## Bill Richardson

Governor

Joanna Prukop Cabinet Secretary Mark Fesmire
Division Director
Oil Conservation Division



December 9, 2009

Finley Resources, Inc. 1308 Lake Street #200 Ft. Worth, TX 76102

Certified Mail No.: 7002 3150 0005 2327 4638

### FORMAL NOTICE OF LOSS OF INJECTION AUTHORITY

Re:

Finley Resources, Inc. OGRID 32202

Eumont Federal "D" Lease Pilot Waterflood Project, R-9556

Federal D #002, 30-025-04337

## Dear Operator:

The purpose of this letter is to give Finley Resources, Inc. (Finley) formal notice that its authority to inject into the Eumont Federal "D" Lease Pilot Waterflood Project has terminated.

## 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.



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According to OCD records, the Eumont Federal "D" Lease Pilot Waterflood Project was authorized by Order R-9556. A copy of that order is attached. The pilot project contains only one approved injection well: the Federal D #002, 30-025-04337. That well has not reported injection for a continuous period in excess of one year. A copy of the injection summary is attached.

Because all injection in the waterflood ceased for a period in excess of one year, the authority for injection into wells in the Eumont Federal "D" Lease Pilot Waterflood Project automatically terminated pursuant to 19.15.26.12(C)(1) NMAC. If you wish to operate a waterflood in this area you will need to apply for a new permit under 19.15.26.8 NMAC. Please note that to be eligible for a permit Finley must be in compliance with 19.15.5.9 NMAC.

By copy of this letter, I am notifying the Hobbs District Office that your injection authority for this waterflood project has been terminated.

If you disagree with the OCD's conclusion that the authority to inject in the Eumont Federal "D" Lease Pilot Waterflood Project has terminated, please provide documentary proof that there has not been a period of one year of non-injection, or that you are operating under an administrative extension of injection authority.

Sincerely,

Underground Injection Control Director for the State of New Mexico

Larry "Buddy" Hill, Hobbs District Office Ec: Sylvia Dickey, Hobbs District Office

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

CASE NO. 10347 ORDER NO. R-9556

# APPLICATION OF WARRIOR, INC. FOR A WATERFLOOD PROJECT, LEA COUNTY, NEW MEXICO

#### ORDER OF THE DIVISION

#### BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 25, 1991 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 7th day of August, 1991 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

#### FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, Warrior, Inc., seeks authority to institute a one well waterflood pilot project on a portion of its Federal "D" Lease underlying the W/2 of Section 26 and the NE/4 of Section 27, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico, by the injection of produced water into the Upper Queen interval of the Eumont Oil Pool through the perforated interval from approximately 3804 feet to 3964 feet in its Federal "D" Well No. 2 located 1980 feet from the North line and 660 feet from the West line (Unit E) of said Section 26.
- (3) The wells in the proposed project area are in an advanced state of depletion and should therefore be properly classified as "stripper wells."

- (4) At the hearing, the applicant demonstrated that an incremental secondary recovery of oil of 418 MSTBU could be obtained by institution of the proposed pilot waterflood project, resulting in the recovery of additional oil which would not otherwise be recovered, and the waste of oil would thereby be prevented.
- (5) The operator should take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape into other formations or onto the surface from injection, production or plugged and abandoned wells.
- (6) Injection should be accomplished through 2 7/8-inch internally cement-lined tubing installed in a packer set at approximately 100 feet above the uppermost perforated interval; the casing-tubing annulus should be filled with an inert fluid; and a pressure gauge or approved leak-detection device should be attached to the annulus in order to determine leaks in the casing, tubing or packer.
- (7) Prior to commencing injection operations, the casing of the subject well should be pressure-tested throughout the interval, from the surface down to the proposed packer-setting depth, to assure integrity of such casing.
- (8) The injection well or injection pressurization system should be so equipped as to limit injection pressure at the wellhead to no more than 750 psi.
- (9) The Director of the Division should be authorized to administratively approve an increase in the injection pressure upon a proper showing by the operator that such higher pressure will not result in migration of the injected waters from the Queen formation.
- (10) The operator should give advance notification to the supervisor of the Hobbs District Office of the Division of the date and time of the installation of injection equipment and of the mechanical integrity pressure-test in order that the same may be witnessed.
- (11) The subject application should be approved and the project should be governed by the provisions of Rules 701 through 708 of the Division Rules and Regulations.

#### IT IS THEREFORE ORDERED THAT:

(1) The applicant, Warrior, Inc., is hereby authorized to institute a one well waterflood pilot project on a portion of its Federal "D" Lease, underlying the following described lands, by the injection of produced water into the Upper Queen interval of the Eumont Oil Pool through its existing Federal "D" Well No. 2 located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 26, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico:

# FEDERAL "D" LEASE PILOT WATERFLOOD PROJECT AREA LEA COUNTY, NEW MEXICO

### TOWNSHIP 20 SOUTH, RANGE 36 EAST, NMPM,

Section 26: W/2 Section 27: NE/4

(2) Injection into said well shall be accomplished through 27/8-inch internally cement-lined tubing installed in a packer set at approximately 100 feet above the uppermost perforated interval, with injection into the perforated interval from approximately 3804 feet to 3964 feet;

<u>PROVIDED HOWEVER THAT</u>, the casing-tubing annulus shall be filled with an inert fluid; and a pressure gauge shall be attached to the annulus or the annulus shall be equipped with an approved leak-detection device in order to determine leakage in the casing, tubing or packer.

