

Kay C. Havenor

*Ph.D., Registered Geologist Arizona #30438
Certified Professional Geologist*

**Environmental - Hydrogeology
Remote Sensing - Resources**

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904 Moore Avenue
Roswell, New Mexico 88201

Mr. McMillan:

In reviewing the well data I have it appears that the Mesquite OXY Moutray well did penetrate the upper-most Montoya. As shown in the attached file it is apparent that portion is both dense and not porous. It is my opinion that disposed water in the disposed into the Siluro-Devonian will not penetrate into the Montoya.

Respectfully,

Kay Havenor

Inactive Well Additional Financial Assurance Report

161968 MESQUITE SWD, INC
Total Well Count: 22

Printed On: Wednesday, February 08 2017

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod'n]	Inactive Additional Bond Due	Measured Depth	Required Bond Amount	Bond Required Now	Covered By Blanket TA Bond	Bond In Place	In Violation
38571	BIG EDDY SWD #001	F	P-03-20S-31E	P	30-015-05819	S	12/2016		14205					0
315072	BLUE QUAIL SWD FEDERAL #001	F	F-11-25S-32E	F	30-025-42717	S	12/2016		Unknown					0
39091	BRAN SWD #001	F	P-11-24S-31E	P	30-015-25697	S	07/2014		6794					0
39602	CAGNEY 28 FEDERAL #001	F	P-28-17S-30E	P	30-015-35249	S	12/2016		11756					0
317379	CEDAR CANYON SWD #001	P	P-08-24S-29E	P	30-015-44054	S			Unknown					0
40322	COTTON DRAW SWD #066	F	E-10-25S-32E	E	30-025-22024	S	12/2016		15769					0
316783	CYPRESS SWD #001	F	L-34-23S-29E	L	30-015-43867	S			Unknown					0
316780	GNOME EAST SWD #001	F	L-26-23S-30E	L	30-015-43801	S			Unknown					0
38766	HEAVY METAL 12 FEDERAL #001	F	K-12-24S-31E	K	30-015-29602	S	07/2014		8554					0
307132	HOBBS STATE #003	S	B-29-18S-38E	B	30-025-23621	S	01/2010	02/01/2012	6083	11083	Y		11083	
301620	KAISER STATE #044	S	F-13-21S-34E	F	30-025-32741	O	03/2006	04/01/2008	4190	9190	Y		9190	
316767	OXY MOUTRAY SWD #001	P	A-28-24S-29E	A	30-015-43895	S			Unknown					0
316377	PADUCA 6 SWD #001	P	3-06-26S-32E	L	30-025-43277	S			960					0
	PADUCA 6 SWD #001Y	P	2-06-26S-32E	E	30-025-43379	S			Unknown					0
39498	PADUCA FEDERAL SWD #002	F	O-22-25S-32E	O	30-025-40813	S	12/2016		Unknown					0
	PADUCA FEDERAL SWD #003Y	F	C-23-25S-32E	C	30-025-42258	S	12/2016		Unknown					0
38668	PADUCA SWD #001	F	H-22-25S-32E	H	30-025-27616	S	12/2016		15850					0
309592	SAND HILLS SWD #001	F	O-31-17S-30E	O	30-015-29104	S	12/2016		13600					0
317126	STATION SWD #001	F	F-07-24S-32E	F	30-025-43473	S			Unknown					0
316781	UBER EAST SWD #001	F	I-24-23S-31E	I	30-015-43806	S			Unknown					0
316782	UBER NORTH SWD #001	F	B-15-23S-31E	B	30-015-43805	S			Unknown					0
309620	WEST JAL DISPOSAL #001	P	G-10-25S-36E	G	30-025-26676	S	12/2016	01/01/2019	9550	14550				0

WHERE Ogrid:161968

Inactive Well List

Total Well Count: 22 Inactive Well Count: 2
 Printed On: Wednesday, February 08 2017

