Administrative Order SWD-1998
February 13, 2020

ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION

Pursuant to the provisions of Division Rule 19.15.26.8(B) NMAC, NGL Water Solutions Permian, LLC (the "operator") seeks an administrative order to utilize its Salado Draw SWD 13 Well No. 1 with a surface location of 290 feet from the South line and 10 feet from the West line, Unit letter M of Section 13, and a bottom-hole location of 334 feet from the South line and 38 feet from the East line, Unit letter P of Section 14, both in Township 26 South, Range 32 East, NMPM, Lea County, New Mexico, for the purpose of commercial disposal of produced water.

The operator has re-entered the plugged well and sidetracked for a new completion in the permitted injection interval approved under Administrative Order SWD-1488-A. Additionally, this Order provides for corrected depths of the permitted injection interval, the Devonian and Silurian formations, following the submittal of data as requested in the order. This new Order approves the modifications (1) for the extension of the deadline to commence injection and (2) the corrected depths of the permitted interval. This Order supersedes Administrative Order SWD-1488-A issued June 22, 2017, and Order SWD-1488-A is rescinded.

THE DIVISION DIRECTOR FINDS THAT:

The application has been duly filed under the provisions of 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 objections have been received within the prescribed waiting 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, NGL Water Solutions Permian, LLC (OGRID 372338), is hereby authorized to utilize its Salado Draw SWD 13 Well No. 1 (API 30-025-42354) with a surface location of 290 feet from the South line and 10 feet from the West line, Unit letter M of Section 13, and a bottom-hole location of 334 feet from the South line and 38 feet from the East line, Unit letter P of Section 14, both in Section 13, Township 26 South, Range 32 East, NMPM, Lea County, for disposal of oil field produced water (UIC Class II only) through open hole into the Devonian and Silurian formations from 17876 feet to 19460 feet. Injection will occur through internally-coated, 5½-inch or smaller tubing within the 7⅝-inch (sidetracked) liner and a packer set within 100 feet of the top

of the disposal interval. This permit does not allow disposal into:

1. The Woodford Shale and formations above the lower contact of the Woodford Shale;
2. Formations below the Silurian formations including the Montoya formation and the Ellenburger formation (lower Ordovician); and
3. Any lost circulation intervals directly on top and obviously connected to these formations.

Due to the limited availability of subsurface information, the Director shall retain the authority to require the following modification(s) of this order without hearing:

(1) Additional testing of the injection interval such as an injection profile;
(2) A reduction in the approved maximum daily rate of injection; and /or
(3) Pugging back of the open-hole interval to a depth acceptable to the Division.

Any modification of the order shall be based on additional information available following approval of this order or observations related to the operation of the well which indicates injection out of the approved interval, impacts correlative rights, or fails to provide protection of fresh water, public health and safety and the environment.

Following any modification of the well that requires a mechanical integrity test ("MIT") prior to returning to disposal operation, the operator shall obtain a bottom-hole pressure measurement representative of the open-hole completion and provided the results in a Sundry notice to the Division.

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 and described in the application, and as modified by the requirements of the Bureau of Land Management or 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 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 I 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 maximum surface injection pressure on the well shall be limited to no more than 3575 psi and the maximum daily injection rate shall be no greater than 40,000 barrels. 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 I 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.

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 I 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 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 two (2) years 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.

ADRIENNE SANDOVAL
Director

AS/drc-prg

cc: Oil Conservation Division – Hobbs District Office
Bureau of Land Management – Carlsbad Field Office
Well file 30-025-42354