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January 19, 1994

State of New Mexico  
Energy and Minerals Department  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87504

Attn: William J. Lemay

RE: Application to Inject  
Form C-108  
State 3 No. 1  
Bar U Field (Mississippian)  
Lea County, New Mexico

Dear Gentlemen:

Attached please find Apache Corporation's application for authorization to inject produced Devonian water into the State 3 No.1 located in Section 3, T9S, R32E, Unit Letter G. Apache is requesting authorization to inject into the Mississippian and the Devonian.

The State 3 No. 1 is currently completed in the Mississippian from 10,691' to 10,897'. The well was initially completed in 1978 and has produced 19,200 BO and 9,600 MCF to date. The well is currently producing uneconomically at 15 BOPM and is the only Mississippian producer in the area. Given the \$900,000 cost to drill and complete an 11,000' well and the poor performance of the State 3 No. 1, the Mississippian is not an economically viable drilling prospect.

The State 3 No. 1 will serve as the water disposal well for the MW operated Button Up Unit. The Button Up Unit No. 1 is the only well in the Unit, and it is producing 125 BOPD and 450 BWPD from the Devonian. The disposal charges currently being incurred by the well exceed \$20,000 per month and will increase as water production increases. The high operating expense will cut short the economic life of the well.

The Devonian in the Button Up Unit No. 1 is approximately 300' high structurally to the Devonian in the State 3 No. 1. The State 3 No. 1 only penetrated the top 14' of the Devonian, therefore, Apache is recommending that 50' of open hole section be drilled to ensure adequate disposal capacity.