

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

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Heather Riley, Division Director
Oil Conservation Division



Administrative Order SWD-1747
July 26, 2018

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Pursuant to the provisions of Division Rule 19.15.26.8(B) NMAC, Dugan Production Corporation (the "operator") seeks an administrative order for its PGA Unit SWD 33 Well No. 4 ("proposed well") with a location of 271 feet from the South line and 184 feet from the East line, Unit P of Section 33, Township 24 North, Range 11 West, NMPM, San Juan County, New Mexico, for the purpose of produced water disposal.

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 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 Division Rule 19.15.26.8 NMAC have been met and the operator is in compliance with Division Rule 19.15.5.9 NMAC.

IT IS THEREFORE ORDERED THAT:

The applicant, Dugan Production Corporation (OGRID 6515), is hereby authorized to utilize its PGA Unit SWD 33 Well No. 4 (API 30-045-35870) with a location of 271 feet from the South line and 184 feet from the East line, Unit P of Section 33, Township 24 North, Range 11 West, NMPM, San Juan County, for disposal of oil field produced water (UIC Class II only) through perforations into an interval consisting of Entrada formation from 6320 feet to 6570 feet. Injection will occur through internally-coated, 3^{-1/2}-inch or smaller tubing with a packer set within 100 feet of the top perforation of the disposal interval.

Sources of the UIC Class II fluids for disposal in the proposed well shall be limited to the production from wells operated by Dugan Production Corporation. Sources of UIC Class II fluids from other operators not operated by Dugan Production Corporation shall not be permitted for disposal in the proposed well.

If cement does not circulate on any casing string, the operator shall run a cement bond log (CBL) or other log to determine top of cement and shall notify the Aztec District with the top of cement on the emergency phone number prior to continuing with any further cement activity with the proposed well. If cement did not tie back in to next higher casing shoe, the operator shall

perform remedial cement job to bring cement, at a minimum, 200 feet above the next higher casing shoe.

Prior to commencing disposal, the operator shall submit mudlog and geophysical logs information, to the Division's District geologist and Santa Fe Bureau Engineering 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. If significant hydrocarbon shows occur while drilling, the operator shall notify the Division's District Office and the operator shall be required to receive written permission prior to commencing disposal.

The operator shall conduct a swab test of the new perforations for hydrocarbon potential analysis of hydrocarbon content. The Division's District office shall be noticed prior to this test and given the opportunity to witness the swab test. The operator shall supply the Division's District office and Santa Fe Engineering Bureau office a Sundry notice with the results of the swab test prior to commencing injection.

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 described in the application with the following modifications and, if necessary, as modified by the 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 Division Rule 19.15.26.11(A) 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 1264 psi**. 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 formations. Such proper showing shall be demonstrated by sufficient evidence including but not limited to an acceptable Step-Rate Test.

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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 that includes number of days of operation, injection volume, and injection pressure on Division Form C-115, in accordance with Division Rules 19.15.26.13 and 19.15.7.24 NMAC.


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 injection well that will be transferred prior to approving transfer of authority to inject.

The Division 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 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 – Aztec District Office
Bureau of Land Management – Farmington
Well File - 30-045-35870