District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
2	30-015-25697	BRAN SWD #001	P-11-24S-31E	P	161968	MESQUITE SWD, INC	F	S	07/2014	SEE COMMENTS BELL CYN- CHERRY CYN		
2	30-015-29602	HEAVY METAL 12 FEDERAL #001	K-12-24S-31E	K	161968	MESQUITE SWD, INC	F	S	07/2014	CONVERTED TO SWD-1269		

WHERE Ogrid:161968, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period

Submit To Appropriate District Office
Two Copies
District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 S. First St., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

NM OIL CONSERVATION State of New Mexico
ARTESIA DISTRICT Energy, Minerals and Natural Resources
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-105
Revised August 1, 2011

JAN 19 2017
RECEIVED

1. WELL API NO. **30-015-43895**

2. Type of Lease
 STATE FEE FED/INDIAN

3. State Oil & Gas Lease No.

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

4. Reason for filing:
 COMPLETION REPORT (Fill in boxes #1 through #31 for State and Fee wells only)
 C-144 CLOSURE ATTACHMENT (Fill in boxes #1 through #9, #15 Date Rig Released and #32 and/or #33; attach this and the plat to the C-144 closure report in accordance with 19.15.17.13.K NMAC)

5. Lease Name or Unit Agreement Name
OXY MOUTRAY SWD

6. Well Number:
1

7. Type of Completion:
 NEW WELL WORKOVER DEEPENING PLUGBACK DIFFERENT RESERVOIR OTHER

8. Name of Operator
MESQUITE SWD, INC.

9. OGRID
161968

10. Address of Operator
**PO BOX 1479
CARLSBAD NM 88221**

11. Pool name or Wildcat
[96101] SWD;DEVONIAN

12. Location	Unit Ltr	Section	Township	Range	Lot	Feet from the	N/S Line	Feet from the	E/W Line	County
Surface:	A	28	24S	29E		140	N	945	E	EDDY
BH:										

13. Date Spudded **10/03/2016**

14. Date T.D. Reached **11/17/2016**

15. Date Rig Released **11/21/2016**

16. Date Completed (Ready to Produce) **01/06/2017**

17. Elevations (DF and RKB, RT, GR, etc.) **2930' GR**

18. Total Measured Depth of Well **16036'**

19. Plug Back Measured Depth **16036'**

20. Was Directional Survey Made? **No**

21. Type Electric and Other Logs Run

22. Producing Interval(s), of this completion - Top, Bottom, Name
14905-16036' (OH) Devonian-Fussleman-Montoya **SWD-1640**

23. **CASING RECORD (Report all strings set in well)**

CASING SIZE	WEIGHT LB./FT.	DEPTH SET	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
20"	94#	556'	26"	1100 sx/circ	0
13 3/8"	68#	2823'	17 1/2"	1990 sx/circ	0
9 5/8"	47#	10204'	12 1/4"	2400 sx/circ	0

24. **LINER RECORD**

SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN	25. TUBING RECORD	SIZE	DEPTH SET	PACKER SET
7 5/8"	9522'	14905'	475 sx		4 1/2"	14870'	14870'	

26. Perforation record (interval, size, and number)

27. **ACID, SHOT, FRACTURE, CEMENT, SQUEEZE, ETC.**

DEPTH INTERVAL	AMOUNT AND KIND MATERIAL USED
14905-16036' OH	40,000 gal HCl

28. PRODUCTION

Date First Production

Production Method (*Flowing, gas lift, pumping - Size and type pump*)

Well Status (*Prod. or Shut-in*) **SI**

Date of Test	Hours Tested	Choke Size	Prod'n For Test Period	Oil - Bbl	Gas - MCF	Water - Bbl.	Gas - Oil Ratio

Flow Tubing Press.	Casing Pressure	Calculated 24-Hour Rate	Oil - Bbl.	Gas - MCF	Water - Bbl.	Oil Gravity - API - (<i>Corr.</i>)

