992.

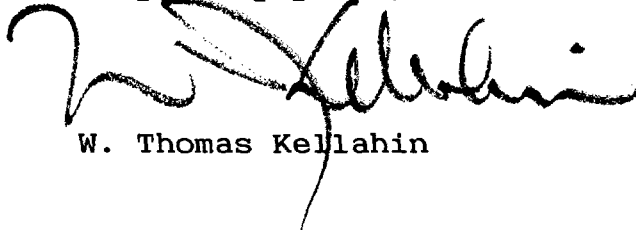
The following is suggested as a possible advertisement for this case:

Application of Beach Exploration Inc., for Amendment to Division Order R-9453 to increase the injection pressure limitation for its Red Lake Penrose Waterflood Project, Eddy County, New Mexico. Applicant in the above-styled cause, seeks an order increasing the surface injection limitation pressure to 1500 psi in each of the fourteen existing injection wells located in Sections 24, 25, 35 and 36, T16S, R28E, NMPM. Said Project is located approximately 16 miles east-northeast of Artesia, New Mexico.

Mr. William J. LeMay
June 2, 1992
Page Two

By copy of this letter and enclosed application, we are notifying all interested parties that they have the right to appear at the hearing either in support of or in opposition to the application. Should they desire further information they may contact the undersigned or Mr. Hal Gill of Beach Exploration Inc. at (915) 683-6226.

Very truly yours,



W. Thomas Kellahin

WTK/jcl
Enclosure

cc: Mr. Hal Gill - Beach Exploration Inc.

BY CERTIFIED MAIL RETURN RECEIPT WITH APPLICATION
All parties listed on Exhibit "C"
of application

appt601.642

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF BEACH EXPLORATION INC. FOR
AMENDMENT TO ORDER R-9453 TO
INCREASE THE SURFACE INJECTION
PRESSURE LIMITATION IN THE RED LAKE
UNIT PENROSE WATERFLOOD PROJECT,
EDDY COUNTY, NEW MEXICO.

CASE NO. 10495

RECEIVED

JUN 02 1992

OIL CONSERVATION DIVISION

A P P L I C A T I O N

Comes now BEACH EXPLORATION INC., by and through its attorneys, Kellahin, Kellahin & Aubrey, and applies to the New Mexico Oil Conservation Division for an order amending Division Order R-9453 for its Red Lake Unit Penrose Waterflood Project, Eddy County, New Mexico to increase the surface injection limitation pressure to 1,500 psi for the injection wells set forth on Exhibit "B", attached hereto, and located within the project area being portions of Sections 24, 25, 35 and 36, Township 16 South, Range 28 East, and Section 30, Township 16 South, Range 29 East, NMPM, and in support thereof states:

(1) Applicant, Beach Exploration Inc., is the operator of the Red Lake Unit Penrose Waterflood Project ("Project") located within portions of Sections 24, 25, 35 and 36, Township 16 South, Range 28 East, and in

Section 30, Township 16 South Range 29 East, NMPM, as shown on that plat attached hereto as Exhibit "A".

(2) The Project was approved by the New Mexico Oil Conservation Division effective March 12, 1991 by Order R-9453 authorizing injection of water into the Penrose Sand member of the Queen formation, East Red Lake-Queen-Grayburg Pool through fourteen existing injection wells identified and described on Exhibit "B" attached hereto.

(3) Applicant has completed to the satisfaction of the Supervisor of the Division's Artesia District Office the remedial action on three of the four "problem" wells identified in Finding (9) and (10) of Order R-9453. The remaining "problem" well, Southern Union Federal No 1, located in Unit O, Section 26, T16S, R28E, is not within one-half mile of any current injection well. The applicant chose not to commence injection into its N. M. State "35" No 1 Well located in Unit A, Section 35, T16S, R28E until such time as remedial action has been completed on this remaining problem well to the satisfaction of the Division.

(4) In accordance with Finding (13) of Order R-9453, Applicant has conducted a minimum of four step rate

injection tests in order to properly determine the current fracture pressure of the Penrose Sand member.

(5) Based upon step rate data, the Division has authorized a current surface injection pressure limitation of 900 psi for the subject injection wells.

(6) An exception to the current surface pressure limitation of 900 psi is necessary to prevent waste.

(7) At the current limitation of pressure, the operator cannot inject sufficient volume of water required to be able to recover an estimated 550,000 barrels of recoverable oil.

