

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

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Deputy Cabinet Secretary

Heather Riley, Division Director
Oil Conservation Division



Administrative Order SWD-1641-A
October 12, 2018

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Pursuant to the provisions of Division Rule 19.15.26.8(B) NMAC, Mesquite SWD, Inc. (the "operator") seeks an administrative order to authorize the Outer Banks SWD Well No. 1 located 1990 feet from the South line and 955 feet from the East line, Unit I of Section 13, Township 20 South, Range 29 East, NMPM, Eddy County, New Mexico, for the commercial disposal of produced water.

This Order approves a request for an increase of tubing size and incorporates an extension of the deadline to commence injection approved in a Division correspondence dated August 20, 2018. This Order supersedes Division Order SWD-1641 issued on August 4, 2016.

THE DIVISION DIRECTOR FINDS THAT:

The application has been duly filed under the provisions of Division Rules 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, Mesquite SWD, Inc. (OGRID 161968), is hereby authorized to utilize its Outer Banks SWD Well No. 1 (API 30-015-43868) located 1990 feet from the South line and 955 feet from the East line, Unit I of Section 13, Township 20 South, Range 29 East, NMPM, Eddy County, for commercial disposal of oil field produced water (UIC Class II only) in the Devonian formation, through open-hole interval from 13180 feet to 14180 feet. Injection will occur through internally-coated, 5½-inch or smaller tubing within the 7⅝-inch production casing and a packer set within 100 feet of the open-hole 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 completion and construction of the well as proposed in the amended application, and as modified, if necessary, by the District Supervisor or the Bureau of Land Management.

The operator shall run separate casing strings through both the potash interval and the Capitan Reef aquifer as proposed in Exhibit No. 4 of the amended application dated August 30, 2018.

This permit is limited as advertised to only the Devonian-aged rocks and to the depths listed above. It does not permit disposal into deeper formations including the Ellenburger formation (lower Ordovician) or lost circulation intervals directly on top and obviously connected to that formation.

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.

Operator shall submit the results of the swab test which shall include formation water analysis and hydrocarbon potential of the injection interval to the Division's District geologist and Santa Fe Bureau Engineering office prior to commencing injection.

The operator shall run a CBL (or equivalent) across the 7-inch casing to surface to ensure good cement across the 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 II 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 19.15.26.11(A) NMAC. The Division Director retains the right to require at any time wireline verification of completion and packer setting depths in this well.

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 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 Division 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 Division 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 2636 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 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 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 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 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.

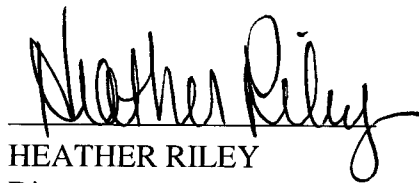
The injection authority granted under this order is not transferable except upon Division approval. The Division may require the operator to demonstrate mechanical integrity of any injection well that will be transferred prior to approving transfer of authority to inject.

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 on August 4, 2019, 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 as detailed in the Division correspondence dated August 20, 2018.

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/prg

cc: Oil Conservation Division – Artesia District Office
Bureau of Land Management – Carlsbad Field Office
Well file 30-015-43868

Attachment: Well Diagram from Amended Application – Exhibit No. 4