

State of New Mexico
Energy, Minerals and Natural Resources Department

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Cabinet Secretary

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Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



Administrative Order SWD-1555-A
November 13, 2015

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Pursuant to the provisions of 19.15.26.8B. NMAC, OWL SWD Operating, LLC (the "operator") seeks an administrative order to utilize its Smith Ranch Federal SWD Well No. 1 with a surface location of 1502 feet from the South line and 695 feet from the East line, Unit I of Section 6, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico, for produced commercial disposal of produced water. This Order supersedes Administrative Order SWD-1555, issued on June 6, 2015.

The operator petitioned the Division to amend Administrative Order SWD-1555 for approval to change the surface location and open-hole interval as submitted in the application dated October 7, 2015. Operator changed the original surface location as a result of surface obstructions including a fiber optic line and power line. However, this change in location did not affect the wells in the new Area of Review.

The total depth and the open-hole interval of the proposed well has changed after meeting with the BLM. The new total depth is 15625 feet, and the open-hole injection interval is from 14625 feet to 15625 feet. The amended permit also lowers the maximum disposal pressure to **2925 psi**.

This Order approves both these modifications.

THE DIVISION DIRECTOR FINDS THAT:

The application has been duly filed under the provisions of Division Rule 19.15.26.8B. NMAC; however, notification of affected parties as defined in said rule was not required since the amendment is not a major modification. 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:

OWL SWD Operating, LLC (OGRID 308339), is hereby authorized to utilize its Smith Ranch Federal SWD Well No. 1 (API 30-025-pending) with a surface location of 1502 feet from the South line and 695 feet from the East line, Unit I of Section 6, Township 20 South, Range 34 East, NMPM, Lea County, for disposal of oil field produced water (UIC Class II only) into the Devonian formation through an open-hole interval from 14625 feet to 15625 feet. Injection will

occur through internally-coated, 5½-inch or smaller tubing and a packer set within 100 feet of the top of the open-hole interval.

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 formations are 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.

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

The operator shall supply the Division with a copy of a mudlog over the permitted disposal interval and an estimated insitu water salinity based on open-hole logs. If significant hydrocarbon shows occur while drilling, the operator shall notify the Division's District I office and the operator shall be required to receive written permission prior to commencing disposal.

The operator shall run a CBL (or equivalent) across the 7-inch liner through the 9-5/8 casing to the surface to ensure good cement bond between the liner and casing, and assure good cement across the 9-5/8 casing.

Within one year after commencing disposal, the operator shall submit to the Division copies of an injection survey run on this well consisting of a temperature log, or equivalent, run under representative disposal rates.

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.

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 testing 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 2925 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.

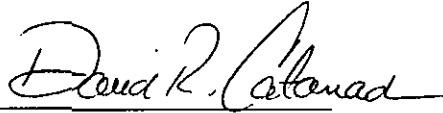
The injection authority granted under this order is not transferable except upon division approval. The Division may require the operator to demonstrate mechanical integrity of any injection well that will be transferred prior to approving transfer of authority to inject.

The Division may revoke this injection permit after notice and hearing if the operator is in violation of 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, reading "David R. Catanach". The signature is written in a cursive style with a horizontal line underneath.

DAVID R. CATANACH
Director

DRC/mam

cc: Oil Conservation Division – Hobbs
Bureau of Land Management – Carlsbad
Application File pMAM1528330138