



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

ADMINISTRATIVE ORDER NO. WFX-775

APPLICATION OF PHILLIPS PETROLEUM COMPANY TO EXPAND ITS WATERFLOOD PROJECT IN THE MALJAMAR GRAYBURG-SAN ANDRES POOL IN LEA COUNTY, NEW MEXICO

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Division Order No. R-3154, Phillips Petroleum Company made application to the Division on May 7, 2001, for permission to expand its Phillips Leamex Waterflood Project in the Maljamar Grayburg-San Andres Pool in Lea County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

- (1) The application has been filed in due form.
- (2) Satisfactory information has been provided that Phillips Petroleum Company owns all the affected offset acreage.
- (3) No objection has been received within the waiting period as prescribed by Rule 701(B).
- (4) The proposed injection wells are eligible for conversion to injection under the terms of Rule 701.
- (5) The proposed expansion of the above-referenced Phillips Leamex Waterflood Project will not cause waste nor impair correlative rights.
- (6) The application should be approved.

IT IS THEREFORE ORDERED THAT:

The applicant, Phillips Petroleum Company is hereby authorized to inject water into the Grayburg-San Andres formation through the gross perforated and/or open hole interval from approximately 4,180 feet to approximately 4,750 feet through 2 3/8-inch plastic-lined tubing set in a packer located within 100 feet of the uppermost injection perforations or casing shoe within the six wells shown on Exhibit "A" attached hereto, for purposes of secondary recovery to wit.

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 the wells shown on Exhibit "A", the casing in each well 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 wells or system shall be equipped with a pressure limiting device which will limit the wellhead pressure on the injection wells to 836 psi.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said wells that such higher pressure will not result in migration of the injected fluid from the Grayburg-San Andres 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 injection equipment and of the mechanical integrity tests 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 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-3154 and Rules 702-706 of the Division Rules and Regulations 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.

Administrative Order WFX-775

Phillips Petroleum Company

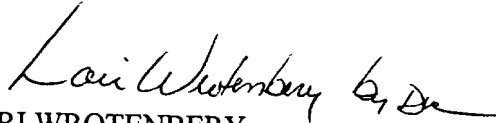
June 12, 2001

Page 3

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 wells, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

DONE at Santa Fe, New Mexico, on this 12th day of June, 2001.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

S E A L

LW/DRC

cc: Oil Conservation Division - Hobbs /
State Land Office-Oil & Gas Division

Exhibit "A"
Division Order No. WFX-775
Phillips Leamex Waterflood Project
Approved Injection Wells

Well Name & Number	API Number	Well Location (All in Township 17 South, Range 33 East)	Injection Interval	Packer Depth
Leamex No. 58	30-025-35570	660' FSL & 2130' FEL, Unit O, Section 24	4,180' - 4,750'	4,140'
Leamex No. 59	30-025-35571	760' FSL & 700' FWL, Unit M, Section 24	4,180' - 4,750'	4,140'
Leamex No. 60	30-025-35572	1980' FSL & 1980' FWL, Unit K, Section 24	4,180' - 4,750'	4,140'
Leamex No. 61	30-025-35573	660' FNL & 1940' FWL, Unit C, Section 25	4,180' - 4,750'	4,140'
Leamex No. 62	30-025-35574	1980' FSL & 660' FEL, Unit J, Section 23	4,180' - 4,750'	4,140'
Leamex No. 63	30-025-35575	1980' FNL & 660' FWL, Unit E, Section 24	4,180' - 4,750'	4,140'