29. Disposition of Gas (*Sold, used for fuel, vented, etc.*)

30. Test Witnessed By

31. List Attachments
LOGS

32. If a temporary pit was used at the well, attach a plat with the location of the temporary pit.

33. If an on-site burial was used at the well, report the exact location of the on-site burial:

Latitude Longitude NAD 1927 1983

I hereby certify that the information shown on both sides of this form is true and complete to the best of my knowledge and belief

Signature *Melanie J. Wilson* Printed Name **Melanie J. Wilson** Title **Regulatory Analyst** Date **01/18/2017**

E-mail Address **mjp1692@gmail.com**

Submit 1 Copy To Appropriate District Office
NM OIL CONSERVATION State of New Mexico
 Energy, Minerals and Natural Resources
 District I - (575) 393-6161 ARTESIA DISTRICT
 1625 N. French Dr., Hobbs, NM 88240
 District II - (575) 748-1283
 811 S. First St., Artesia, NM 88210
 District III - (505) 334-6178
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV - (505) 476-3460
 1220 S. St. Francis Dr., Santa Fe, NM 87505

Form C-103
 Revised July 18, 2013

JAN 19 2017
 RECEIVED

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

WELL API NO. 30-015-43895
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name OXY MOUTRAY SWD
8. Well Number 1
9. OGRID Number 161968
10. Pool name or Wildcat [96101] SWD; DEVONIAN

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well Gas Well Other **SWD**

2. Name of Operator
MESQUITE SWD, INC.

3. Address of Operator **PO BOX 1479
CARLSBAD NM 88220**

4. Well Location
 Unit Letter **A** ; **140** feet from the **NORTH** line and **945** feet from the **EAST** line
 Section **28** Township **24S** Range **29E** NMPM **EDDY** County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
2930' GR

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input checked="" type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
DOWNHOLE COMMINGLE <input type="checkbox"/>			
CLOSED-LOOP SYSTEM <input type="checkbox"/>			
OTHER: <input type="checkbox"/>		OTHER <input type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

- 10/03/16 - Spud well at 4:30 pm
- 10/04/16 - Drill 26" hole to 560'. Set 20" 94# J-55 BTC csg @ 556'. Cmt w/1010 sx Class C. Did not circ. Ran 1" to 124'. Pump 63 sx Class C cmt. Ran 1" to 85', pump 27 sx Class C cmt to surf.
- 10/10/16 - Drill 17 1/2" hole to 2828'. Set 13 3/8" 68# J-55 BTC csg @ 2823'. Cmt w/1990 sx Class C. Circ.
- 10/26/16 - Drill 12 1/4" hole 10209'. Set 9 5/8" 47# L-80 BTC csg @ 10204'. Cmt w/2400 sx Class C. Circ.
- 11/11/16 - Drill 8 1/2" hole to 14906'. Set 7 7/8" 39# HCQ125 Liberty Ultra Flush liner 9544-14905'. Cmt w/475 sx 50/50 PozH.
- 11/18/16 - Drill 6 1/2" hole to 16036'.
- 11/21/16 - RDMO drlg rig.

RECEIVED
 DISTRICT IV
 JAN 19 2017
 SANTA FE, NM

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Melanie J. Wilson TITLE Regulatory Analyst DATE 01/17/2017

Type or print name Melanie J. Wilson E-mail address: mjp1692@gmail.com PHONE: 575-914-1461
For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____
 Conditions of Approval (if any): _____

Submit 1 Copy To Appropriate District

Office
District I - (575) 393-6111
1625 N. French Dr., Hobbs, NM 88240
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District IV - (505) 476-3460
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-103

Revised July 18, 2013

WELL API NO.	30-015-43895
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>	
6. State Oil & Gas Lease No.	
7. Lease Name or Unit Agreement Name OXY MOUTRAY SWD	
8. Well Number	1
9. OGRID Number	161968
10. Pool name or Wildcat [96101] SWD; DEVONIAN	

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11. Elevation (Show whether DR, RKB, RT, GR, etc.)
2930' GR

