

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

**IN THE MATTER OF THE APPLICATION OF
BTA OIL PRODUCERS, LLC FOR APPROVAL
OF A SALT WATER DISPOSAL WELL, EDDY
COUNTY, NEW MEXICO.**

CASE 14559

PRE-HEARING STATEMENT OF THE OIL CONSERVATION DIVISION

The Oil Conservation Division (OCD) submits this pre-hearing statement pursuant to 19.15.4.13(B) NMAC.

APPEARANCES

APPLICANT

BTA Oil Producers LLC

APPLICANT'S ATTORNEY

William F. Carr
Holland & Hart LLP
P.O. Box 2208
Santa Fe, NM 87504-2208
(505) 988-4421
FAX: 983-6043
Wcarr@hollandhart.com

RESPONDENT

Oil Conservation Division

RESPONDENT'S ATTORNEY

Gail MacQuesten
Oil Conservation Division
Energy, Minerals and Natural
Resources Department
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3451
FAX: 476-3462
E-mail: gail.macquesten@state.nm.us

RECEIVED OCD
2010 OCT -5 A 11:41

STATEMENT OF CASE

BTA Oil Producers LLC (BTA) seeks approval to use the Owl 20504 JV-P Well No. 5 (API NO. 30-015-34535) for produced water disposal. The Oil Conservation Division (OCD) enters its appearance in this matter to alert the examiner to the fact that BTA did not comply with the requirements of its prior injection permit for the Owl 20504 JV-P Well No. 5, and to request

that the examiners ensure that BTA has complied with any prerequisites before granting BTA an order in this case allowing injection.

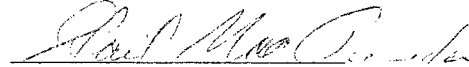
OCD'S PROPOSED EVIDENCE

WITNESS: Daniel Sanchez, OCD Compliance and Enforcement Manager
ESTIMATED TIME: 10 minutes

PROCEDURAL MATTERS

At the hearing, the OCD plans to ask Mr. Sanchez to adopt his pre-filed written testimony, and identify the exhibits referenced in that testimony, and will move to admit the testimony and exhibits. The testimony and exhibits are attached.

Respectfully submitted
this 5th day of October 2010 by

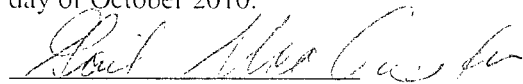


Gail MacQuesten
Sonny Swazo
Oil Conservation Division
Energy, Minerals and Natural
Resources Department
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3451

Attorney for the Oil Conservation Division

Certificate of Service

I certify that I mailed and faxed a copy of this pleading, with Mr. Sanchez' pre-filed written testimony and exhibits, to Mr. William Carr, attorney for BTA, at the address and fax number shown above this 5th 16 day of October 2010.



Gail MacQuesten

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

**IN THE MATTER OF THE APPLICATION OF
BTA OIL PRODUCERS, LLC FOR APPROVAL
OF A SALT WATER DISPOSAL WELL, EDDY
COUNTY, NEW MEXICO.**

CASE 14559

TESTIMONY OF DANIEL SANCHEZ

My name is Daniel Sanchez.

Since November 22, 2004, I have been the Compliance and Enforcement Manager of the Oil Conservation Division (OCD) of the Energy, Minerals, and Natural Resources Department (EMNRD).

My duties as Compliance and Enforcement Manager include supervising the four district offices of the OCD and the Environmental Bureau of the OCD, and overseeing the enforcement and compliance actions of the OCD.

The OCD entered its appearance in Case 14559 to alert the examiner to the fact that BTA Oil Producers, LLC (BTA) did not comply with the requirements of its prior injection permit for the Owl 20504 JV-P #005, 30-015-35435, and to request that the examiners ensure that BTA has complied with any prerequisites before granting BTA an order in this case allowing injection.

