

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



Administrative Order SWD-1320
April 23, 2012

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Under the provisions of 19.15.26.8B NMAC, Cimarex Energy Co. of Colorado seeks an administrative order to utilize its proposed Pearsall Federal SWD Well No. 1 (API 30-015-NA) to be located 2303 feet from the North line and 1260 feet from the West line, Unit letter E of Section 28, Township 17 South, Range 32 East, NMPM, Eddy County, New Mexico, for produced water disposal purposes.

THE DIVISION DIRECTOR FINDS THAT:

The application has been duly filed under the provisions of 19.15.26.8B NMAC and satisfactory information has been provided that affected parties as defined in said rule have been notified. The applicant has presented satisfactory evidence that all requirements prescribed in 19.15.26.8 NMAC have been met and the operator is in compliance with 19.15.5.9 NMAC.

Frontier Field Services, LLC, the operator of an approved Acid Gas disposal well within the Wolfcamp formation and within one mile of this location, expressed concerns and reached an agreement with Cimarex. Subsequent to this agreement, both companies have asked the Division to include the special requirements outlined below.

IT IS THEREFORE ORDERED THAT:

The applicant, Cimarex Energy Co. of Colorado, is hereby authorized to utilize its proposed Pearsall Federal SWD Well No. 1 (API 30-015-NA) to be located 2303 feet from the North line and 1260 feet from the West line, Unit letter E of Section 28, Township 17 South, Range 32 East, NMPM, Eddy County, New Mexico, for disposal of oil field produced water (UIC Class II only) into the Wolfcamp formation through perforations from 9550 feet to 10200 feet through lined tubing and a packer set less than 100 feet above the permitted disposal interval.

Due to this well being approximately 0.62 miles southwest of a permitted Wolfcamp Acid Gas disposal well (30-025-40420), the operator shall use caution while drilling, completing, working-over, and injecting into this well and shall equip the well site with H2S warning signs or flags.

As further conditions of this permit, the operator of this disposal well shall:

- a. Limit the total disposal volume into this well to 15 million barrels.
- b. Limit the maximum disposal rate to 5,000 barrels per day and 1910 psi maximum well head pressure.
- c. Report in writing (referencing this well and this disposal permit) to both the Division and to Frontier Field Services, LLC or successor by the end of each January after the previous calendar year (i) the annual volumes disposed, (ii) the monthly or daily disposal volumes and pressures, (iii) a summary of changes in well conditions and (iv) itemized operations conducted on the well.
- d. Limit disposed fluids to only those produced from Cimarex or successor's own operations – disposed fluids not to be sourced from oil wells operated by multiple producers.

Any changes in these permit conditions, including the tubing pressure limit, shall be subject to Division approval after notice to affected parties including Frontier Field Services, LLC or successor, and opportunity for hearing.

IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the disposed water enters only the proposed disposal interval and is not permitted to escape to other formations or onto the surface.

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 testing procedures and schedules shall follow the requirements in Division Rule 19.15.26.11A. NMAC.

The wellhead injection pressure on the well shall be limited to **no more than 1910 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.

After appropriate notice has been provided, 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 test 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 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 19.15.5.9 NMAC.

The disposal authority granted herein shall terminate two 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.


JAMI BAILEY
Director

JB/wvjj

cc: Oil Conservation Division – Artesia
Bureau of Land Management – Carlsbad