(8) Applicant requests that it be authorized to increase the surface injection pressure limitation to 1,500 psi in order to provide for improved injectivity and the opportunity to recover additional oil from the project area.

(9) An increase in the limitation on the surface injection pressure to 1,500 psi will not propagate fractures out of the Penrose formation.

(10) Applicant has sent a copy of its request for hearing and this application to all interested parties in accordance with the requirements of Division Rule 1207(4)

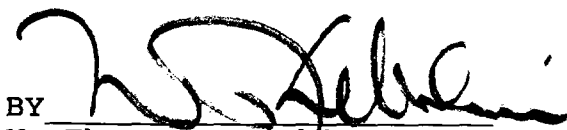
and as set forth on Exhibit "C" attached hereto.

(11) The approval of this application will prevent waste, protect correlative rights and will not constitute a risk to fresh water sources.

WHEREFORE, Applicant requests that this matter be set for hearing on the Division's Examiner Docket now scheduled for June 25, 1992 and that after notice and hearing, the application be granted as requested.

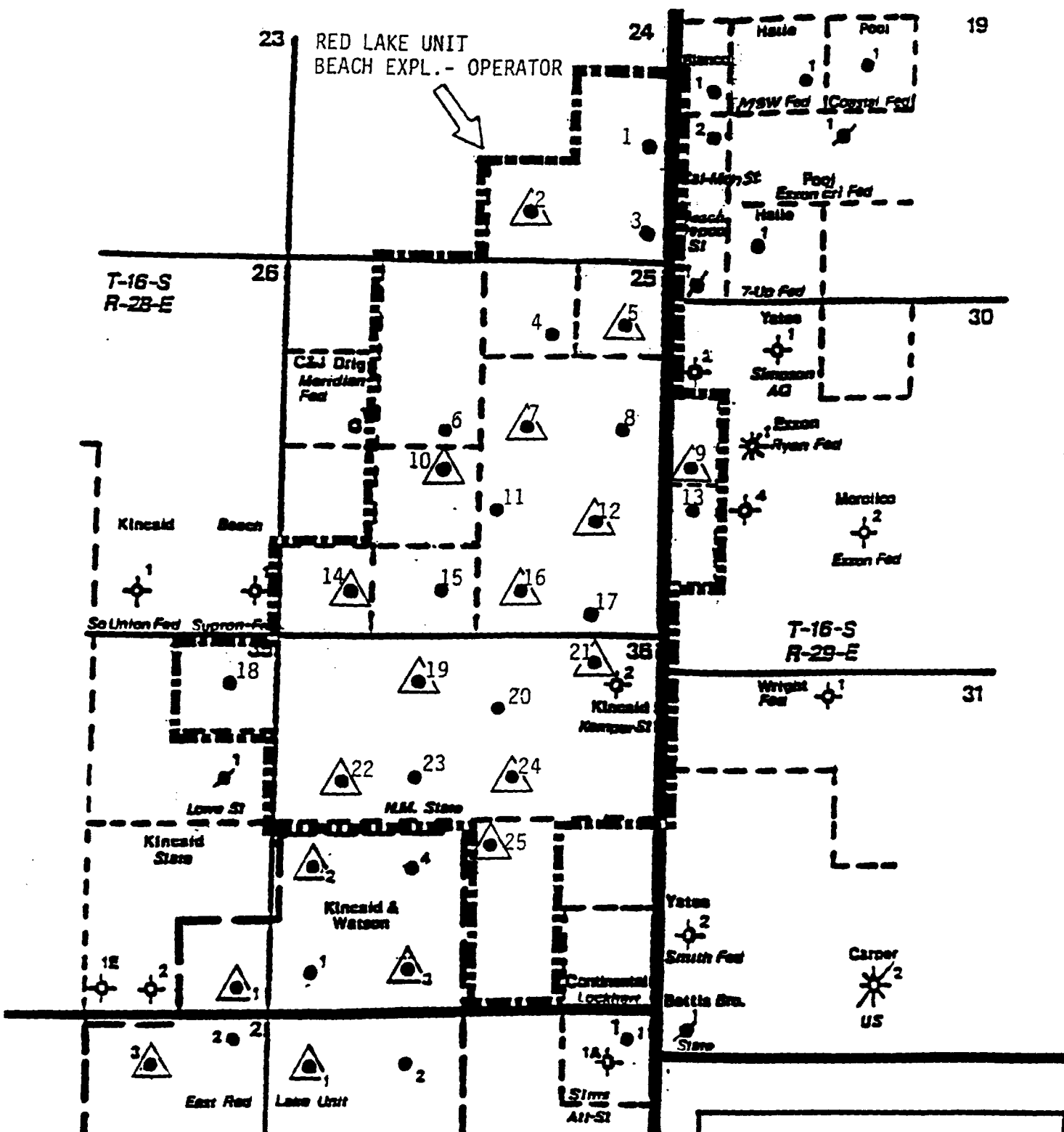
Respectfully submitted:

