



**MONTGOMERY  
& ANDREWS**  
LAW FIRM

**J. SCOTT HALL**  
Office: (505) 986-2646  
Email: shall@montand.com  
Reply To: Santa Fe Office  
www.montand.com

RECEIVED OGD  
2013 JUL 23 P 4: 13

July 23, 2013

Ms. Jami Bailey, Director  
NM Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87501

**Hand-Delivered**

**Re: NMOCD Case No. 15036 : Application of Capstone Natural Resources LLC for Reinstatement of Authorization to Inject for Waterflood Project Operations, Eddy County, New Mexico**

Dear Ms. Bailey:

On behalf of Capstone Natural Resources LLC, enclosed is an original and one copy of an Application in the above-referenced case. Please set this matter for hearing on the August 22, 2013 examiner docket. Also enclosed is a proposed advertisement for the case.

Very truly yours,

J. Scott Hall

JSH:kw  
Enclosures

486821

**REPLY TO:**

325 Paseo de Peralta  
Santa Fe, New Mexico 87501  
Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307  
Santa Fe, New Mexico 87504-2307

6301 Indian School Road NE, Suite 400  
Albuquerque, New Mexico 87110  
Telephone (505) 884-4200 • Fax (505) 888-8929

Post Office Box 36210  
Albuquerque, New Mexico 87176-6210

Case 15036: *Application of Capstone Natural Resources LLC for Reinstatement of Authorization to Inject for Waterflood Project Operations, Eddy County, New Mexico.* Applicant seeks an order authorizing the injection of water in the San Andres formation, Grayburg-Jackson-San Andres Pool (28509), for its Lea "C" Waterflood project comprised of Section 11, Township 17 South, Range 31 East through the following wells:

Lea "C" Federal Well No. 4

API No. 30-015-05132  
1980' FSL and 1980' FWL (Unit J)  
Section 11  
T-17-S, R-31-E, NMPM

Lea "C" Federal Well No. 7

API No. 30-015-20627  
1980' FNL and 1980' FWL (Unit F)  
Section 11  
T-17-S, R-31-E, NMPM

Lea "C" Federal Well No. 15

API No. 30-015-20706  
1980' FNL and 660' FEL (Unit H)  
Section 11  
T-17-S, R-31-E, NMPM

RECEIVED OCD  
2013 JUL 23 P 4: 13

Applicant proposes to support production from its project area by converting the three wells and utilizing them for injection of water through a closed system into the Grayburg and San Andres members through perforations at depths of 3,407 to 3,682' (Grayburg) and 3,700 to 4,014 or open hole (San Andres), respectively. Injection operations through the wells will be conducted at the previously authorized maximum injection pressures of 662 to 672 psi or as permitted by the Division. Applicant proposes injection of water at rates of between 200 to 300 bbls per day. The lands and wells are located approximately four miles west of Maljamar, New Mexico.

STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION

RECEIVED OGD

2013 JUL 23 P 4:13

IN THE MATTER OF THE APPLICATION  
OF CAPSTONE NATURAL RESOURCES  
LLC FOR REINSTATEMENT OF  
AUTHORIZATION TO INJECT FOR  
WATERFLOOD PROJECT OPERATIONS,  
EDDY COUNTY, NEW MEXICO.

CASE NO. 15036

APPLICATION

Capstone Natural Resources LLC, ("Capstone" or "Applicant"), through its undersigned counsel, Montgomery and Andrews, P.A. (J. Scott Hall, Esq.), applies pursuant to 19.15.26.8 NMAC for an order authorizing the injection of water in the San Andres formation, Grayburg-Jackson-San Andres Pool (28509), for its Lea "C" Waterflood project comprised of Section 11, Township 17 South, Range 31 East NMPM in Eddy County, New Mexico. In support of its Application, Capstone states:

1. Capstone operates the following wells in Eddy County:

Lea "C" Federal Well No. 4

API No. 30-015-05132  
1980' FSL and 1980' FWL (Unit J)  
Section 11  
T-17-S, R-31-E, NMPM

Lea "C" Federal Well No. 7

API No. 30-015-20627  
1980' FNL and 1980' FWL (Unit F)  
Section 11  
T-17-S, R-31-E, NMPM

Lea "C" Federal Well No. 15

API No. 30-015-20706  
1980' FNL and 660' FEL (Unit H)  
Section 11  
T-17-S, R-31-E, NMPM

2. The Lea "C" Federal No. 4 was drilled to a total depth of approximately 3,978' to the Grayburg-San Andres formation. The Lea "C" Federal No. 7 was drilled to a total depth of 3,790 and the Lea "C" Federal No. 15 was drilled to a total depth of 4,030 also to the Grayburg-San Andres formation. In 1974, the No. 4 and No. 7 wells were converted to injectors under the authorization of Order No. R-4697 establishing the Skelly Leas "C" Waterflood project. In 1977, the No. 15 well was also converted to injection and added to the Section 11 waterflood project under Administrative Order WFX-449. Over the subsequent years, injection operations through these three wells lapsed and the wells obtained temporary abandonment status. The wells were subsequently reclassified as shut-in producers and were then returned to production for a brief period of time. Applicant proposes to reinstate waterflood operations to support production from its project area by again converting the three wells and utilizing them for injection of water through a closed system into the Grayburg and San Andres members through perforations at depths of 3,407 to 3,682' (Grayburg) and 3,700 to 4,014 or open hole (San Andres), respectively.

3. Injection operations through the wells will be conducted at the previously authorized maximum injection pressures of 662 to 672 psi or as permitted by the Division. Applicant proposes injection of water at rates of between 200 to 300 bbls per day. The source of the injected fluids will be produced water from other Grayburg-San Andres formation wells drilled on the Lea "C" Federal lease.

4. Applicant's proposed injection operation can be conducted in a safe and responsible manner without causing waste, impairing correlative rights or endangering fresh water, public health or the environment.

5. A copy of Applicant's form C-108 Application for Authorization to Inject has previously been provided to the Division and to interest owners and operators as required by the Division's rules.

6. A hearing on this application is necessitated due to an objection received from the Bureau of Land Management's Carlsbad Field Office.

WHEREFORE, Applicant requests that this Application be set for hearing before a duly appointed examiner of the Oil Conservation Division on August 22, 2013, and that after notice and hearing as required by law, the Division enter its Order approving the conversion of the Lea "C" Federal Wells No. 4, 7 and 15 for the injection of water into the Grayburg-San Andres formation at the intervals and at the pressures, volumes and rates indicated, and making such other and further provisions as the Division determines appropriate.

Montgomery and Andrews, P.A.

By: J. Scott Hall

J. Scott Hall, Esq.  
Post Office Box 2307  
Santa Fe, New Mexico 87504  
(505) 982-3873  
(505) 982-4289

Attorneys for Capstone Energy LLC

486817