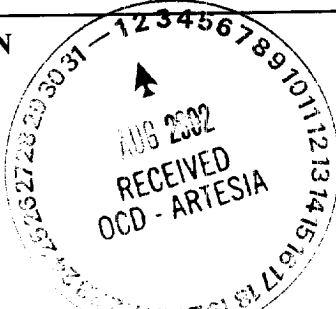




NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
BETTY RIVERA
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division



AMENDED ADMINISTRATIVE ORDER SWD-677-B

APPLICATION OF SDX RESOURCES, INC. FOR SALT WATER DISPOSAL, EDDY COUNTY, NEW MEXICO.

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), SDX Resources, Inc. made application to the New Mexico Oil Conservation Division on June 27, 2002, for permission to amend Division Order SWD-677 by **changing the injection interval** in its Chalk Bluff Draw Well No. 1 (API No. 30-015-00789) located 2055 feet from the South line and 1980 feet from the West line (Unit K) of Section 5, Township 18 South, Range 27 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:

SDX Resources, Inc. is hereby authorized to **abandon the existing Pennsylvanian injection interval from 7940 to 8300 feet and re-complete** its Chalk Bluff Federal Well No. 1 (API No. 30-015-00789) located 2055 feet from the South line and 1980 feet from the West line (Unit K) of Section 5, Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico, in such a manner as to permit the injection of produced water for **disposal purposes into the San Andres, Glorieta, and Yeso formations from a depth of 1570 feet to 3155 feet through 2 7/8 inch plastic-lined tubing set in a packer located at approximately 1550 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 perforating the new injection interval, the well bore shall be plugged back in a manner approved by the Artesia office of the Division. The Artesia office shall be notified and have the opportunity to witness this plug back.

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 314 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.

Administrative Order SWD-677-B

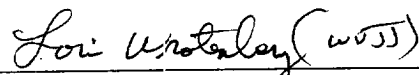
SDX Resources, Inc.

July 25, 2002

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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.

Approved at Santa Fe, New Mexico, on this **25th day of July 2002.**



LORI WROTENBERY, Director

LW/WVJ

cc: Oil Conservation Division – Artesia /
Bureau of Land Management – Santa Fe