KELLAHIN, KELLAHIN, & AUBREY



BY
W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285
Attorneys for Applicant

EXHIBIT "A"



LEGEND

BEACH EXPLORATION, INC.

RED LAKE UNIT
EDDY COUNTY, NEW MEXICO

CURRENT WATERFLOOD DEVELOPMENT

Scale: 1" = 2000'

EXHIBIT "A"

EXHIBIT "A"
RED LAKE UNIT
APPROVED INJECTION WELLS
CASE NO. 10192
ORDER NO. R-9453

Well Name	Location	Unit	S-T-R	Injection Perforations	Packer Depth	Tubing Size	Maximum Surface Injection Pressure
Amoco State No. 1	2310' FSL. & 2287' FWL.	K	25-16S-28E	1609' - 1634'	1559'	2 3/8	322
Boyle Farms No. 1	660' FSL. & 990' FWL.	M	25-16S-28E	1575' - 1599'	1525'	2 3/8	315
Hinkle State "A" No. 1	2310' FSL. & 2310' FEL.	J	36-16S-28E	1762' - 1809'	1712'	2 3/8	352
N.M. State "35" No. 1	660' FNL. & 660' FEL.	A	35-16S-28E	1560' - 1585'	1510'	2 3/8	312
N.M. State "36" No. 3	1980' FNL. & 990' FWL.	E	36-16S-28E	1618' - 1672'	1568'	2 3/8	324
N.M. State "36" No. 4	660' FNL. & 1980' FWL.	C	36-16S-28E	1656' - 1675'	1606'	2 3/8	331
N.M. State "36" No. 5	1986' FNL. & 1983' FEL.	G	36-16S-28E	1778' - 1824'	1728'	2 3/8	356
N.M. State "36" No. 6	330' FNL. & 981' FEL.	A	36-16S-28E	1814' - 1825'	1764'	2 3/8	363
Government No. 1	660' FSL. & 1980' FEL.	O	25-16S-28E	1779' - 1804'	1729'	2 3/8	356
Government No. 4	2310' FNL. & 1980' FEL.	G	25-16S-28E	1642' - 1660'	1592'	2 3/8	328
Government No. 5	1650' FSL. & 990' FEL.	I	25-16S-28E	1816' - 1838'	1766'	2 3/8	363
Allen Federal No. 1	860' FNL. & 660' FEL.	A	25-16S-28E	1687' - 1807'	1637'	2 3/8	337
Max Federal No. 3	2310' FNL. & 330' FWL.	E	30-16S-29E	1828' - 1838'	1778'	2 3/8	366
State "24" No. 1	660' FSL. & 1980' FEL.	O	24-16S-28E	1537' - 1599'	1487'	2 3/8	307

BEACH EXPLORATION, INC.

NOTIFICATION LIST
Pressure Exception Hearing
Red Lake Unit
Eddy County, New Mexico

Surface Owners

State of New Mexico
Commissioner of Public Lands
P.O. Box 1148
Santa Fe, New Mexico 87504
Attention: Floyd Prando

Bureau of Land Management
P.O. Box 1397
Roswell, New Mexico 88201
Attention: Armando Lopez

Bogle Farms, Inc.
P.O. Box 358
Dexter, New Mexico 88230-0358

Offset Leasehold Operators:
(within one-half mile of proposed injection wells)

Arrowhead Oil
11352 Lovington Hwy.
Artesia, NM 88210

Mewbourne Oil Company
P.O. Box 7698
Tyler, Texas 75711

Snow Oil & Gas
P.O. Box 1277
Andrews, Texas 79714

Santa Fe Energy Company
1616 Voss Road
Houston, Texas 77057

Blanco Engineering
116 North First Street
Artesia, New Mexico 88210

Exxon Corporation
P.O. Box 1547
Houston, Texas 77251-1547