

State of New Mexico
Energy, Minerals and Natural Resources Department

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Oil Conservation Division



June 20, 2017

Patrick B. McMahon
Heidel Samberson Cox & McMahon Law Firm
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RE: Commercial, Delaware Disposal and Increase in Tubing Size

Russell Federal 35 SWD Well No. 2 (API 30-015-05891)
Unit A, Sec 35, T26S, R31E, NMPM, Eddy County, New Mexico
SWD-471 dated April 8, 1992

Disposal into the upper Delaware formation; approved OH interval: 4106 feet to 4118 feet

Dear Mr. McMahon:

MNA Enterprises LTD Co filed an NOI with the BLM dated April 10, 2016 to convert this well to Commercial Disposal using 2-inch (2-3/8" EUE) tubing.

Your letter received May 6, 2016 informed the Division that MNA Enterprises LTD Co. intended to convert this federal disposal well from lease-only disposal to commercial disposal.

The Division looked over all public records available on this well and noted several issues with operation of this well – issues listed in a letter mailed to you and dated May 6, 2016.

On October 14, 2016, you proposed to increase the tubing diameter above that specified in the disposal permit.

October 18, 2016, the director signed a letter denying the request to increase the tubing diameter, and cited reasons based solely on nonresponse to the Division's request letter of May 6, 2016. Other concerns related to changing tubing size in this well were not explored.

MNA Enterprises LTD Co has, since December of 2016, addressed each of the operational concerns listed in the May 6, 2016 letter from the Division – Thank You.

There are other concerns and issues such as the following:

Commercial Disposal:

One issue is conversion of an existing disposal well surrounded by producing wells into a commercial disposal. The Division was informed in your letter received May 6, 2016 that this federal well was to become a commercial disposal. The proximity to surrounding producers should have (and would today) preclude any Salt Water Disposal permit issued by the Division. Instead, the Division would consider this as a small pressure maintenance or waterflood proposal to be heard by an Examiner at a hearing where all the correlative rights and waste issues related to permitting those types of projects would be aired. As noted before, this "SWD" well has possibly watered out nearby, offsetting producing wells – even before conversion to commercial disposal. The permitted disposal interval is a 12-foot open hole which has always taken water disposal on a vacuum – no pressures have ever been reported. Surrounding producers seem to be completed in this interval and deeper.

Delaware Disposal:

You are probably aware, NMOGA members have shown evidence of a likely connection between disposal into the Delaware Mountain Group and increasing water production in horizontal wells drilled and producing from the Upper Bone Spring or Avalon formation. In the past several months, after becoming aware of this alleged connection, the Division has approved almost no new Delaware disposal permits in the currently identified area of concern and is avoiding modifying existing permits (like the subject request) that may result in more waste water going back into the Delaware. I would refer you to please visit with Mewbourne, Chevron, Devon, or others who have investments and drilling plans for the lower Delaware or the Upper Bone Spring reservoirs.

Fishing and Proper Plugging:

The disposal permit SWD-471, based on the application submitted, specifies 2-3/8-inch diameter disposal tubing. The notice of intention submitted by Mr. Eddie Seay to the BLM lists 2-inch diameter (2-3/8-inch) tubing. The subject well was drilled in 1955 and the file says that a temperature survey indicates top of cement on casing at 2570 feet. Future proper plugging of this well will require cement plugs placed inside and outside this casing. Installing 2-7/8-inch tubing in 5-1/2-inch casing is routinely done in the Permian Basin, but does increase the risk of fishing – especially with internal plastic coating. The log you just provided would be useless in determining depths or formations up hole or opposite of any fish or debris that could easily become lodged in this well of 62 years. As a remedy, new cased-hole logs could be run in this well. However, replacing and cementing new 5-1/2-inch casing above the cement top would also be necessary and that may be impossible if that cement top is in the salt interval.

SWD-471: Commercial Disposal, Delaware Disposal, Increase in Tubing Size

Patrick B. McMahon, Esq.

MNA Enterprises LTD Co.

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To prevent further waste and protect correlative rights, the Division will not approve any administrative change to the existing permit, SWD-471 and will let stand the requirement for 2-3/8-inch disposal tubing.

Please contact Florene Davidson of this office if you wish to enter a case for hearing before an examiner. If so, the Division will consider as affected parties, the owners of rights to the deeper Delaware and Upper Bone Spring formations.

Sincerely,



DAVID R. CATANACH

Director

DRC/wvjj

cc: Oil Conservation Division – Artesia District Office
Well File API 30-015-05891 and SWD-471
Bureau of Land Management – Carlsbad Field Office