

State of New Mexico
Energy, Minerals and Natural Resources Department

Michelle Lujan Grisham
Governor

Sarah Cottrell Propst
Cabinet Secretary

Todd E. Leahy, JD, PhD
Deputy Secretary

Adrienne Sandoval, Director
Oil Conservation Division



Administrative Order SWD-2382
July 8, 2020

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Pursuant to the provisions of Division Rule 19.15.26.8(B) NMAC, Dugan Production Corp (the “operator”) seeks an administrative order for its Molly Pitcher SWD Well No. 4 (the proposed well”) with a location of 2610 feet from the North line and 425 feet from the East line, Unit letter H of Section 14, Township 30 North, Range 14 West, NMPM, San Juan County, New Mexico, for the purpose of produced water disposal.

This Administrative Order supersedes Administrative Order SWD-840 issued on July 27, 2002 and Administrative Order SWD-840 is rescinded.

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, Dugan Production Corp (OGRID 6515), is hereby authorized to utilize its Molly Pitcher SWD No. 4 (API 30-045-30954) with a 2610 feet from the North line and 425 feet from the East line, Unit letter H of Section 14, Township 30 North, Range 14 West, NMPM, San Juan County, for disposal of oil field produced water (UIC Class II only) through perforations from 4132 feet to 4444 feet into an interval consisting of the Point Lookout Sandstone.

Administrative Order SWD-2382 gives permission to add additional injection zones from 4300 feet to 4444 feet and to add additional perforations per foot in the current injection interval, which is 4132 feet to 4290 feet.

Injection will occur through internally-coated, 2 7/8-inch tubing and a packer set within 100 feet of the top of the perforated interval.

The operator shall obtain a water sample for analysis of general water chemistry (including major cations, major anions, and Total Dissolved Solids (TDS)). The Division's District III 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 III office and Santa Fe engineering bureau office prior to commencing injection. If the analysis of the sample is found to contain a TDS concentration of 10,000 milligrams per liter or less, the injection authority under this Order shall be suspended *ipso facto*.

The operator shall run a cement bond (CBL or equivalent) for the 5 ½ inch casing to demonstrate placement of cement and the cement bond with the tie-in with 8 ⅝-inch surface casing string. The operator shall provide a copy of the CBL to the Division's District office prior to commencing disposal.

Prior to commencing disposal, the operator shall obtain a bottom-hole pressure measurement representative of the approved injection interval. This information shall be provided with the written notice of the date of commencement of disposal.

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 and, if necessary, as modified by the District Supervisor or the Bureau of Land Management.

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.

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 III 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.

If the disposal well fails a MIT or if there is evidence that the mechanical integrity of said well is impacting correlative rights, the public health, any underground sources of fresh water, or the environment, the Division Director shall require the well to be shut-in within 24 hours of discovery and the operator shall redirect all disposal waters to another facility. The operator shall take the necessary actions to address the impacts resulting from the mechanical integrity issues in

accordance with Division Rule 19.15.26.10 NMAC, and the well shall be tested pursuant to Rule 19.15.26.11 NMAC prior to returning to injection.

The wellhead injection pressure on the well shall be limited to no more than 826 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 formations. 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 III 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 III office. The operator shall submit monthly reports of the disposal operations that includes number of days of operation, injection volume, and injection pressure 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 one (1) year 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.

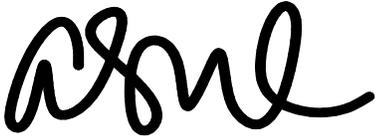
Jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh or protectable waters or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the disposal authority granted herein.

Administrative Order SWD-2382

Dugan Production Corp

July 8, 2020

Page 4 of 4



ADRIENNE SANDOVAL

Director

AS/KAM

cc: Oil Conservation Division – Aztec District III Office
Admin. Appl. No. pBL2010074216
Bureau of Land Management – Farmington Field Office