Administrative Order SWD-1679-A
June 12, 2018

ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION

Pursuant to the provisions of Division Rule 19.15.26.8B. NMAC, OWL SWD Operating, LLC (the "operator") seeks an administrative order for its proposed Gold Coast 26 Federal SWD Well No. 3 (API No. 30-025-Pending; "proposed well") to be located 2548.5 feet from the South line and 2607 feet from the West line, Unit letter K of Section 26, Township 24 South, Range 32 East, NMPM, Lea County, New Mexico, for the purpose of commercial disposal of produced water.

This amended administrative order addresses the new surface location of the proposed well. This order supersedes the original administrative order, SWD-1679 dated June 27, 2017.

THE DIVISION DIRECTOR FINDS THAT:

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

IT IS THEREFORE ORDERED THAT:

The applicant, OWL SWD Operating, LLC (OGRID 308339) is hereby authorized to utilize its proposed Gold Coast 26 Federal SWD Well No. 3 (API No. 30-025-Pending) to be located 2548.5 feet from the South line and 2607 feet from the West line, Unit letter K of Section 26, Township 24 South, Range 32 East, NMPM, Lea County, New Mexico, for disposal of oil field produced water (UIC Class II only) through an open-hole interval within Devonian and Silurian formations from approximately 17050 feet to approximately 19000 feet. Injection shall occur through internally-coated $4^{-1/2}$-inch or smaller tubing and a packer set a maximum of 100 feet above the top of the disposal interval.

This permit does not allow disposal into the Ellenburger formation (lower Ordovician) or lost circulation intervals directly on top and obviously connected to this formation.

Prior to commencing disposal, the operator shall submit mudlog and geophysical logs information, to the Division's District geologist and Santa Fe Engineering Bureau office, showing

evidence agreeable that only the permitted formation is open for disposal including a summary of depths (picks) for contacts of the formations which the Division shall use to amend this order for a final description of the depth for the injection interval.

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 well construction proposed in the application and any required modifications of construction as required by the Division.

The operator shall circulate the cement behind the casing to surface for all surface and intermediate casings.

The operator shall run a CBL (or equivalent) across the 7-inch liner from 500 feet above the liner to the bottom of the liner to demonstrate a good cement across the 7-inch liner, and good bond between the liner and the 9-5/8-inch casing.

Within two 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 Division's District I office and Santa Fe Engineering Bureau office.

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 Division Rule 19.15.26.11A. NMAC. The Division Director retains the right to require at any time wireline verification of completion and packer setting depths in this well.

The wellhead injection pressure on the well shall be limited to **no more than 3410 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 Division Director retains the right to require at any time the operator to install and maintain a chart recorder showing casing and tubing pressures during disposal operations.

The Director of the Division 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 Division's District 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 Division's District office. The operator shall submit monthly reports of the disposal operations on Division Form C-115, in accordance with Division Rules 19.15.26.13 and 19.15.7.24 NMAC.

Without limitation on the duties of the operator as provided in Division Rules 19.15.29 and 19.15.30 NMAC, 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.

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

The Division may revoke this injection permit 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 year after the effective date of this Order if the operator has not commenced injection operations into the proposed well. One year after the last date of reported disposal into this well, the Division shall consider the well abandoned, and the authority to dispose will terminate *ipso facto*. The Division, 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 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 disposal authority granted herein.

HEATHER RILEY
Director

HR/mam

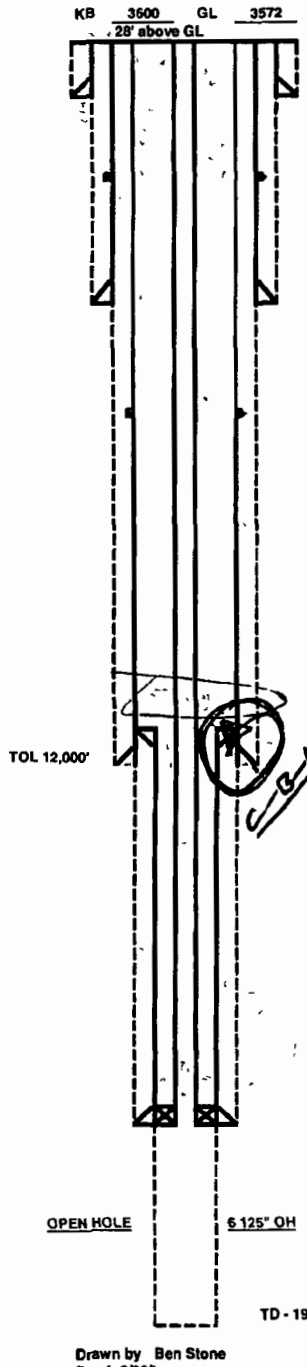
cc: Oil Conservation Division – Hobbs District Office
Bureau of Land Management – Carlsbad Field Office
Administrative Application - pMAM1816240298

revised 6-26-2017

OWL

PROPOSED WELLBORE

WELL NAME	Gold Coast 26 Fed SWD No	SPUD		API#	
POOL	SWD; DEVONIAN-SILURIAN (97869)	RIG RELEASE		AFE#	
LOCATION	2650' FSL & 2650' FWL	COMP DATE			
	Sect 26, T-24S, R-32E	DRILLING RIG			
COUNTY/STATE	Lea County, New Mexico				



SURFACE CASING BTC

DEPTH 750' SIZE 20" WT 94 GRADE J/K-55 BIT SIZE 26"

CEMENT Lead 1025 sx ExtendaCem + 2% CaCl + 0.25 pps Celloflake (13.5 ppg 1.76 yld) Tail 375 sx Cl C + 2% CaCl + 0.25 pps Celloflake (14.8 ppg 1.34 yld) Cement circulated to surface

1st INTERMEDIATE CASING STC

DEPTH 4900' SIZE 13-3/8" WT 68 GRADE HCP-110 BIT SIZE 17-1/2"

CEMENT Two Stage- Stg 1-Lead 2170 sx HLC + 5% Salt (12.7 ppg 1.94 yld) Tail 300 sx Class C cmt + 2% CaCl (14.8 ppg 1.34 yld) Stg 2 - Lead 1820 sx HLC + 5% Salt (12.7 ppg 1.94 yld) Tail 200 sx Cl C cmt + 2% CaCl (14.8 ppg 1.34 yld) Circulate cmt to surface

DV TOOL 2,500'

2nd INTERMEDIATE CASING LTC

DEPTH 12200' SIZE 9-5/8" WT 53.5 GRADE HCP-110 BIT SIZE 12-1/4"

CEMENT Two Stage Cmt Job Stg 1 - Lead 1535 sx HLC cmt (11.9 ppg 2.45 yld) Tail 100 sx Cl H cmt. (14.2 ppg 1.27 yld) Stg 2 - Lead 800 sx HLC (11.9 ppg 2.45 yld) Tail 100 sx Cl H (14.2 ppg 1.27 yld) Circulate cmt to surface

DV TOOL 5,000'

LINER UFJ

DEPTH 12,000' - 17,050' SIZE 7.0" WT 35 GRADE P-110 BIT SIZE 8 1/2

CEMENT 300 sx Class H cmt + additives

TUBING LTC

DEPTH 16950' SIZE 4-1/2" IPC WT 15.1 GRADE P-110 PKR 16955'

Drawn by Ben Stone
Rvsd 6/26/