SWD-1091

On August 10, 2007, the OCD issued Administrative Order SWD-1091 to “BTA Oil Producers” authorizing the operator to use the Owl 20504 JV-P Well No. 5, 30-015-

31 35435 (the Owl well) for produced water disposal. A copy of SWD-1091 is **OCD**
32 **Exhibit B.**

33 SWD-1091 required the operator to perform certain actions before beginning
34 injection. For example,

- 35 • "After installing injection tubing, the casing shall be pressure tested from the
36 surface to the packer setting depth to assure casing integrity."
37
- 38 • "The operator shall notify the supervisor of the Artesia district office of the
39 Division of the date and time of the installation of disposal equipment and of any
40 mechanical integrity test to that the same may be inspected and witnessed."
41

42 The order also set out certain requirements for BTA to meet once it started
43 injecting, including the following:

- 44 • "The operator shall provide written notice of the date of commencement of
45 injection to the Artesia district office of the Division."
46
- 47 • "The operator shall submit monthly reports of the disposal operations on Division
48 Form C-115, in accordance with Rule Nos. 706 and 1120 of the Division Rules
49 and Regulations."
50

51 The order also provided that the injection authority would terminate one year after
52 the effective date of the order if the operator did not commence injection operations.
53 More than one year passed after the issuance of the order without any C-115s filed
54 showing commencement of injection.

55 Effective June 2, 2008, "BTA Oil Producers" transferred operations to "BTA Oil
56 Producers, LLC," the current operator. The Change of Operator form is **OCD Exhibit C.**
57 The two companies share the same address and the same regulatory administrator.

58 In early 2010, it wasn't clear from the OCD's well file if the well had even been
59 completed. The file didn't contain a Well Completion or Recompletion Report and Log,
60 BLM Form No. 3160-4, as required for federal completions under 19.15.7.36 NMAC.

61 There was no report of pressure tests conducted on the casing after installation of the
62 injection tubing, as required by the order. The well file did not contain any notice to the
63 supervisor of the Artesia district office regarding the installation of disposal equipment or
64 of any mechanical integrity testing, as required by the order.

65 On February 18, 2010, however, an OCD inspector found that the well was
66 injecting. **OCD Exhibit D** is a copy of the well inspection history documenting that
67 inspection.

68 **Loss of Injection Authority under SWD-1091**

69 On February 25, 2010, the OCD issued a letter to BTA telling BTA that it has lost
70 its authority to inject because more than one year had passed without reported injection,
71 and directed BTA to bring its regulatory filings up to date and apply for a new injection
72 permit. **OCD Exhibit E** is a copy of the letter.

73 After the OCD issued the letter, BTA filed the missing Form 3160-4 reporting
74 completion information on the well, which was accepted by the Bureau of Land
75 Management on June 15, 2010. BTA also filed a sundry notice, reporting that it began
76 injection in 2007. BTA filed C-115s reporting injection from August 2007 to January
77 2010. The OCD well file does not contain any documentation showing a mechanical
78 integrity test for the well.

79 BTA now seeks a new injection permit for the well.

80 **Requested Relief**

81 The OCD's injection orders are typically written to grant authority to inject, while
82 trusting that the operator will perform all the preliminary actions required by the order
83 before beginning injection. BTA violated that trust by injecting under Administrative

84 Order SWD-1091 while ignoring the other provisions of the order. BTA's conduct
85 demonstrates that it needs additional supervision to ensure that it complies with all order
86 requirements.


87 The OCD respectfully requests that BTA be required to demonstrate that it has
88 met all OCD requirements before it is given authority to inject into the Owl 20504 JV-P
89 #005. For example, if any corrective action is required, such as plugging an area of
90 review well, BTA should have to demonstrate that the action is completed before it is
91 allowed to inject. If any special provisions are included regarding the injection well
92 itself, such as the installation of a pressure limiting device or loading the casing-tubing
93 annulus with an inert fluid and equipping it with a pressure gauge or approved leak
94 detection device , BTA should have to demonstrate that it has complied with those
95 requirements before it is allowed to inject. And if any tests are required before injection,
96 such as a mechanical integrity test witnessed by the OCD, BTA should be required to
97 demonstrate that it has passed those tests before the injection permit is granted.

98 There are several ways this relief could be granted:

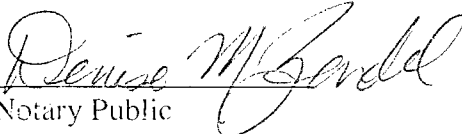
99 An order could be issued setting out the requirements that must be met before
100 BTA may begin injecting, and requiring BTA to prove that it has met those requirements
101 before a subsequent order is issued actually granting authority to inject. BTA could
102 prove that it has met the requirements by submitting documentary proof (such as an
103 approved MIT, a letter from the district stating that all well construction requirements
104 have been met, etc.) or by providing testimony at a subsequent hearing.

