

Submit 1 Copy To Appropriate District
Office
District I - (575) 393-6161
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

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
Revised August 1, 2011

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

WELL API NO. 30-015-26575
5. Indicate Type of Lease STATE ☒ FEE ☐
6. State Oil & Gas Lease No. NM-0557371
7. Lease Name or Unit Agreement Name Gaines WDW-3
8. Well Number WDW-3
9. OGRID Number
10. Pool name or Wildcat: Navajo Permo-Penn

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 **Injection Well**

2. Name of Operator
Navajo Refining Company

3. Address of Operator
Post Office Box 159, Artesia, New Mexico 88211

4. Well Location
Unit Letter **N** : **790** feet from the **South** line and **2250** feet from the **West** line
Section **01** Township **18S** Range **27E** NMPM County **Eddy**

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3609' GL, ' RKB

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

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐
DOWNHOLE COMMINGLE ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: PERFORM PRESSURE FALLOFF TEST



OTHER:



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.

December 12, 2011 - Install bottomhole gauges into WDW-1, WDW-2, and WDW-3 by 11:45am. Continue injection into all three wells.

December 13, 2011 - Continue injection into all three wells.

December 14, 2011 - At 12:15pm, the offset wells WDW-1 and WDW-2 will be shut-in. A constant injection rate will be established for WDW-3 and continue for a 30 hour injection period. Do not exceed 1000 psig wellhead pressure.

December 15, 2011 - At 7:00pm, WDW-3 will be shut in for a 30-hour falloff period. WDW-1 and WDW-2 will remain shut-in.

December 16, 2011 - All three wells will continue to be shut in while monitoring falloff pressure in all three wells.

December 17, 2011 - At 7:00am, acquire downhole pressure gauges from all three wells. Tag bottom of fill and come out of hole very slowly, making 7-minute gradient stops while coming out of WDW-3 every 1000 feet (7000 ft, 6000 ft, 5000 ft, 4000 ft, 3000 ft, 2000 ft, 1000 ft, surface). Run in hole with a temperature tool and conduct temperature survey from the surface to the top of the fill. Turn the wells back to Navajo personnel.

Spud Date:

Rig Release Date:

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

SIGNATURE Timothy Jones TITLE Project Engineer DATE 10/3/2011
Type or print name Timothy Jones E-mail address: tjones@subsurfacegroup.com PHONE: 713-880-4640
For State Use Only

APPROVED BY: Carl J. Chavez TITLE Environmental Engineer DATE 10/19/2011
Conditions of Approval (if any):

See E-mail conditions dated 10/19/2011 attached to WDW-1.

Chavez, Carl J, EMNRD

From: Chavez, Carl J, EMNRD
Sent: Wednesday, October 19, 2011 4:06 PM
To: 'Moore, Darrell'
Cc: Sanchez, Daniel J., EMNRD; VonGonten, Glenn, EMNRD; Dade, Randy, EMNRD
Subject: Navajo Refining Company UIC Class I (NH) Injection Wells WDWs 1, 2 & 3 (UICI-008) Fall Off Test Plan (August 2011)

Darrell:

The New Mexico Oil Conservation Division (OCD) is in receipt of your above subject test plan. OCD has already approved the Fall-Off Test (FOT) Plan with conditions on July 28, 2009. The OCD notes that it is also in the process of reviewing C-103s Sundry Notices for the upcoming FOTs.

OCD observes some changes in this FOT Plan submittal that are not acceptable to the OCD. For example, Exhibit 1 is not an acceptable exhibit to the OCD for reasons specified in the 2010 FOT report review and later during the May 2011 meeting in Santa Fe. However, the operator continues to submit exhibits with certain assumptions that have not been accepted or approved by the OCD, i.e., that the injection wells are show interconnection with the injection zone during past FOTs. Perhaps the operator can conduct the 2011 FOT with the information and exhibits needed to prove the interconnection of injection wells with the injection zone? The Certified PE should provide the exhibits in the 2011 FOT Report with the analysis and conclusions supporting any claims for the OCD to review and consider before approving. This is apparently a FOT frequency per well issue that the operator is attempting to prove.

The OCD provides the following comments, observations, and/or recommendations on the above subject plan below.

