

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

Heather Riley, Division Director
Oil Conservation Division



Administrative Order SWD-1729
May 14, 2018

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Pursuant to the provisions of Division Rule 19.15.26.8(B) NMAC, Mack Energy Corporation (the "operator") seeks an administrative order for its Denali SWD Well No.1 ("subject well") with a location of 660 feet from the South line and 1980 feet from the East line, Unit O of Section 3, Township 16 South, Range 28 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 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:

The applicant, Mack Energy Corporation (OGRID 13837), is hereby authorized to utilize its Denali SWD Well No.1 No. 1 (API 30-015-32444) with a location of 660 feet from the South line and 1980 feet from the East line, Unit O of Section 3, Township 16 South, Range 28 East, NMPM, Eddy County, for disposal of oil field produced water (UIC Class II only) through perforations into an interval consisting of the Devonian formation from 10,150 feet to 10,900 feet. Injection will occur through internally-coated, 2^{7/8}-inch or smaller tubing with a packer set within 100 feet of the top perforation of the disposal interval.

Sources of the UIC Class II fluids for disposal in the subject well shall be limited to the production from wells operated by Mack Energy Corporation. Sources of UIC Class II fluids from other operators not operated by Mack Energy Corporation shall not be permitted for disposal in the subject well. Further, injection shall be from San Andres formation produced water only.

The injection authority granted under this order is not transferable except upon approval of the Division Director. The Director shall only approve a change of operator if the conditions regarding the sources of UIC Class II fluids, identified in the preceding paragraph of this order, are maintained by the new operator. If the new operator does not comply with these conditions, then the injection authority granted under this order shall terminate ipso facto. The Division may

require the operator to demonstrate mechanical integrity of this injection well that will be transferred prior to approving transfer of authority to inject.

The operator shall circulate the cement behind the 5^{1/2}-inch casing to surface. If the cement behind the 5^{1/2}-inch casing does not circulate, the operator shall run a CBL (or equivalent) to determine the top of cement and notify the Artesia District Office. Further, if the cement does not tie back into the 8^{5/8}-inch casing, the operator shall perform remedial cement job to bring cement at least 200 feet above the 8^{5/8}-inch casing shoe.

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.

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 formation is 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. If significant hydrocarbon shows occur while drilling, the operator shall notify the Division's District II and the operator shall be required to receive written permission prior to commencing disposal.

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

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 completion and construction of the well as described in the application with the following modifications and, if necessary, as modified by the District Supervisor.

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 2030 psi**. 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 formations. Such proper showing shall be demonstrated by sufficient evidence including but not limited to an acceptable Step-Rate Test.

In addition, the disposal well or system shall be equipped with a pressure limiting device

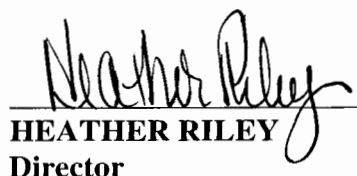
in workable condition which shall, at all times, limit surface tubing pressure to the maximum allowable pressure for this well.

The operator shall notify the supervisor of the Division's District 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 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.


HEATHER RILEY
Director

HR/mam

cc: Oil Conservation Division – Artesia District Office
Bureau of Land Management – Carlsbad Field Office
Well File - 30-015-32444