

State of New Mexico
Energy, Minerals and Natural Resources Department

Michelle Lujan Grisham
Governor

Sarah Cottrell Propst
Cabinet Secretary

Todd E. Leahy, JD, PhD
Deputy Cabinet Secretary

Adrienne Sandoval, OCD Director
Oil Conservation OCD



Administrative Order SWD-2381
July 16, 2020

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Pursuant to the provisions of the Oil Conservation Division (OCD) Rule 19.15.26.8(B) NMAC, BAM Permian Operating, LLC (the “Operator”) seeks an administrative order to authorize the Linley State SWD No. 1 (“the Proposed Well”) with a location of 201 feet from the South line and 999 feet from the West line, Unit letter M of Section 32, Township 15 South, Range 29 East, NMPM, Chavez County, New Mexico, for the purpose of commercial disposal of produced water.

THE OCD DIRECTOR FINDS THAT:

The original application was duly filed under the provisions of OCD Rule 19.15.26.8(B) NMAC and satisfactory information was provided that affected parties as defined in said rule have been notified and no objection was received within the prescribed waiting period. The applicant presented satisfactory evidence that all requirements prescribed in Rule 19.15.26.8 NMAC were met and the operator is in compliance with Rule 19.15.5.9 NMAC.

IT IS THEREFORE ORDERED THAT:

The applicant, BAM Permian Operating, LLC (OGRID 328565), is hereby authorized to utilize its Ted 28 SWD Well No. 1 (API 30-005-Pending) located 201 feet from the South line and 999 feet from the West line, Unit letter M of Section 32, Township 15 South, Range 29 East, NMPM, Chavez County, for disposal of oil field produced water (UIC Class II only) through a perforated interval within the San Andres and Glorieta formations from 3750 feet to 4060 feet. Injection shall occur through 3½-inch or smaller internally-coated tubing within the 7-inch casing and a packer set a maximum of 100 feet above the top of the perforated interval.

This permit does not allow disposal into the Yesso/Paddock formation (middle Leonardian) or lost circulation intervals directly on top and obviously connected to this formation. The operator shall provide geophysical logs (triple combo) and a mudlog over the proposed interval which verify that only the permitted interval is completed for disposal.

In order to mitigate the potential impacts to cave and karst features and fresh water resources in the area, if any underground voids are opened up during well construction activities, construction will be halted and the OCD District II office will be notified immediately

The operator shall supply the OCD with a copy of a mudlog over the permitted disposal interval and a sample of the formation fluid for analysis. The operator shall have the sample analysed - for total dissolved solids and general chemistry including major cations and anions. If significant hydrocarbon shows occur while drilling, the operator shall notify the OCD's District II and the operator shall be required to receive written permission prior to commencing injection.

*The operator shall supply the results of the water sample to OCD's District II office and Santa Fe Bureau office prior to commencing injection. **If the analysis of the sample is found to contain a TDS concentration of 10000 milligrams per liter or less, the injection authority under this Order shall be suspended ipso facto***

Within two (2) years after commencing disposal, the operator shall conduct an injection survey, consisting of a temperature log or equivalent, over the entire injection interval using representative disposal rates. Copies of the survey results shall be provided to the OCD's District II office and Santa Fe Engineering Bureau office.

IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the disposed water enters only the approved disposal interval and is not permitted to escape to other formations or onto the surface. This includes the completion and construction of the well as proposed in the application and, if necessary, as modified by the OCD District Supervisor.

After installing tubing, the casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge or an approved leak detection device in order to determine leakage in the casing, tubing, or packer. The casing shall be pressure tested from the surface to the packer setting depth to assure casing integrity.

The well shall pass an initial mechanical integrity test ("MIT") prior to initially commencing disposal and prior to resuming disposal each time the disposal packer is unseated. All MIT procedures and schedules shall follow the requirements in OCD Rule 19.15.26.11(A) NMAC. The Director retains the right to require at any time wireline verification of completion and packer setting depths in this well.

Without limitation on the duties of the operator as provided in OCD Rules 19.15.29 and 19.15.30 NMAC, or otherwise, the operator shall immediately notify the OCD's District II office of any failure of the tubing, casing or packer in the well, or of any leakage or release of water, oil or gas from around any produced or plugged and abandoned well in the area, and shall take such measures as may be timely and necessary to correct such failure or leakage.

If the disposal well fails a MIT or if there is evidence that the mechanical integrity of said well is impacting correlative rights, the public health, any underground sources of fresh water, or the environment, the Director shall require the well to be shut-in within 24 hours of discovery and the operator shall redirect all disposal waters to another facility. The operator shall take the necessary actions to address the impacts resulting from the mechanical integrity issues in

accordance with OCD Rule 19.15.26.10 NMAC, and the well shall be tested pursuant to Rule 19.15.26.11 NMAC prior to returning to injection.

The wellhead injection pressure on the well shall be limited to **no more than 750 psi**. In addition, the disposal well or system shall be equipped with a pressure limiting device in workable condition which shall, at all times, limit surface tubing pressure to the maximum allowable pressure for this well.

The Director may authorize an increase in tubing pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the disposed fluid from the target formation. Such proper showing shall be demonstrated by sufficient evidence including but not limited to an acceptable Step-Rate Test.

The operator shall notify the supervisor of the OCD's District II office of the date and time of the installation of disposal equipment and of any MIT so that the same may be inspected and witnessed. The operator shall provide written notice of the date of commencement of disposal to the OCD's District office. The operator shall submit monthly reports of the disposal operations on OCD Form C-115, in accordance with OCD Rules 19.15.26.13 and 19.15.7.24 NMAC.

Without limitation on the duties of the operator as provided in OCD rules 19.15.29 and 19.15.30 NMAC, or otherwise, the operator shall immediately notify the OCD's District II office of any failure of the tubing, casing or packer in the well, or of any leakage or release of water, oil or gas from around any produced or plugged and abandoned well in the area, and shall take such measures as may be timely and necessary to correct such failure or leakage.

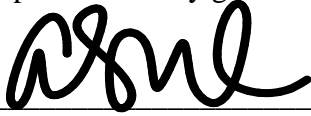
The injection authority granted under this order is not transferable except upon OCD approval. The OCD may require the operator to demonstrate mechanical integrity of any injection well that will be transferred prior to approving transfer of authority to inject.

The OCD may revoke this injection order after notice and hearing if the operator is in violation of Rule 19.15.5.9 NMAC.

The disposal authority granted herein shall terminate one (1) year after the effective date of this order if the operator has not commenced injection operations into the subject well. One year after the last date of reported disposal into this well, the OCD shall consider the well abandoned, and the authority to dispose will terminate *ipso facto*. The OCD, upon written request mailed by the operator prior to the termination date, may grant an extension thereof for good cause.

Compliance with this Order does not relieve the operator of the obligation to comply with other applicable federal, state or local laws or rules, or to exercise due care for the protection of fresh water, public health and safety and the environment.

Jurisdiction is retained by the OCD 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 or protectable waters or (2) consistent with the requirements in this order, whereupon the OCD may, after notice and hearing, terminate the disposal authority granted herein.

A handwritten signature in black ink, appearing to read 'AS', is written over a horizontal line.

ADRIENNE SANDOVAL
Director

AS/dhr

cc: Oil Conservation OCD – Artesia District Office