<u>PROVIDED FURTHER THAT</u>, prior to commencing injection operations, the casing in the subject well shall be pressure-tested to assure the integrity of such casing in a manner that is satisfactory to the supervisor of the Division's Hobbs District Office.

- (3) The injection well or system shall be equipped with a pressure-limiting switch or other acceptable device which will limit the wellhead pressure on the injection well to no more than 750 psi.
- (4) 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 Queen formation.
- (5) The operator shall notify the supervisor of the Hobbs District Office of the Division in advance of the date and time of the installation of injection equipment and of the mechanical integrity pressure-test in order that the same may be witnessed.

- (6) The operator shall immediately notify the supervisor of the Division's Hobbs District Office of the failure of the tubing, casing or packer, in said well or the leakage of water from or around said well and shall take such steps as may be timely and necessary to correct such failure or leakage.
- (7) The subject waterflood project is hereby designated the Eumont Federal "D" Lease Pilot Waterflood Project and shall be governed by the provisions of Rules 701 through 708 of the Division Rules and Regulations.
- (8) Monthly progress reports of the waterflood project herein authorized shall be submitted to the Division in accordance with Rules 706 and 1115 of the Division Rules and Regulations.
- (9) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

WILLIAM J. LEMAY

Director

SEAL

1998

## 30-025-04337 FEDERAL D #002 [32202]

General Well Inform	ation				Status: Ac	tive				
History					-2		************			
Comments			10. A. P. 110. A ANDRONE D. 12000			••••				
Operator										
Company: Address: Country: Main Phone:	FT WORTH U.S.A.	STREET #2 I,TX 76102		, , , , , , , , , , , , , , , , , , ,	4-19-1-19-1-19-1-19-1-19-1-19-1-19-1-19	***************************************	***************************************			
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Hobbs Contacts									***************************************	
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Pits	**************************************		••••••••••			••••		······································	to me as a committee or a	
Casing			<b></b>							
Well Completions										
[22800] EUMONT;Y	'ATES-7 RV	'RS-QUEEN	ı (OIL)	Status:	Active		La	ast Produce	ed: 6/1/200	08
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Compliance	<b>/20/</b>			***************************************		<b>2000</b>	0. VII. 00   1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1.			
Note that Financial Assura	ince and Inac	tive Well Cor	npliance are	documented	in separate r	eports ( <u>Inacti</u>	ve Well Repo	rt, Financial	Assurance Re	eport).
Also note that some comp	liance issues	are addresse	ed at the ope	rator level so	not listed un	der each well				···········
ELG0405154170	Date of Vic	olations: 2/	20/2004	Vic	olations: 1	dentificatio	n (Well Sigr	(ר		
JDR0511742411	Date of Vic	olations: 1	1/20/2002	V	iolations:	<del></del>				
Complaints, Incidents	and Spills									
No Incidents Found						•••••••••••••••••••••••••••••••••••••••	***************************************			
Please note that incidents related to the abatement p	that impact g lans, remedia	round water ation plans ar	are recorded nd ground wa	along with "fa ter impact inf	acilities" whic ormation are	h may not be not yet part o	wells, so alth of this applica	nough the init	ial report may	y be recorded here as a spill, information
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Injection Pressure I	ncrease IPI	-0-0					~~*************************************	***************************************		***************************************
Production / Injection			·····			······································	·//**	*******************************	Show a	All Production Export to Excel
Earliest Produc	tion in OCD		2/1992 uction		Last 6/2	008	Injection	······	· · · · · · · · · · · · · · · · · · ·	
		11000	Water		Water		injection			
Time Frame	Oil(BBLS)	Gas(MCF)	(BBLS)	Days P/I	(BBLS)	Co2(MCF)	Gas(MCF)	Other	Pressure	
1992 Cumulative	55430	149353	24089	99	54948 76990	0	0	0	0	
1994	0	0	0	0	77638	0	0	0	0	
1995	0	0	. 0	0	77015	0	0	0	0	
1996	0	0	0	0	54888	0	0	0	1350	
1997	0	0	0	0	23725	0	0	0	1800	

1650

21710

May	0	0	0	0	7194 8452	0	0	0	1000
Apr	0	0	0	0	7194	0	0	0	1000
Mar	0	0	0	0	8185	0	0	0	1000
Feb	0	0	0	0	6811	0	0	0	100
Jan	0	0	0	0	8891	0	0	0	100
EUMONT; YATES-7 RVF	S-QUEEN (OIL)	·							
2008									
2007	0		0		122770	0	0	0	1030
			0	0					
2006	0		0	0	2807	0	0	0	135
2005	0		0	0	0	0		0	
2004		0	0	0	0	0	0	0	120
2003	0	0	0	0	19149	0	0	0	210
2002	0	0	0	0	17729	0	0	0	180
2001	0	0	0	0	23910	0	0	0	180
2000	0	0	0	0	24043	0	0	0	180

Transporters