

State of New Mexico
Energy, Minerals and Natural Resources Department

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David R. Catanach, Division Director
Oil Conservation Division



Administrative Order SWD-1623
April 19, 2016

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Pursuant to the provisions of Division Rule 19.15.26.8(B) NMAC, BC Operating, Incorporated (the "operator") seeks an administrative order to re-enter and recomplete the Grande State Well No. 1 with a location 660 feet from the North line and 1980 feet from the West line, Unit letter C of Section 32, Township 23 South, Range 29 East, NMPM, Eddy 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 as defined in said rule have been notified. One objection was received and the application was assigned Case No. 15442. The objection was later withdrawn and the application was returned to the administrative review process. 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, BC Operating, Inc. (OGRID 160825) is hereby authorized to utilize its Grande State Well No. 1 (API No. 30-015-31910) with a location 660 feet from the North line and 1980 feet from the West line, Unit letter C of Section 32, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico, for disposal of oil field produced water (UIC Class II only) through a perforated interval within the Bell Canyon and Cherry Canyon formations from 3380 feet to 4350 feet. Injection shall occur through 3.5-inch or smaller, internally-coated tubing and a packer set a maximum of 100 feet above the top perforation.

This order limits disposal to those sources associated with production by the applicant, BC Operating, Inc. Any consideration for the conversion of this well to a commercial disposal operation shall require re-application for approval by 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 most recent application (contained in the Montgomery & Andrews Law Firm correspondence dated March 28, 2016) and,

if necessary, as determined by the District Supervisor.

Prior to commencing injection, the operator shall remedial cement the annulus of the 7-inch production casing from 5600 feet to surface. If the cement does not circulated to surface, then the operator shall run a radial cement bond log (or equivalent) showing placement of cement for the 7-inch casing. The operator shall supply both the Division's District II office and Santa Fe Bureau office with a copy of the log. If the bond log demonstrates successful placement of cement in the annulus to a minimum depth of 2268 feet, then no additional remedial cement action shall be required for the 7-inch casing. If the remedial activity does not place 500 feet of cement above the 9 $\frac{3}{8}$ -inch intermediate casing shoe, then the operator shall file a sundry with Division's District II office for a second remedial cement using the bond log to complete the top of cement to the minimum depth of 2268 feet.

The operator shall place a cast-iron bridge plug (or equivalent) with a cement cap at a depth of 4550 feet.

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 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.

The wellhead injection pressure on the well shall be limited to **no more than 676 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. At the discretion of the supervisor of the Division's District II office, the operator shall install and maintain a chart recorder showing casing and tubing pressures during disposal operations.

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 II 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.

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 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.



DAVID R. CATANACH
Director

DRC/prg

cc: Oil Conservation Division – Artesia District Office
State Land Office – Oil, Gas and Minerals Division