

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

**IN THE MATTER OF THE APPLICATION
OF PECOS OPERATING COMPANY FOR
APPROVAL OF A NON-COMMERCIAL SALT
WATER WELL, LEA COUNTY, NEW MEXICO**

**CASE NO. 14122 DE NOVO
ORDER NO. R-12978-B**

ORDER OF THE COMMISSION

This matter came before the New Mexico Oil Conservation Commission ("Commission") on January 15, 2009 for hearing de novo and pursuant to the Motion to Amend Order No. R-12978 filed on behalf of H&M Disposal Company on December 30, 2008.

A. BACKGROUND

(1) Pecos Operating Company, the Applicant in Case No. 14122, originally sought administrative approval of the conversion of the State GA Well No. 7 (API No. 30-025-03688) to the Caudill SWD Well No. 1 for non-commercial salt water disposal operations into the Devonian Formation, Caudill Devonian Pool located in Unit B of Section 16 T15S R36E NMPM in Lea County, New Mexico. The application was opposed by H&M Disposal Company, the operator of the Mayme W. Graham SWD Well No. 1 (API No. 30-025-03673) a commercial salt water disposal well located North of the Pecos well in Unit N of Section 9 T15S R36E.

(2) Pecos Operating's application was heard by a Division examiner on May 15, 2008 and on August 4, 2008, the Division entered Order No. R-12978. Subsequently, H&M Disposal Company filed its Application for Hearing De Novo on September 18, 2008, which this Commission deemed timely by Order No. R-12978-A.

(3) Subsequent to the filing of the Application for Hearing De Novo, H&M Disposal Company entered into discussions with Pecos Operating Company and the Division to resolve the concerns of H&M over those provisions of Order No. R-12978 requiring reservoir pressure testing on H&M's Mayme W. Graham SWD Well No. 1 within six months as required by Order Paragraph 4(b). The parties also addressed H&M's interest in having the operator of the Caudill SWD Well No. 1 provide notice to the operator of the Mayme W. Graham Well No. 1 in the event approval is sought for conversion of the Caudill SWD Well No. 1 to commercial operations. Resolution of these matters by way of an amendment to the provisions of Order No. R-12978 was

proposed by H&M Disposal Company's Motion to Amend. Pecos Operating Company has indicated its concurrence to the H&M Motion.

(4) In order to implement the settlement, the parties request that the Commission amend Order No. R-12978 in accordance with the relief requested in H&M's Motion.

B. FINDINGS AND ORDER

(1) The Commission has jurisdiction over this proceeding pursuant to the Oil and Gas Act, NMSA 1978 §§ 70-2-12 to 70-2-38.

(2) The Motion To Amend Order No. R-12978 is well-taken and should be granted.

(3) It is therefore ordered that Order No. R-12978 be amended as follows:
Decretal paragraphs 2 and 2 (a) are amended as follows:

“(2) Prior to any use of the Caudill SWD Well No. 1 for off-lease injection or for injection of waste waters other than originating from the Devonian formation, *or for conversion to commercial service*:

(a) the operator (Pecos or successor) shall provide proof to the Division of formal written notice to (i) the Devonian mineral lessee (currently Occidental Petroleum) or to the State Land Office if the mineral lease is no longer valid; (ii) the surface owner (currently Ms. Wanda Alexander); and (iii) to *H&M Disposal or the successor operator of the Mayme W. Graham SWD Well No. 1.*”

Decretal Paragraphs 4, and 4 (a) and (b) are amended as follows:

“(4) H&M's Disposal's request to limit the injection rate into this well to 4000 barrels of water per day is denied. H&M shall provide the following in writing, referencing SWD-300, to the Division in Santa Fe:

(a) *By January 30, 2009, a complete list of all pools from which waters are being injected into its Mayme W. Graham SWD Well No. 1 and a water analysis from each of those waters: and*

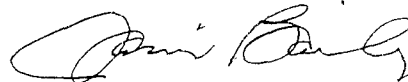
(b) *At such time as the operator of the Mayme W. Graham SWD Well No. 1 determines at its discretion that pulling of the tubing from the well is warranted, an analyzed fall-off test utilizing bottom-hole gauges shall be run prior to surface shutin. The test shall be designed to yield results such as current reservoir pressure, permeability, skin damage, and detection of reservoir barriers."*

(4) All provisions of Order No. R-12978 which conflict with these amendments are superseded by the applicable terms of this Order No. R-12978-B.

(5) The Commission retains jurisdiction of this matter for the entry of such further orders as may be necessary.

DONE at Santa Fe, New Mexico on this 15th day of January, 2009.

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OIL CONSERVATION COMMISSION



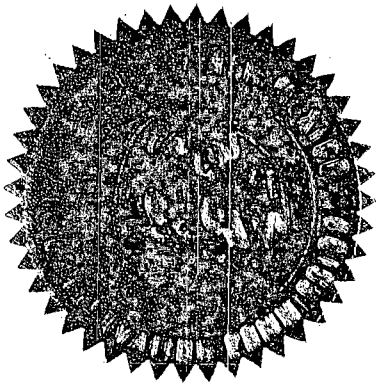
JAMI BAILEY, CPG, Member



WILLIAM OLSON, Member



MARK E. FESMIRE, P.E., Chair



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