

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



Administrative Order SWD-1131
June 23, 2008

APPLICATION OF MELROSE OPERATING COMPANY FOR PRODUCED WATER DISPOSAL, EDDY COUNTY, NEW MEXICO

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), Melrose Operating Company (OGRID No. 184860) made application to the New Mexico Oil Conservation Division for permission to utilize for produced water disposal its Guajalote State Well No. 2 (API No. 30-015-24930) located 660 feet from the South line and 1980 feet from the East line of Section 5, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

The application has been duly filed under the provisions of Rule 701(B) of the Division Rules. Satisfactory information has been provided that all offset operators and surface owners have been duly notified. The applicant has presented satisfactory evidence that all requirements prescribed in Rule 701 will be met and no objections have been received within the waiting period prescribed by said rule.

IT IS THEREFORE ORDERED THAT:

Melrose Operating Company ("operator") is hereby authorized to utilize its Guajalote State Well No. 2 (API No. 30-015-24930) located 660 feet from the South line and 1980 feet from the East line of Section 5, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico, in such manner as to permit the injection of produced water for disposal purposes into the Grayburg and San Andres formations through perforations from 2275 feet to 2820 feet and through plastic-lined tubing set in a packer located within 100 feet of the top of the injection interval.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40. Any future application asking to amend this injection permit or increase the injection pressure limit shall be set

Oil Conservation Division * 1220 South St. Francis Drive
* Santa Fe, New Mexico 87505

* Phone: (505) 476-3440 * Fax (505) 476-3462* <http://www.emnrd.state.nm.us>



for hearing unless the Continental State 8 Well No. 1 (API No. 30-015-03567) has been re-entered and re-plugged.

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.

After installing injection tubing, 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 or an approved leak detection device in order to determine leakage in the casing, tubing, or packer.

The injection well or system shall be equipped with a pressure limiting device in workable condition which shall, at all times, limit surface injection pressure to the maximum allowable pressure for this well. The wellhead injection pressure on the well shall be limited to no more than 455 psi.

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 provide written notice of the date of commencement of injection and the initial reservoir pressure to the Artesia district office of the Division.

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

mailed prior to the expiration date, may grant an extension thereof for good cause shown.



MARK E. FESMIRE, P.E.
Director

MEF/wvjj

cc: Oil Conservation Division – Artesia
State Land Office – Oil, Gas, and Minerals Division