

all in Township 18 South, Range 29 East, NMPM.

(9) That the injection wells or injection pressurization system should be so equipped as to limit injection pressure at the wellhead to no more than 1500 psi, but the Division Director should have authority to increase said pressure limitation, should circumstances warrant.

(10) That the subject application should be approved and the project should be governed by the provisions of Rules 701 through 708 of the Division Rules and Regulations.

IT IS THEREFORE ORDERED:

(1) That the applicant, Yates Drilling Company, is hereby authorized to institute a waterflood project on its South Loco Hills (Grayburg) Unit Area, Loco Hills Queen-Grayburg-San Andres Pool, by the injection of water into the Grayburg formation through the following described wells in Township 18 South, Range 29 East, NMPM, Eddy County, New Mexico:

| Lease Name          | Well No. | Unit Letter | Section |
|---------------------|----------|-------------|---------|
| Travis              | 13       | I           | 19      |
| Travis              | 2        | O           | 19      |
| Wright Federal      | 6        | E           | 20      |
| Wright Federal      | 4        | K           | 20      |
| HEY 70              | 1        | M           | 20      |
| Fed. Sivley Alscott | 4        | C           | 29      |
| Alscott             | 1        | A           | 30      |
| Alscott Federal     | 4        | C           | 30      |

(2) That conversion of the aforesaid wells to water injection shall constitute Phase I of a proposed 2-phase water injection project, Phase II to be initiated at a later date.

(3) That prior to commencement of injection into the above-described Phase I injection wells, operator shall re-plug the following described previously abandoned wells to ensure that they do not provide an avenue of escape for waters from the proposed injection zones:

| Well Name                 | No.  | Unit Letter | Section |
|---------------------------|------|-------------|---------|
| HEYCO Travis              | 9    | H           | 19      |
| DENTON Hover              | 1    | O           | 20      |
| TRIGG Fed. Sivley Wright  | 2-29 | B           | 29      |
| YATES Wright              | 1    | J           | 29      |
| WOOLEY Briscoe            | 1    | F           | 30      |
| TRIGG Fed. Sivley Alscott | 5-30 | C           | 30      |
| SIMS & REESE Pure Fed.    | 1    | L           | 19      |

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(4) That prior to commencement of said Phase I injection operations, operator shall consult with the supervisor of the Division's Artesia District Office to determine whether any additional cement plugs should be placed above 2970 feet in the Hondo Alscott Com Well No. 4 in Unit G of Section 30, Township 18 South, Range 29 East, NMPM.

(5) That prior to commencement of injection into the as yet unauthorized Phase II injection wells, operator shall re-plug the following described previously abandoned wells to ensure that they do not provide an avenue of escape for waters from the proposed injection zones:

| Well Name               | No. | Unit Letter | Section |
|-------------------------|-----|-------------|---------|
| HEYCO Donahue           | 1   | F           | 19      |
| HANSON Elliott A        | 1   | E           | 19      |
| SIMS & REESE Gulf State | 1   | P           | 24      |
| HEYCO Gulf State        | 1   | P           | 24      |

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(6) That injection into each of the wells herein authorized shall be through internally coated tubing, set in a packer which shall be located as near as practicable to the uppermost perforation; that the casing-tubing annulus of each injection well shall be loaded with an inert fluid and equipped with an approved pressure gauge or attention-attracting leak detection device.

(7) That the operator shall immediately notify the supervisor of the Division's Artesia district office of the failure of the tubing or packer in any of said injection wells, the leakage of water or oil from or around any producing well, or the leakage of water or oil from any plugged and abandoned well within the project area and shall take such timely steps as may be necessary or required to correct such failure or leakage.

(8) That the injection wells herein authorized and/or the injection pressurization system shall be so equipped as to limit injection pressure at the wellhead to no more than 1500 psi, provided however, the Division Director may authorize a higher surface injection pressure upon satisfactory showing that such pressure will not result in fracturing of the confining strata.

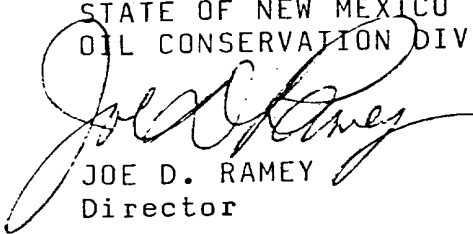
(9) That the subject waterflood project is hereby designated the Yates South Loco Hills Grayburg Unit Waterflood Project and shall be governed by the provisions of Rules 701 through 708 of the Division Rules and Regulations.

(10) That monthly progress reports of the waterflood project herein authorized shall be submitted to the Division in accordance with Rules 706 and 1115 of the Division Rules and Regulations.

(11) That 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



JOE D. RAMEY  
Director

S E A L

fd/

30-015-03529

Ogrid - 25513  
Prop - 11933  
Pool - 39520

15691  
2647710-0  
2647750-0

WIW R-7012  
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