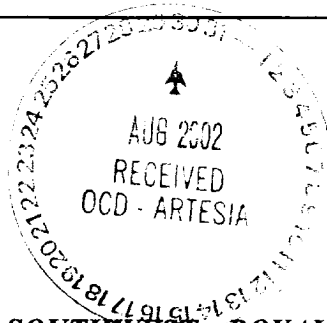




NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
BETTY RIVERA
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division



ADMINISTRATIVE ORDER SWD-843

APPLICATION OF SOUTHWEST ROYALTIES, INC. FOR SALT WATER DISPOSAL, EDDY COUNTY, NEW MEXICO.

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), Southwest Royalties, Inc. made application to the New Mexico Oil Conservation Division on July 18, 2002, for permission to re-enter and re-complete for produced water disposal its Green Federal "A" Well No. 10 (API No. 30-015-21748) located 1980 feet from the West line and 1980 feet from the South line (Unit F) of Section 29, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico.

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:

Southwest Royalties, Inc. is hereby authorized to re-enter and re-complete its Green Federal "A" Well No. 10 (API No. 30-015-21748) located 1980 feet from the West line and 1980 feet from the South line (Unit F) of Section 29, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico, in such a manner as to permit the injection of produced water for commercial disposal purposes into the Strawn formation from a depth of 9220 feet to 9600 feet through 2 7/8 inch plastic-lined tubing set in a packer located at approximately 9150 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.

As preparation for injection, existing San Andres perforations shall be squeezed, the well bore drilled out, and new, inspected 5 ½" casing run to approximately 9800 feet and cement circulated to surface. This casing shall be pressure tested from the surface to the packer setting depth to assure casing integrity.

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 1844 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 injection 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 Artesia 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 Artesia 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.

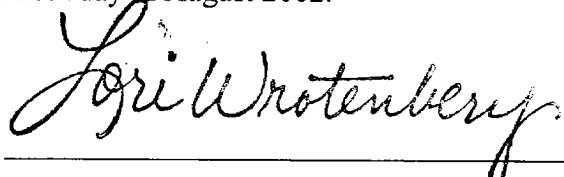
PROVIDED FURTHER THAT, jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh water or (2) consistent with the requirements 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-115, 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.

Administrative Order SWD-843
Southwest Royalties, Inc.
August 20, 2002
Page 3

Approved at Santa Fe, New Mexico, on this 20th day of August 2002.

A handwritten signature in cursive script, reading "Lori Wrotenbery".

LORI WROTENBERY, Director

LW/wvj

cc: Oil Conservation Division – Artesia
Bureau of Land Management – Carlsbad

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
Oil Cons.
N.M. Div-Dist.
1801 W. Grand Avenue
Alamosa, NM 88210FORM APPROVED
OMB No. 1004-0135
Expires January 31, 2004C15F
D Catamount

SUNDRY NOTICES AND REPORTS ON ABANDONED WELL. Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

Lease Serial No.
NM 014840RECEIVED
SUBMIT IN TRIPLICATE - Other instructions on reverse side

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

9. API Well No.

10. Field and Pool, or Exploratory Area

11. County or Parish, State

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input checked="" type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleation in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Southwest Royalties plans to convert the subject well to commercial disposal service as follows:

- ① RU WS. TOH & lay down prod. equip.
- ② Pu bit, DC's & tbg. D/o C1BP @ 2400'
- ③ RU Service Co. Squeeze San Andres parts for 2306 - 2460' w/ 150sx class Cmt.
- ④ D/o & tst sgs. Re squeeze as needed.
- ⑤ D/o cmt plugs @ 2,600 - 2,700'; 6,050 - 6,350'; 7,000' - 7,150'; & 8,500' - 8,650'.

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

C.M. Bloodworth, P.E.

Title Area Supervisor

Signature

Date 06/25/02

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

ACCEPTED FOR RECORD

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

JUN 26 2002

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

BIBBYAK
PETROLEUM ENGINEER

(Instructions on reverse)

Accepted for Record in Return 7-1-02
Come to Satisfy

SOUTHWEST ROYALTIES

PROJECT Green "A" No. 10
Convert to Saltwater Disposal

PAGE 2

OF

BY CMB

DATE 06/10/02

Form 3160-05 Continued

- ⑥. Spot 150' cement plug fr/ 9800' - 9950'
- ⑦. TTH w/ 5 1/2" 17 lb/ft K-55 & N-80 LT&C csy & land @ 9800'. Cement csy w/ sufficient cement to reach 2000'
- ⑧. WOC & RU WL.
- ⑨. Perforate Strawn fr/ 9220' - 9400' OA.
- ⑩. TTH w/ tbg & pkr. Break down parts & acidize w/ 5000 gals 15% HCl acid if needed.
- ⑪. TTH w/ tbg. TTH w/ 2 1/2" 6.5 lb/ft N-80 8rd EUE internally plastic coated tbg & Baker Lok-Set pkr. Set pkr @ \pm 9200'.
- ⑫. Load csy/tbg annulus w/ treated wtr. NU WH. RD Service Co.
- ⑬. Construct disposal facility & begin disposal.