

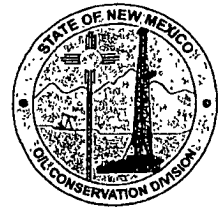


New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



Administrative Order WFX-852

April 13, 2009

Tony Beilman
Melrose Operating Company
1000 W. Wilshire, Suite 223
Oklahoma City, OK 73116

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Division Order R-2243, Melrose Operating Company has made application to the Division for permission to add five water injection wells to its Jalmat Field Yates Sand Unit Waterflood Project located within the Jalmat; Tansill-Yates-Seven Rivers Oil Pool (33820) in Lea County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

The application was filed in due form. No objections have been filed within the waiting period prescribed by Division Rule 26.8C.(2). The proposed injection wells are eligible for conversion to injection under the terms of Rule 26.8. The operator is in compliance with Rule 5.9.

The proposed expansion of the above-referenced waterflood project, will prevent waste, is in the best interests of conservation, will not impair correlative rights, and should be approved.

IT IS THEREFORE ORDERED THAT:

Melrose Operating Company (OGRID No. 184860) is hereby authorized to inject water into the unitized interval, through plastic-lined tubing set in packers located within 100 feet of the top of the injection intervals in the following-described wells within the Jalmat Field Yates Sand Unit Waterflood Project for purposes of secondary recovery:



API	Well Num	Unit	Sec	Tsp	Rge	Top Perf	Bot Perf	Tubing	Pressure	Comments
30-025-08611	132	G	13	22S	35E	3748	3878	2-3/8	750	
30-025-08613	134	E	13	22S	35E	3773	3915	2-3/8	754	
30-025-08622	136	G	14	22S	35E	3833	3951	2-3/8	764	
30-025-38935	137	F	14	22S	35E	3700	4200	2-3/8	740	Est Perf's
30-025-08627	138	E	14	22S	35E	3857	4048	2-3/8	771	
30-025-08629	139	L	14	22S	35E	3883	4040	2-3/8	777	
30-025-38936	140	K	14	22S	35E	3866	4036	2-3/8	773	
30-025-38937	142	I	14	22S	35E	3818	3992	2-3/8	764	
30-025-38938	143	P	14	22S	35E	3814	4044	2-3/8	763	
30-025-08620	144	O	14	22S	35E	3852	3960	2-3/8	770	
30-025-38939	146	B	23	22S	35E	3828	4018	2-3/8	766	
30-025-08637	147	A	23	22S	35E	3816	3928	2-3/8	763	
30-025-38940	148	H	23	22S	35E	3700	4200	2-3/8	740	Est Perf's
30-025-38868	159	F	13	22S	35E	3768	3952	2-3/8	754	
30-025-38871	182	A	14	22S	35E	3804	3962	2-3/8	761	
30-025-38873	187	A	13	22S	35E	3610	3700	2-3/8	722	
30-025-36972	207	M	14	22S	35E	3964	4074	2-3/8	793	
30-025-36974	209	C	23	22S	35E	3898	4040	2-3/8	780	
30-025-36977	212	D	23	22S	35E	3962	4028	2-3/8	792	
30-025-38931	239	H	13	22S	35E	3700	4200	2-3/8	740	Est Perf's
30-025-38942	245	G	23	22S	35E	3700	4200	2-3/8	740	Est Perf's
30-025-38943	246	F	23	22S	35E	3700	4200	2-3/8	740	Est Perf's
30-025-38944	247	J	14	22S	35E	3815	4040	2-3/8	759	

Prior to commencing injection operations into any wells listed above, the applicant shall plug and abandon the CJYPU Well No. 9-N (API No. 30-025-08609) located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 13, Township 22 South, Range 35 East, NMPM, Lea County, New Mexico, in a manner that is acceptable to the supervisor of the Division's Hobbs District Office.

Subsequent to the completion of plugging operations on the CJYPU Well No. 9-N, the applicant shall submit documentation to the Santa Fe Office of the Division verifying that this work has been completed. This documentation shall be in the form of a cover letter addressed to the Engineering Bureau complete with all applicable Form C-103's (Sundry Notices). Failure to comply with this directive may result in the cancellation of injection authority.

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.

Prior to commencing injection operations into these wells, the casing shall be pressure tested from the surface to the packer setting depth to assure casing integrity.

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 wells or injection system shall be equipped with pressure limiting devices which will limit the wellhead pressure to the maximum surface injection pressure described above.

The Director of the Division may authorize increases in injection pressure upon a proper showing by the operator that higher pressure will not result in migration of the injected fluid from the permitted injection interval or harmful formation fracturing. Such proper showing shall consist of valid step-rate tests and possibly injection profiles or pressure transient testing run in accordance with and acceptable to this office.

The operator shall notify the supervisor of the District Office of the date and time of the installation of injection equipment and of all mechanical integrity tests so that the same may be inspected and witnessed.

The operator shall immediately notify the supervisor of the District Office of the failure of the tubing, casing or packer in said wells and shall take such steps as may be timely and necessary to correct such failure or leakage.

The subject wells shall be governed by all provisions of Division Order No. R-2243, and Rules 26.9 through 26.13 not inconsistent herewith.

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 injection authority granted herein shall terminate one year after the effective date of this order if the operator has not commenced injection operations into at least one of the subject wells, provided however, the Division, upon written request by the operator received prior to the one year deadline, may grant an extension thereof for good cause shown.


MARK E. FESMIRE, P.E.
Director

MEF/tw

cc: Oil Conservation Division – Hobbs