

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Tony Delfin
Acting Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



Administrative Order SWD-1655
November 28, 2016

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Pursuant to the provisions of Division Rule 19.15.26.8(B) NMAC, Llano Disposal, LLC (the "operator") seeks an administrative order to re-enter and recomplete the Screaming Eagle State Well No. 1 with a location 660 feet from the North line and 660 feet from the West line, Unit letter D of Section 11, Township 17 South, Range 36 East, NMPM, Lea County, New Mexico, for the commercial disposal of produced water.

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 One objection was received but was later withdrawn following a negotiated agreement that revised the original disposal interval. The applicant, Llano Disposal, LLC, amended the application for the new disposal interval and provided a second notice of this major modification to affected parties. 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, Llano Disposal, LLC (OGRID 370661) is hereby authorized to utilize its Screaming Eagle State Well No. 1 (API No. 30-025-39739) with a location 660 feet from the North line and 660 feet from the West line, Unit letter D of Section 11, Township 17 South, Range 36 East, NMPM, Lea County, New Mexico, for commercial disposal of oil field produced water (UIC Class II only) through an open-hole interval within the San Andres and upper Abo formations from 5480 feet to 8800 feet. Injection shall occur through 2 $\frac{7}{8}$ -inch or smaller, internally-coated tubing and a packer set a maximum of 100 feet above the top of the open-hole 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 well construction proposed and described in the most recent amendment (contained in the Pueblo West Resources, LLC correspondence dated October 20, 2016) and, if necessary, as determined by the District Supervisor.

Prior to commencing injection, the operator shall conduct a step-rate test acceptable to Division and provide the results of the test to the Division's District I office and the Engineering Bureau in Santa Fe. The operator may apply for an injection pressure increase above the administratively approved maximum surface injection pressure using the results of the Step Rate Test.

Within one year after commencing disposal and every fourth year following the commencement of 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 I 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.

The wellhead injection pressure on the well shall be limited to **no more than 1096 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 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 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 I 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 – Hobbs District Office
State Land Office – Oil, Gas and Minerals Division