



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-834

APPLICATION OF DKD, LLC FOR SALT WATER DISPOSAL, LEA COUNTY, NEW MEXICO.

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), DKD, LLC made application to the New Mexico Oil Conservation Division on March 27, 2002, for permission to re-enter for produced water disposal its Watson 6 Well No. 1 (API No. 30-025-34197) located 2857 feet from the South line and 1417 feet from the West line (Unit N) of Section 6, Township 16 South, Range 36 East, NMPM, Lea 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:

DKD LLC is hereby authorized to re-enter its Watson 6 Well No. 1 (API No. 30-025-34197) located 2857 feet from the South line and 1417 feet from the West line (Unit N) of Section 6, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, in such a manner as to permit the injection of produced water for disposal purposes into the Cisco and Canyon (Pennsylvanian) formations from a depth of 10340 feet to 11062 feet through 2 7/8 inch plastic-lined tubing set in a packer located approximately at 10280 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.

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 2068 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 Hobbs 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 Hobbs 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.

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.

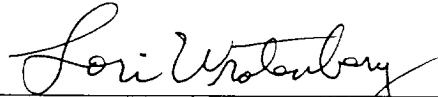
Administrative Order SWD-834

DKD, LLC

April 26, 2002

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Approved at Santa Fe, New Mexico, on this 26th day of April 2002.



LORI WROTENBERY, Director

LW/WVJ

cc: Oil Conservation Division – Hobbs

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87504

State of New Mexico
Energy Minerals and Natural Resources

Form C-104A
August 11, 2000

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87504

Submit 1 copy of the final affected wells
list along with 2 copies of this form per
number of wells on that list to
appropriate District Office

Change of Operator

Previous Operator Information:

OGRID: 147179
Name: Chesapeake Operating, Inc.
Address: P. O. Box 18496
Address: _____
City, State, Zip: Oklahoma City, OK 73154-0496

New Operator Information:

Effective Date: 02/01/02
New Ogrid: 210094
New Name: DKD, L.L.C.
Address: P. O. Box 682
Address: _____
City, State, Zip: Tatum, NM 88267

I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information on this form and the attached list of wells is true and complete to the best of my knowledge and belief.

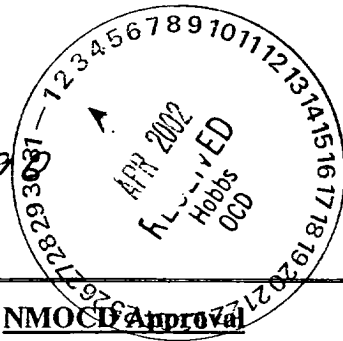
New Operator

Signature: Danny R. Watson

Printed name: DANNY R. WATSON

Title: PRES.

Date: 4/1/02 Phone: (505) 398-349



Previous operator complete below:

Previous
Operator: Chesapeake Operating, Inc.
Previous
OGRID: 147179
Signature: Douglas J. Jacobson
Printed
Name: Douglas J. Jacobson

<u>NMOCD Approval</u>	
Signature: <u>Paul F. Krautz</u>	
Printed Name: <u>PAUL F. KRAUTZ</u>	
District: <u>PETROLEUM ENGINEER</u>	
Date: <u>APR 15 2002</u>	

Sr. Vice Pres. - Acq. & Divest.