Alternatively, the order could provide that injection authority is granted once the district office or OCD legal has verified that BTA has met all the requirements of the order, and has placed a letter to that effect in the well file.

I, Daniel Sanchez, swear that the foregoing is true and correct.

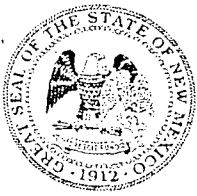

Daniel Sanchez
Compliance and Enforcement Manager
Oil Conservation Division

Subscribed and sworn to before me this 4th day of October 2010, by Daniel Sanchez.


Notary Public

My commission expires:

01-09-12



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

ADMINISTRATIVE ORDER SWD-1091

APPLICATION OF BTA OIL PRODUCERS FOR PRODUCED WATER DISPOSAL, EDDY COUNTY, NEW MEXICO

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), BTA OIL PRODUCERS made application to the New Mexico Oil Conservation Division for permission to utilize for produced water disposal its Owl 20504 JV-P Well No. 5 (API No. 30-015-35435) located at 2310 feet from the South line and 2310 feet from the East line of Section 18, Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

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

IT IS THEREFORE ORDERED THAT:

The applicant is hereby authorized to utilize for produced water disposal its Owl 20504 JV-P Well No. 5 (API No. 30-015-35435) located at 2310 feet from the South line and 2310 feet from the East line of Section 18, Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico, in such manner as to permit the injection of produced water for disposal purposes into the Cherry Canyon member of the Delaware formation through perforations from 2934 feet

to 3282 and through plastic-lined tubing set with a packer located within 100 feet of the top of the perforated injection interval.

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.

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.

After installing injection tubing, the casing shall be pressure tested from the surface to the packer setting depth to assure casing integrity.

The wellhead injection pressure on the well shall be limited to **no more than 587 psi**. In addition, 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 Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the injection formation. Such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office.

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 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 received by the Division prior to the termination date, may grant an extension thereof for good cause shown.

Approved at Santa Fe, New Mexico, on August 10, 2007.


MARK E. FESMIRE, P.E.
Director

MEF/wvjj

cc: Oil Conservation Division – Artesia
Bureau of Land Management - Carlsbad

District I1625 N. French Dr., Hobbs, NM 88240
Phone:(505) 393-6161 Fax:(505) 393-0720District II1301 W. Grand Ave., Artesia, NM 88210
Phone:(505) 748-1283 Fax:(505) 748-9720**State of New Mexico**
Energy, Minerals and Natural ResourcesForm C-145
Permit 75787**Oil Conservation Division**
1220 S. St Francis Dr.
Santa Fe, NM 87505**Change of Operator****Previous Operator Information**OGRID: 3002
Name: BTA OIL PRODUCERS
Address: 104 S PECOS
Address:
City, State, Zip: MIDLAND , TX 79701**New Operator Information**Effective Date: 5/1/2008
OGRID: 260297
Name: BTA OIL PRODUCERS, LLC
Address: 104 S. PECOS
Address:
City, State, Zip: MIDLAND , TX 79701

I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information on this form and the certified list of wells is true to the best of my knowledge and belief.

Previous OperatorSignature: Pam Inskeep
Printed
Name: Pam InskeepTitle: Regulatory Administrator

Date: 06/02/08 Phone: 432-682-3753

New OperatorSignature: Pam Inskeep
Printed
Name: Pam InskeepTitle: Regulatory Administrator

Date: 06/02/08 Phone: 432-682-3753

NMOCD ApprovalElectronic Signature: Paul Kautz, District 1Electronic Signature: Carmen Reno, District 2Date: June 02, 2008**Case 14559**
BTA Oil Producers LLC
OCD Exhibit C