Comments:

- The OCD approved the original Fall-Off Test (FOT) Plan based on OCD Guidance dated December 3, 2007. There should not be any significant changes to this FOT Plan because it is flexible where needed to allow operators to implement it on each injection well.
- OCD likes to be notified to witness the installation of bottom hole gauges and to be present at least one hour before injection shut-off and commencement of FOT monitoring.
- OCD is concerned about the Section VI No. 1(e) WDW-3 Cement Bond Log quality being poor from 900 ft. to 1200 ft- especially at the depths: 2662 – 2160; 4876 – 5372; and 6750 – 7600 ft. micro annulus scenario.

Observations:

- Section V No. 2: The objective of the FOT is NOT to achieve or limit a 100 psig pressure differential before vs. after FOT injection vs. shut-off, but it is a minimum pressure differential that OCD stipulates in its guidance for a successful FOT and injection zone that may still continue to be utilized for disposal, i.e., not too pressured up and subject to continued fracturing under daily allowed maximum surface injection pressure operational limits.
- Section V No. 7 and Exhibit 1: OCD observes a bottom hole pressure chart for WDWs 1, 2 and 3 at 7660 feet that the operator presented in the 2010 FOT and again during a May 2011 meeting in Santa Fe, New Mexico to show the interconnection between injection wells and the injection formation. The OCD had commented that there was no explanation or conclusion provided from the Certified PE who conducted and completed the 2010 FOT report that supports the operator's claim that all injection wells are interconnected based on Exhibit 1.

Furthermore, the OCD requested a statement or information supporting the operator's claim by the Certified PE, but never received one. At the meeting, the OCD explained that based on Exhibit 1, there was no support for the claim. In order to make the interconnection determination, during each FOT at each well and off-set injection wells (WDWs not being FOT'd) before and throughout the FOT would need bottom hole pressures monitored in tandem at each well location to establish the interconnectivity of the injection wells with the receiving injection formation under a uniform time scale. This would be a chart that could be plotted that would show during the test the interconnectivity of the wells for each FOT. The OCD doubts that the operator can make the case for interconnectivity between injection wells and injection formation because of the significant distance between the injection wells and fact that sedimentation in formation varies laterally and uniformity in sedimentation, saturated porosity and permeability due to variation in sedimentation would by chance make the injection formation aerially extensive and uniform over a 3 to 5 mile radius from each injection well. Also, even if by chance there was

uniformity over the mileage specified, the distance between injection wells and corresponding pressure would likely not be observed.

- Exhibit 6: OCD observes in Section B a proposed MIT once every 5 years. OCD's UIC Program requires annual MITs and/or after down hole work is performed on a well.

Recommendations:

- Operator is running survey logs to the bottom of fill or below USDW (fresh water) zones, which excludes an evaluation of casing in the fresh water zone. Please run logs up to surface.
- Be sure to also record and provide injection flow rate and pressure leading up to shut-off and monitoring throughout the FOT monitoring period. OCD needs to confirm that a pseudo steady-state condition was achieved before shut-off. This data is also needed for software modeling of the FOT.
- Please provide electronic data from the FOTs at each well in order for the OCD to run its software model to confirm the results in the report.
- Section V No. 13: Surface pressure monitoring and Horner Plot during injection should be used to confirm radial flow condition is achieved instead of waiting a set period if operator wishes to reduce the injection period.

Disclaimer: *Please be advised that OCD has already approved with conditions Navajo Refining Company's Fall-Off Test (FOT) Plan on July 28, 2009, and is not providing approval of this FOT Plan; however, comments, observations and recommendations herein should help Navajo Refining Company understand the OCD's concerns based on the submittal.*

Please contact me if you have questions. Thank you.

Carl J. Chavez, CHMM
New Mexico Energy, Minerals & Natural Resources Dept.
Oil Conservation Division, Environmental Bureau
1220 South St. Francis Dr., Santa Fe, New Mexico 87505
Office: (505) 476-3490

Fax: (505) 476-3462

E-mail: CarlJ.Chavez@state.nm.us

Website: <http://www.emnrd.state.nm.us/oed/>

"Why not Prevent Pollution; Minimize Waste; Reduce the Cost of Operations; & Move Forward with the Rest of the Nation?" To see how, go to "Pollution Prevention & Waste Minimization" at:
<http://www.emnrd.state.nm.us/oed/environmental.htm#environmental>)