

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:

CASE NO. 1358

APPLICATION OF NEARBURG EXPLORATION COMPANY
TO TERMINATE SALT WATER DISPOSAL INTO CERTAIN
INJECTION WELLS BY RESCINDING NMOCD PERMIT SWD-336
FOR YATES PETROLEUM CORPORATION'S OSAGE WELL NO. 1
AND BY RESCINDING ORDER R-7637 FOR ANADARKO
PETROLEUM CORPORATION'S OSAGE WELL NO. 1
EDDY COUNTY, NEW MEXICO

AMENDED APPLICATION OF NEARBURG EXPLORATION COMPANY

Comes now Nearburg Exploration Company ("Nearburg") by and through its attorneys, November 18, 1994, applies to the New Mexico Oil Conservation Division for the following relief:

(1) Pursuant to Division Memorandum 3-85, NEARBURG requests that the Division stay any further injection into two existing salt water disposal wells ("SWD wells") which are currently authorized to inject produced water into the Cisco/Canyon formation off the North Dagger Draw-Upper Pennsylvanian Pool, being:

(a) Yates Petroleum Corporation's Osage Well No. 1, 1980 feet from the North Line and 1980 feet from the East line of Section 21, T19S, R25E, permitted by Division Administrative Order SWD-336; and

(b) Anadarko Petroleum Corporation's Osage Well No. 1 located 1495 feet from the North line and 225 from the West line of Section 22, T19S, R25E, NMPM, permitted by Order R-7637 entered in Case 8234;

(2) Nearburg further requests that:

(a) The Division schedule a hearing on the matter of rescinding Administrative Order SWD-336 and Order R-7637; and

(b) After notice and hearing the Division enter its order making the Stay permanent and rescinding the injection authority for these two wells thereby preventing the further injection of produced water into either said well.

and as grounds therefor states:

(1) On November 18, 1994, Nearburg Exploration Company completed its Ross Ranch "22" Well No. 2 1980 feet from the North line and 660 feet from the West line of Section 22, T19S, R25E, NMPM, for production from the Cisco/Canyon formations of the North Dagger Draw-Upper Pennsylvanian Pool and dedicate it to a 160-acre spacing and proration unit consisting of the NW/4 of said Section 22.

(2) On March 3, 1988, Yates Petroleum Corporation obtained Division Order SWD-336 approving the use of the Coquina Oil Corporation's Osage Well No. 1, located 1980 feet from the North line and 1980 feet from the East line of Section 21, T19S, R25E, for the injection of produced water into the Cisco/Canyon formations.

(3) On January 30, 1989, Yates Petroleum Corporation became the operator of the Coquina Oil Corporation's Osage Well No. 1.

(4) As of January 1, 1994, a total of 6,479,908 barrels of produced water had been disposed of into the Cisco/Canyon formation through perforations in the Coquina Oil Corporation's Osage Well No. 1.

(5) On August 23, 1984, Anadarko Petroleum Corporation obtained Division Order R-7637 in Case 8234 which approved the use of the Anadarko Petroleum Corporation's Osage Well No. 1, located 1495 feet from the North line and 225 from the West line of Section 22, T19S, R25E, for the injection of produced water into the Cisco/Canyon formations.

(6) As of January 1, 1994, a total of 1,514,791 barrels of produced water had been disposed of into the Cisco/Canyon formation through perforations in the Anadarko Petroleum Corporation's Osage Well No. 1.

(7) Nearburg's Ross Ranch 22 Well No. 2 is structurally flat to the Anadarko SWD well and structurally low to the Yates Osage well both injection wells.

(8) Nearburg's Ross Ranch 22 Well No. 2 is approximately 2640 feet from the Yates' SWD well and approximately 651 feet from the Anadarko's SWD well.

(9) A typical well in this area of the pool is capable of producing oil in paying quantities from the Cisco-Canyon formations at an estimated initial water-oil ratio of 2.33 to 1.

(10) Nearburg has obtained production tests on its Ross Ranch 22 Well No. 2 which demonstrate that its water-oil ratio is 49 to 1, more than 21 times greater than the typical well in the pool.

(11) Preliminary reservoir studies indicates that the Yates and/or Anadarko SWD wells have and will continue to have an adverse affect on the total ultimate recover of oil from this pool thereby causing waste and impairing correlative rights.

(12) The New Mexico Oil & Gas Act (Section 70-2-12(B)(4) requires that the Division:

"prevent the drowning by water of any stratum or part thereof capable of producing oil or gas or both oil and gas in paying quantities and to prevent the premature and irregular encroachment of water or any other kind of water encroachment which reduces or tends to reduce the total ultimate recovery of crude petroleum oil or gas or both oil and gas from any pool."

(13) On April 24, 1995, Nearburg, through counsel, requested Yates Petroleum Corporation to cease injection into its SWD well and to voluntarily terminate any injection authority it received from the Division under Order SWD-336.

(14) On April 25, 1995, Yates advised Nearburg, through counsel, that Yates had limited future injection of water into its SWD well but refused to voluntarily terminate its injection permit.

(15) On April 27, 1995, Nearburg, through counsel, requested Anadarko Petroleum Corporation to case injection into its SWD well and to voluntarily terminate any injection authority it received from the Division under Order R-7637.

(16) Anadarko Petroleum Corporation has refused Nearburg's request to cease injection and voluntarily terminate its injection permit.

(17) Unless the stay is granted, injection can and will continue to reduce ultimate recovery of oil and impair the correlative rights of Nearburg and other interest owners.

(18) If Nearburg is correct in its contentions about this matter, then time is of the essence because continued injection into these wells prior to a decision by the

Division may cause waste and impair correlative rights which might have otherwise been prevented, thus resulting in irreparable harm to Nearburg and other interest owners.

(19) Conversely, if the stay is granted but Nearburg is wrong in its contentions, then time is not of the essence and no substantial harm will result to any other party because injection can be resumed.

WHEREFORE, Nearburg respectfully requests that the NMOCD enter an order staying any further injection into either of these SWD wells pending ultimate decision on this matter. A copy of the a proposed order granting the stay is enclosed.

Respectfully submitted,

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