23-Feb-10

Well Inspection History

API Number: **30-015-35435-00-00**

Well Name & No.: **OWL 20504 JV-P**

Operator: **BTA OIL PRODUCERS, LLC, PAM INSKEEP**

District: **ARTESIA**

County Name: **EDDY**

Field: **OWL 20504 JV-P**

Legal: **S: 18 T: 26S R: 27E**

Well Type: **OIL (PRODUCING)**

Insp. Dt.	Insp. Type	Insp. Purpose	Insp. No.	RmdyRqDt	Insp. By	Viol. SNC	Failed Codes
2/18/2010	Routine/Periodic	Normal Routine Activity	iREI10049450		213		
This is an unauthorized injection well. Around 480psi on tubing. Injection pump on mercury switch. Electricity box set to ON and AUTO.							
1/28/2010	Routine/Periodic	Normal Routine Activity	iREI10028285		213		
BLM reports operator is injecting into this well. SWD 1091 expires 8/10/08. Operator has no authority to inject. No production or injection being reported to OCD.							
8/26/2009	Routine/Periodic	Normal Routine Activity	iKMW0923837		215		
Change status, everything in great shape,							
9/22/2008	File and Compliance Review	Normal Routine Activity	iSEB08266274		217		
Initial C141							
8/6/2007	File and Compliance Review	Normal Routine Activity	iMLB07218380		211		
C-144 drilling pit closure approved for dig and haul to disposal.							
6/12/2007	Routine/Periodic	Normal Routine Activity	iGEG0716327		209		
4/20/2007	Routine/Periodic	Normal Routine Activity	iPAC07255310		197		
blm - followup inspection for surface csg cmtg on 04/20/07 revealed the following problems: 1. 3m BOPE system w/o annular preventer installed. 2. No hand wheels on ram preventers, no remote controls accesible to friller. 3. Only 1 power supply to accumulator system (drilling contractor had not commenced drilling operations at this time). Written orders were issued on these problems and operator was informed to make correction prior to drilling out the surface shoe. PET Jerry Blakley was contacted to travel to location and confirm compliance. Compliance was achieved, written orders were signed off on, inspection was closed.							
4/10/2007	Routine/Periodic	Normal Routine Activity	iREI07141551		213		
Spill Notification from PAM Release in tank battery 20-30 barrels w/in lined dyke. Recovered 20 barrels. Advised submit proper paperwork.							

Total Inspections Performed: 8

Case 14559
BTA Oil Producers LLC

OCD-Exhibit-D

1 of 1

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jon Goldstein
Cabinet Secretary

Jim Noel
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



February 25, 2010

BTA Oil Producers LLC
104 S. Pecos
Midland, TX 79701

Certified Mail No.: 7008 3230 0000 2319 8730

FORMAL NOTICE OF LOSS OF INJECTION AUTHORITY **OPERATOR REQUIRED TO CEASE AND DESIST INJECTION**

Re: Owl 20504 JV-P #005, 30-015-35435
SWD-1091

Dear Operator:

This letter gives you formal notice that your authority to inject into the well identified above has terminated. **You must immediately cease and desist injecting into the Owl 20504 JV-P #005 well.**

19.15.26.12(C)(1) NMAC provides:

"Whenever there is a continuous one year period of non-injection into all wells in an injection or storage project or into a salt water disposal well or special purpose injection well, the division shall consider the project or well abandoned, and the authority for injection shall automatically terminate ipso facto."

19.15.26.12(C)(2) NMAC provides:

"For good cause shown, the director may grant an administrative extension or extensions of injection authority as an exception to Paragraph (1) of Subsection C of 19.15.26.12 NMAC, provided that any such extension may be granted only prior to the end of one year or [sic] continuous non-injection, or during the term of a previously granted extension."

Case 14559
BTA Oil Producers LLC
OCD Exhibit E

Oil Conservation Division * 1220 South St.
Santa Fe, New Mexico 87501

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

The well identified above was permitted as a produced water disposal well by Administrative Order SWD-1091, issued August 10, 2007. The Order included the following provisions:

- "After installing injection tubing, the casing shall be pressure tested from the surface to the packer setting depth to assure casing integrity."
- "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 to that the same may be inspected and witnessed."
- "The operator shall provide written notice of the date of commencement of injection 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 received by the Division prior to the termination date, may grant an extension thereof for good cause shown."

The OCD has not found any administrative extensions of the injection authority for this well, and more than one year has passed since the issuance of the Order without any C-115s filed showing commencement of injection. In fact, it isn't clear from the OCD's well file if or when the well was completed. (The well file contains a sundry notice subsequent report of completion signed by BTA on 7-7-09, and back-dated to 6-22-07. The file does not contain a Well Completion or Recompletion Report and Log, BLM Form No. 3160-4, as required for federal completions under 19.15.7.36 NMAC.) There is no report of pressure tests conducted on the casing after installation of the injection tubing, as required by Administrative Order SWD-1091. The well file does not contain any notice to the supervisor of the Artesia district office regarding the installation of disposal equipment or of any mechanical integrity testing, as required by Administrative Order SWD-1091.

