

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Tony Delfin
Acting Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



Administrative Order SWD-1510-A
August 4, 2016

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Pursuant to the provisions of Division Rule 19.15.26.8B, NMAC, OXY USA, Incorporated (the "operator") seeks an administrative order for its proposed Cedar Canyon 15 SWD Well No. 1 with a location of 2500 feet from the South line and 1400 feet from the West line, Unit letter K of Section 15, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico, for produced water disposal purposes.

This order amends the specification for tubing size and the conditions for the use of the larger tubing set. This Order supersedes Administrative Order SWD-1510 issued on December 11, 2014.

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 and no objections have been received within the prescribed waiting period. 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:

The applicant, OXY USA, Incorporated (OGRID 16696), is hereby authorized to utilize its Cedar Canyon 15 SWD Well No. 1 (API 30-015-42797) with a location of 2500 feet from the South line and 1400 feet from the West line, Unit letter K of Section 15, Township 24 South, Range 29 East, NMPM, Eddy County, for disposal of oil field produced water (UIC Class II only) through open hole into an interval consisting of the Devonian and Silurian formations from approximately 14887 feet to approximately 15937 feet. *If the upper contact of the Ordovician Ellenburger formation is encountered prior to the lower limit of the approved injection interval at 15937 feet, then the total depth of the well (and injection interval) shall be reduced to the depth of the upper contact of the Ellenburger formation.* 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.

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.

The operator shall circulate the cement for the 9 5/8-inch casing string to surface.

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 Division's District II and the operator shall be required to receive written permission prior to commencing injection.

The operator shall run cement bond log (or equivalent) showing final depth for the top of cement of the 7-inch casing.

The operator shall also provide a summary of depths (picks) for formation tops in the injection interval to the Division's District II office prior to commencing disposal. If the final determination of formation tops (based on geophysical logs) does not correlate to the approved disposal interval, then the operator shall apply to amend the Order for a corrected description.

The operator shall run an injection survey (tracer/temperature or equivalent) of the entire injection interval within two (2) years after commencing disposal into this well. The operator shall supply both the Division's District II office and Santa Fe Bureau office with a copy of the survey log.

The operator shall only use the 5½-inch tubing within the 9⅝-inch casing and shall install the tubing set such that the reduction to the smaller tubing size occurs within the 9⅝-inch casing prior to the top of the 7-inch liner.

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 2977 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 (SRT) specific to the tubing set in place at the time of the test. Any modification of the tubing set following the SRT shall result in the suspension of any Injection Pressure Increase (IPI) Order approved using the SRT and the reduction of the wellhead injection pressure to the administratively approved pressure of 2977 psi.*

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

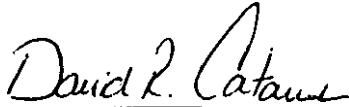
The injection authority granted under this order is not transferable except upon Division approval. The Division may require the operator to demonstrate mechanical integrity of any injection well that will be transferred prior to approving transfer of authority to inject.

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.



DAVID R. CATANACH
Director

DRC/prg

cc: Oil Conservation Division – Artesia District Office