

State of New Mexico  
Energy, Minerals and Natural Resources Department

---

**Michelle Lujan Grisham**  
Governor

**Sarah Cottrell Propst**  
Cabinet Secretary

**Todd E. Leahy, JD, PhD**  
Deputy Cabinet Secretary

**Adrienne Sandoval, Director**  
Oil Conservation Division



Administrative Order SWD-2093  
September 1, 2020

**ADMINISTRATIVE ORDER  
OF THE OIL CONSERVATION DIVISION**

Pursuant to the provisions of the Oil Conservation Division (OCD) Rule 19.15.26.8(B) NMAC, Spur Energy Partners, LLC (the “Operator”) seeks an administrative order to authorize the Morris Arco 26 No. 2 (“the Proposed Well”) with a location of 990 feet from the North line and 1650 feet from the East line, Unit letter B of Section 26, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, for the purpose of disposal of produced water.

This order amends Administrative Order SWD-1731 issued August 8, 2018. This order approves injection into the Cisco and Canyon formations (SWD; Canyon) and abandonment of the current Devonian injection interval (SWD; Devonian). The well will be summarily plugged and abandoned from the bottom of the Open hole interval at 10559 feet of the Silurian-Devonian formations, to base of the Canyon formation at 8190 feet. This order supersedes Administrative Order SWD-1731 which is rescinded.

**THE OCD DIRECTOR FINDS THAT:**

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

**IT IS THEREFORE ORDERED THAT:**

The applicant, Spur Energy Partners, LLC, (OGRID 328947), is hereby authorized to utilize its Morris Arco 26 No. 2(API 30-015-29258) located 990 feet from the North line and 1650 feet from the East line, Unit letter B of Section 26, Township 19 South, Range 25 East, NMPM, Eddy County, for disposal of oil field produced water (UIC Class II only) through a perforated interval within the Canyon formation from 7840 feet to 8190 feet. Injection shall occur through 2.875 inch or smaller internally-coated tubing within the 5.5-inch casing and a packer set deeper than 7800 feet.

*Sources of the UIC Class II fluids for disposal in the subject well shall be limited to the production from wells operated by Spur Energy Partners, LLC. Sources of UIC Class II fluids from other operators not operated by Spur Energy Partners, LLC shall not be permitted for disposal in the subject well.*

*The injection authority granted under this order is not transferable except upon approval of the OCD Director. The Director shall only approve a change of operator if the conditions regarding the sources of UIC Class II fluids, identified in the preceding paragraph of this order, are maintained by the new operator. If the new operator does not comply with these conditions, the injection authority granted under this order shall terminate ipso facto. The OCD may require the operator to demonstrate mechanical integrity of this injection well prior to approving transfer of authority to inject.*

*The operator shall run a CBL (or equivalent) across the 5.5-inch production casing from 500 feet above the top of production casing to the bottom of the production casing to demonstrate cement coverage across the 5.5-inch production casing, and a bond between the production casing and the 7-inch casing. The operator shall notify OCD's District geologist and the OCD Engineering Bureau of the top of the cement in the 5.5-inch production casing. If the cement on the backside of the 5.5-inch production casing does not tie back into the 7-inch casing, the operator shall perform a remedial cement job to bring cement to at least 200 feet above the 7-inch casing shoe.*

*Further, this permit does not allow disposal into the Cisco or Strawn formations or lost circulation into other formations or intervals.*

**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 application and, if necessary, as modified by the OCD 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 OCD Rule 19.15.26.11(A) NMAC. The Director retains the right to require at any time wireline verification of completion and packer setting depths in this well.

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 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 OCD 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 1568 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 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 OCD'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 OCD's District office. The operator shall submit monthly reports of the disposal operations on OCD Form C-115, in accordance with OCD Rules 19.15.26.13 and 19.15.7.24 NMAC.

Without limitation on the duties of the operator as provided in OCD rules 19.15.29 and 19.15.30 NMAC, or otherwise, the operator shall immediately notify the OCD'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.

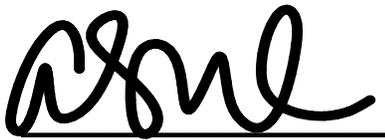
The injection authority granted under this order is not transferable except upon OCD approval. The OCD may require the operator to demonstrate mechanical integrity of any injection well that will be transferred prior to approving transfer of authority to inject.

The OCD 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 OCD shall consider the well abandoned, and the authority to dispose will terminate *ipso facto*. The OCD, 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 OCD 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 OCD may, after notice and hearing, terminate the disposal authority granted herein.

A handwritten signature in black ink, appearing to read 'AS', written over a horizontal line.

ADRIENNE SANDOVAL  
Director

AS/dhr

cc: Oil Conservation Division – Artesia District Office