

State of New Mexico  
Energy, Minerals and Natural Resources Department

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Governor

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Cabinet Secretary

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**Adrienne Sandoval**, Director  
Oil Conservation Division



Administrative Order SWD-2402  
December 7, 2020

**ADMINISTRATIVE ORDER  
OF THE OIL CONSERVATION DIVISION**

Pursuant to the provisions of Rule 19.15.26.8(B) NMAC, DJR Operating, LLC (the “operator”) seeks an administrative order for its North Alamito Unit SWD No. 1 (the “subject well”) with a location of 908 feet from the north line and 1176 feet from the east line, Lot 1 of Section 1, Township 22 North, Range 8 West, NMPM, San Juan County, New Mexico, for the purpose of produced water disposal.

This Order supersedes administrative Order SWD-2255 issued on April 9, 2020. The injection authority approved in Order SWD-2255 is void due to improper notice.

**THE DIVISION DIRECTOR FINDS THAT:**

The application has been duly filed under the provisions of Rule 19.15.26.8(B) NMAC and was originally issued under Order SWD-2255 on April 9, 2020. After its issuance, the New Mexico State Land Office (SLO) notified the Oil Conservation Division (OCD) that they had not received proper notice and had objections to the application and the subsequent administrative order. As such, the SLO is an “affected person” and were entitled to notice to comply with OCD Rule 19,15.2.7(D) NMAC. As of this date, the operator has provided notice to the SLO and the SLO did not object to the approval of the order with a condition on sources for disposal in the subject well.

**IT IS THEREFORE ORDERED THAT:**

The applicant, DJR Operating, LLC (OGRID 371838), is hereby authorized to inject into the North Alamito Unit SWD No. 1 (API No. 30-045-38185) with a location of 908 feet from the north line and 1176 feet from the east line, Lot 1 of Section 1, Township 22 North, Range 8 West, NMPM, San Juan County, for disposal of oil field produced water (UIC Class II only) through perforations into an interval consisting of the Entrada formation from 6,919 feet to 7,113 feet. Injection will occur through internally-coated, 3½-inch or smaller tubing and a packer set within 100 feet of the top of the perforated interval.

The source of produced water approved under this Order shall be limited to wells located within the North Alamito Unit. The North Alamito Unit was approved by Order No. R-14081(as

amended). The North Alamito Unit is a federal exploratory unit (recording number NMNM 135229X) and consists of approximately 14,262 acres and is composed of federal, state, Navajo allotment and fee lands. Sources currently approved must be lands within legal description of Ordering Paragraph (3) of Order No. R-14081-A approved September 2, 2016. The addition of produced water from other sources other than the North Alamito Unit shall require the written approval of the OCD with the concurrence of the SLO prior to any injection of a new source.

Prior to commencing disposal, the operator shall submit mudlog and geophysical logs information, to the OCD's District geologist and Santa Fe engineering bureau, 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 OCD 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 OCD's Aztec District office and the operator shall be required to receive written permission prior to commencing disposal.

The operator shall obtain a water sample for analysis of general water chemistry (including major cations, major anions, and Total Dissolved Solids (TDS)). The OCD's Aztec District 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 OCD's District 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 10000 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 7-inch casing to demonstrate placement of cement and the cement bond with the tie-in with 9<sup>5</sup>/<sub>8</sub>-inch surface casing string. The operator shall provide a copy of the CBL to the OCD's Aztec 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 OCD Rule 19.15.26.11(A) NMAC. The OCD 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 OCD Rules 19.15.29 and 19.15.30 NMAC, or otherwise, the operator shall immediately notify the OCD's Aztec District 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 the subject well is impacting correlative rights, the public health, any underground sources of fresh water, or the environment, the OCD 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 OCD 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 (Maximum Surface Injection Pressure) on the subject well shall be limited to **no more than 1384 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 OCD 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 OCD's Aztec 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 OCD's Aztec office. The operator shall submit monthly reports of the disposal operations that includes number of days of operation, injection volume, and injection pressure on OCD Form C-115, in accordance with OCD Rules 19.15.26.13 and 19.15.7.24 NMAC.

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

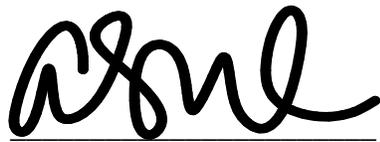
The OCD may revoke this injection order after notice and hearing if the operator is in violation of Rule 19.15.5.9 NMAC.

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 OCD shall consider the well

abandoned, and the authority to dispose will terminate *ipso facto*. The OCD, 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 OCD 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 OCD may, after notice and hearing, terminate the disposal authority granted herein.



ADRIENNE SANDOVAL  
Director

AS/KAM

cc: Oil Conservation Division – Aztec Office  
Bureau of Land Management – Farmington Field Office  
New Mexico State Land Office – Oil, Gas and Minerals Division  
Well file 30-045-38185