On February 18, 2010, however, an OCD inspector found that the well was injecting. It is not clear when BTA commenced injection because, as discussed above, it did not notify the Artesia office when it commenced injection and it has not filed C-115 reports showing injection for the well. On August 27, 2008 and September 2, 2009, the OCD mailed letters to BTA regarding the scheduling of mechanical integrity tests for its injection wells, provided a list of BTA's active injection wells, and requested that BTA contact the OCD if it had any injection wells that did not appear on the list. BTA did not contact the OCD to notify it that it was operating the Owl 20504 JV-P #005.

Pursuant to 19.15.26.12(C)(1) NMAC, the injection authority granted by Administrative Order SWD-1091 has automatically terminated. No extension can be granted now. If BTA wishes to inject into the Owl 20504 JV-P #005 it will need to apply for a new permit under 19.15.26.8 NMAC. Please note that the OCD may not approve an injection permit while BTA is out of compliance with 19.15.5.9 NMAC. See 19.15.26.8.A NMAC. BTA is out of compliance with 19.15.5.9 NMAC until it satisfies the corrective action requirements of Order No. R-13218.

All injection into the Owl 20504 JV-P #005 well must cease immediately. By copy of this letter, I am notifying the Artesia District Office that BTA's injection authority for this well has terminated. Artesia District Office inspectors will be checking the well to determine if it is continuing to inject. BTA should immediately bring its regulatory filings for the Owl 20504 JV-P #005 up to date.

If BTA continues to inject into this well without authority or fails to bring its regulatory filings up to date, the OCD intends to take further enforcement action. That action may include requiring any injection permit applications from BTA to be set for hearing. The OCD may oppose issuance of injection permits, based on BTA's non-compliance, or may request that any permit issued contain additional terms designed to increase supervision of BTA's actions to ensure compliance. The OCD may also seek an administrative order requiring BTA to plug the well under NMSA 1978, Section 70-2-14(B), and authority for the state to plug the well if BTA does not do so. Or the OCD may seek an order from District Court pursuant to NMSA 1978, Section 70-2-28 enjoining BTA from injecting into the identified well and assessing penalties under NMSA 1978, Section 70-2-31(A) for the knowing and willful violation of 19.15.26.12 (C)(1).

If you disagree with the OCD's conclusion that the injection authority has terminated, please provide documentary proof that you are operating under an administrative extension of injection authority or otherwise have authority to inject.

Sincerely,



Daniel Sanchez

Underground Injection Control Director for the State of New Mexico

Attachment: Administrative Order SWD-1091

Ec, w/o attachment: William Jones, OCD Engineer
Randy Dade, Supervisor, Artesia District
Richard Inge, Inspector, Artesia District
Glenn von Gonten, OCD Environmental Bureau
William Carr, Attorney for BTA



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

ADMINISTRATIVE ORDER SWD-1091

APPLICATION OF BTA OIL PRODUCERS FOR PRODUCED WATER DISPOSAL, EDDY COUNTY, NEW MEXICO

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), BTA OIL PRODUCERS made application to the New Mexico Oil Conservation Division for permission to utilize for produced water disposal its Owl 20504 JV-P Well No. 5 (API No. 30-015-35435) located at 2310 feet from the South line and 2310 feet from the East line of Section 18, Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

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

IT IS THEREFORE ORDERED THAT:

The applicant is hereby authorized to utilize for produced water disposal its Owl 20504 JV-P Well No. 5 (API No. 30-015-35435) located at 2310 feet from the South line and 2310 feet from the East line of Section 18, Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico, in such manner as to permit the injection of produced water for disposal purposes into the Cherry Canyon member of the Delaware formation through perforations from 2934 feet

to 3282 and through plastic-lined tubing set with a packer located within 100 feet of the top of the perforated injection interval.

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.

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.

After installing injection tubing, the casing shall be pressure tested from the surface to the packer setting depth to assure casing integrity.

The wellhead injection pressure on the well shall be limited to **no more than 587 psi**. In addition, 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 Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the injection formation. Such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office.

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 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 received by the Division prior to the termination date, may grant an extension thereof for good cause shown.

Approved at Santa Fe, New Mexico, on August 10, 2007.


MARK E. FESMIRE, P.E.
Director

MEF/avvjj

cc: Oil Conservation Division – Artesia
Bureau of Land Management - Carlsbad