



New Mexico Energy, Minerals and Natural Resources Department

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Division Director
Oil Conservation Division



Administrative Order SWD-317-A
October 18, 2008

APPLICATION OF WALTER EXPLORATION, INC. FOR PRODUCED WATER DISPOSAL, CHAVES COUNTY, NEW MEXICO

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), Walter Exploration, Inc. (OGRID 24581) made application to the New Mexico Oil Conservation Division for permission to utilize for produced water disposal its J.G. O'Brian Well No. 3 (API No. 30-005-60907) located 1930 feet from the North line and 1830 feet from the West line of Section 31, Township 7 South, Range 29 East, NMPM, Chaves County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

The application has been duly filed under the provisions of Rule 701(B) of the Division Rules and Regulations. Satisfactory information has been provided that affected parties as defined in Rule 701B(2) have been notified and no objections have been received within the prescribed waiting period. The applicant has presented satisfactory evidence that all requirements prescribed in Rule 701 will be met and the operator is in compliance with the Division's Rule 40.

IT IS THEREFORE ORDERED THAT:

Walter Exploration, Inc. is hereby authorized to utilize its J.G. O'Brian Well No. 3 (API No. 30-005-60907) located 1930 feet from the North line and 1830 feet from the West line of Section 31, Township 7 South, Range 29 East, NMPM, Chaves County, New Mexico, in such manner as to permit the injection of produced water for disposal purposes into the San Andres formation through perforations from 2260 feet to 2700 feet and through plastic-lined tubing set with a packer located within 100 feet of the top of the injection interval.

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.

As preparation for injection, the operator shall attempt to cut and pull the 5-1/2 inch casing from above the cement top at approximately 2780 feet and set (and verify) a cement plug from that depth up and into the 9-5/8 inch casing shoe – or alternate procedure as directed by the Artesia district office.

The operator shall perforate and swab test the San Andres interval and report results of the test and of the initial reservoir pressure to the Division on sundry reports.

Prior to injection, the operator shall submit a water analysis report of the swabbed in-situ waters to the Division's engineering bureau in Santa Fe. If water salinity is less than 10,000 mg/l of TDS; then this permit is no longer in effect and permission to inject into the San Andres formation is denied.

After installing injection 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 wellhead injection pressure on the well shall be limited to **no more than 452 psi**. In addition, the injection well or system shall be equipped with a pressure limiting device in workable condition which shall, at all times, limit surface injection pressure to the maximum allowable pressure for this well.

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 Division's district office 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 provide written notice of the date of commencement of injection to the Division's district office. The operator shall submit monthly reports of the disposal operations on Division Form C-115, in accordance with Rule Nos. 706 and 1115 of the Division Rules and Regulations.

Without limitation on the duties of the operator as provided in Division Rules 19 and 116, or otherwise, the operator shall immediately notify the Division's district 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.

In accordance with Rule No 705.C, 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, mailed by the operator prior to the termination date, may grant an extension thereof for good cause shown. One year after injection operations into the well has ceased, the injection authority will terminate *ipso facto*.

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 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 or protectable waters or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the injection authority granted herein.


MARK E. FESMIRE, P.E.
Director

MEF/wvj

cc: Oil Conservation Division – Artesia