

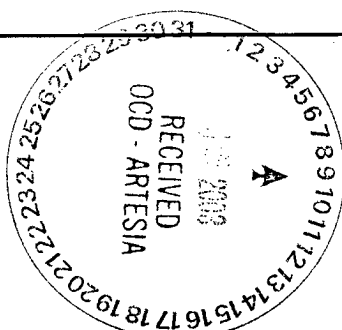


NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division



ADMINISTRATIVE ORDER SWD-867

APPLICATION OF MARBOB ENERGY CORPORATION FOR SALT WATER DISPOSAL, EDDY COUNTY, NEW MEXICO.

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), Marbob Energy Corporation made application to the New Mexico Oil Conservation Division on November 20, 2002, for permission to re-enter and complete for produced water disposal its Llano McKay Federal Well No. 2 (API No. 30-015-23159) located 750 feet from the North line and 660 feet from the West line (Unit D) of Section 13, Township 19 South, Range 31 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:

Marbob Energy Corporation is hereby authorized to re-enter and complete its Llano McKay Federal Well No. 2 (API No. 30-015-23159) located 750 feet from the North line and 660 feet from the West line (Unit D) of Section 13, Township 19 South, Range 31 East, NMPM, Eddy County, New Mexico, in such a manner as to permit the injection of produced water for disposal purposes into the Bone Spring Dolomite from a depth of 8710 feet to 8726 feet through 2 7/8 inch plastic-lined tubing set with a packer located at approximately 8650 feet.

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.

As preparation for injection, 5 ½" casing shall be installed from surface to approximately 8,850 feet and cemented sufficient to tie into the 8 5/8" intermediate casing. The depth of cement top and quality of cement sheath shall be verified by running a Cement Bond Log. The operator shall perforate the intended injection interval and – prior to acid treatment – rig for H2S safety then swab test for a fluid sample and as a short test for hydrocarbons. The Cement Bond Log, the swab test results, and the fluid analysis shall be forwarded to the Artesia District Office of the Division.

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 at the surface or left open to the atmosphere to facilitate detection of leakage in the casing, tubing, or packer.

The injection well or system shall be equipped with a pressure limiting device which will limit the wellhead pressure on the injection well to no more than 1742 psi.

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.

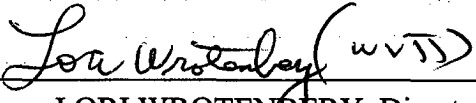
PROVIDED FURTHER THAT, jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh water or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the injection authority granted herein.

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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, may grant an extension thereof for good cause shown.

Approved at Santa Fe, New Mexico, on this 3rd day of January 2003.


LORI WROTENBERY, Director

LW/wvjj

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