

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

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

Jami Bailey, Division Director
Oil Conservation Division



Administrative Order SWD-1500
September 26, 2014

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Pursuant to the provisions of Division Rule 19.15.26.8B. NMAC, Parker Energy Support Services, Incorporated (the “operator” or “Parker Energy”) seeks an administrative order to re-enter and recompleat its Harry Leonard NCT J Well No. 5 with a location of 1200 feet from the North line and 990 feet from the East line, Unit letter A of Section 24, Township 21 South, Range 36 East, NMPM, Lea County, New Mexico, for commercial disposal purposes 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.

Three protests involving this application were received from notified affected persons within the prescribed waiting period. The applicant, Parker Energy, set an application for Division hearing and was assigned Case No. 15180. Prior to appearance before Division, Parker Energy entered into an agreement with the three protestants that addressed issues regarding the application for injection authority. Therefore, the provisions outlined in the settlement agreement (correspondence of Montgomery and Andrews Law Firm to Division Santa Fe office dated August 6, 2014) are incorporated into this administrative order.

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:

Parker Energy Support Services, Incorporated (OGRID 245739), is hereby authorized to utilize its Harry Leonard NCT J Well No. 5 (API 30-025-38789) with a location of 1200 feet from the North line and 990 feet from the East line, Unit letter A of Section 24, Township 21 South, Range 36 East, NMPM, Lea County, for commercial disposal of oil field produced water (UIC Class II only) in the San Andres formation through perforations from 4200 feet to 4320 feet and open hole from 4329 feet to 4675 feet (Provision 1 of settlement agreement). Injection will occur through internally-coated, 2 7/8-inch or smaller tubing and a packer set within 100 feet of the top perforation.

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 as modified by the settlement agreement.

The operator shall complete a geophysical log suite for the open hole portion of the approved injection interval. The suite shall include, at a minimum, logs to determine resistivity and porosity. The operator shall supply Division's District I office, Santa Fe Bureau office and the New Mexico State Land office with a copy of the logs prior to commencing disposal into this well (Provision 2 of settlement agreement).

The operator shall conduct a Step-Rate Test or equivalent pressure test of the approved injection interval to determine the fracture parting pressure. This test shall be conducted in accordance with Division Rule 19.15.26.11C. The operator shall supply Division's District I office, Santa Fe Bureau office and the New Mexico State Land office with a copy of the test results prior to commencing disposal into this well (Provision 3 of settlement agreement).

*The operator shall conduct a swab or production test of the approved injection interval for hydrocarbon potential and obtain a water sample for analysis of hydrocarbon content as well as general water chemistry (including major cations, major anions, and Total Dissolved Solids (TDS)). The Division's District I office shall be noticed prior to this test and given the opportunity to witness the test. The operator shall supply the results of the water sample to Division's District I office, Santa Fe Bureau office and the New Mexico State Land office prior to commencing injection. **If the analysis of the sample is found to contain a TDS concentration of 10000 milligrams per liter or less, the injection authority under this Order shall be suspended ipso facto** (Provision 4 of settlement agreement).*

The operator shall run an initial injection survey (tracer/temperature or equivalent) of the entire injection interval within one (1) year after commencing disposal into this well. A copy of the survey shall be submitted to both the Division's District I 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 19.15.26.11A. 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 840 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 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 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 I 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.

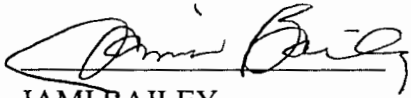
The injection authority granted under this order is not transferable except upon division approval. The Division may require the operator to demonstrate mechanical integrity of any injection well that will be transferred prior to approving transfer of authority to inject.

The Division may revoke this injection permit after notice and hearing if the operator is in violation of 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.

A handwritten signature in black ink, appearing to read "Jami Bailey", written over a horizontal line.

JAMI BAILEY
Director

JB/prg

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