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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:

RECEIVED
AUG 29 1994

OIL CON. DIV.
DIST. 3

CASE NO. 11042
ORDER NO. R-10168

APPLICATION OF MERIDIAN OIL, INC. FOR SALT WATER DISPOSAL, RIO
ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 A.M. on August 4, 1994, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 25th day of August, 1994, 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, Meridian Oil Inc. ("Meridian"), seeks authority to drill its Jillson Federal "SWD" Well No. 1, 2305 feet from the North line and 2415 feet from the West line (Unit F) of Section 8, Township 24 North, Range 3 West, NMPM, Rio Arriba County, New Mexico, for the purpose of disposing produced salt water into the Entrada formation through perforations from approximately 8441 feet to 8683 feet.

(3) By letter dated July 11, 1994 an objection to this application was filed with the Division by Paul M. Candelaria and Donald R. Candelaria, both of Farmington, New Mexico, who are partners in the surface ownership of lands within one mile of the proposed Meridian Jillson "SWD" Federal Well No. 1.

(4) At the time of the hearing both Mr. Paul M. Candelaria and Mr. Donald R. Candelaria appeared on their own behalf.

- (5) Prior to drilling the Jillson "SWD" Federal Well No. 1, Meridian should first obtain approval by the Supervisor of the Aztec Division District Office for the proposed well completion, casing depths, and cement volumes.
- (6) Notwithstanding said District Office approval injection into said well should be accomplished through 4 1/2-inch plastic lined tubing installed in a packer set at approximately 8400 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.
- (7) 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.
- (8) The injection well or system should be equipped with a pressure limiting switch or other acceptable device which will limit the wellhead pressure on the injection well to no more than 1650 psi.
- (9) 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 waters from the Entrada formation.
- (10) The operator should notify the supervisor of the Aztec district office of the Division of the date and time of the installation of disposal equipment and of the mechanical integrity pressure test in order that the same may be witnessed.
- (11) 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.
- (12) 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, Meridian Oil Inc. ("Meridian"), is hereby authorized to drill its Jillson Federal "SWD" Well No. 1, 2305 feet from the North line and 2415 feet from the West line (Unit F) of Section 8, Township 24 North, Range 3 West, NMPM, Rio Arriba County, New Mexico, to dispose of produced salt water into the Entrada formation, injection to be accomplished through 4 1/2-inch tubing installed in a packer set at approximately 8400 feet, with injection into the perforated interval from approximately 8441 feet to 8683 feet.

PROVIDED HOWEVER THAT, prior to drilling the Jillson "SWD" Federal Well No. 1, Meridian shall first obtain approval by the Supervisor of the Aztec Division District Office of the proposed well completion, casing depths, and cement volumes.

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

AND PROVIDED FURTHER THAT, prior to commencing injection operations, the casing in the subject well shall be pressure-tested to assure the integrity of such casing in a manner that is satisfactory to the supervisor of the Division's district office at Aztec.

(2) The injection well or system shall be equipped with a pressure limiting switch or other acceptable device which will limit the wellhead pressure on the injection well to no more than 1650 psi.

(3) The Director of the Division may authorize 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 waters from the Entrada formation.

(4) The operator shall notify the supervisor of the Aztec district office of the Division of the date and time of the installation of disposal equipment and of the mechanical integrity pressure test in order that the same may be witnessed.

(5) The operator shall immediately notify the supervisor of the Division's Aztec 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.

(6) The applicant shall conduct disposal operations and submit monthly reports in accordance with Rules 702, 703, 704, 705, 706, 708 and 1120 of the Division Rules and Regulations.

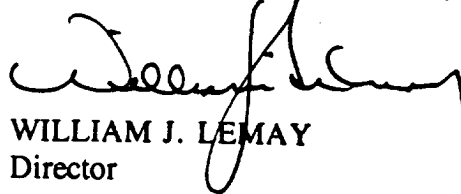
(7) The injection authority granted herein shall terminate one year after the effective date of this order if the operator has not commenced injection operations into the subject well, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

(8) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

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