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

- PERFORM REMEDIAL WORK
- TEMPORARILY ABANDON
- PULL OR ALTER CASING
- DOWNHOLE COMMINGLE
- CLOSED-LOOP SYSTEM
- OTHER:

SUBSEQUENT REPORT OF:

- REMEDIAL WORK
- COMMENCE DRILLING OPNS.
- CASING/CEMENT JOB
- ALTERING CASING
- P AND A
- OTHER: **COMPLETION OPERATIONS**

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

01/09/2017 - MIRU. RIH w/work string. Acidize OH 14905-16036' w/40,000 gal HCl. Set 4 1/2" 15.1# P-110 Duoline coated tubing and Permapak pkr @ 14870'.

01/18/2017 - Pressure test to 345# for 30 minutes. Test witnessed by Richard Inge, NMOCD. Good test. Began injection - 8 BPM @ 800#.

Order No. SWD-1649

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Melanie J. Wilson TITLE Regulatory Analyst DATE 01/18/2017

Type or print name Melanie J. Wilson E-mail address: mjp1692@gmail.com PHONE: 575-914-1461

For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any):

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-1640
August 4, 2016

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Pursuant to the provisions of Division Rule 19.15.26.8B, NMAC, Mesquite SWD, Inc. (the "operator") seeks an administrative order for its proposed Oxy Moutray SWD Well No. 1 with a location 140 feet from the North Line and 945 feet from the East line, Unit A of Section 28, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico, for commercial disposal of produced water.

THE DIVISION DIRECTOR FINDS THAT:

The application has been duly filed under the provisions of Division Rule 19.15.26.8B, 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 Division Rule 19.15.26.8 NMAC have been met and the operator is in compliance with Division Rule 19.15.5.9 NMAC.

IT IS THEREFORE ORDERED THAT:

Mesquite SWD, Inc. (OGRID 161968), is hereby authorized to utilize its Oxy Moutray SWD Well No. 1 (API 30-015-pending) with a location 140 feet from the North Line and 945 feet from the East line, Unit A of Section 28, Township 24 South, Range 29 East, NMPM, Eddy County, for disposal of oil field produced water (UIC Class II only) through an open-hole interval within the Devonian and Silurian formations from 15100 feet to 15900 feet. Injection will occur through internally-coated, 4½-inch or smaller tubing and a packer set within 100 feet of the uppermost perforation.

Prior to commencing disposal, the operator shall submit mudlog and geophysical logs information to the Division's District geologist and Santa Fe Bureau Engineering office, showing evidence agreeable that only the permitted formations are open for disposal including a summary of depths (picks) for contacts of the formations which the Division shall use to amend this order for a final description of the depth for the injection interval.

This permit does not permit disposal into the Ellenburger formation (lower Ordovician) or lost circulation intervals directly on top and obviously connected to this formation.

The operator shall supply the Division with a copy of a mudlog over the permitted disposal

interval and an estimated insitu water salinity based on open-hole logs. If significant hydrocarbon shows occur while drilling, the operator shall notify the Division's District II office and the operator shall be required to receive written permission prior to commencing disposal.

Operator shall submit the results of the swab test which shall include formation water analysis and hydrocarbon potential of the injection interval to the Division's District geologist and Santa Fe Bureau Engineering office prior to commencing injection.

The operator shall circulate all surface and intermediate casings to the surface.

The operator shall run a CBL (or equivalent) across the 7-inch liner from approximately 15100 feet to 9500 feet to demonstrate a good cement across the 7-inch liner, and good bond between the liner and the 9-5/8-inch casing.

Within one year after commencing disposal, the operator shall submit to the Division copies of an injection survey run on this well consisting of a temperature log, or equivalent, run under representative disposal rates.

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.

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 19.15.26.11A. 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 3020 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 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 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 II 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 (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.

Administrative Order SWD-1640
Mesquite SWD, Inc.
August 4, 2016
Page 4 of 4



DAVID R. CATANACH
Director

DRC/mam

cc: Oil Conservation Division – Artesia District Office
Administrative Application No. - pMAM1617348962