

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

Heather Riley, Division Director
Oil Conservation Division



May 9, 2018

Mr. Tim Harrington, Reservoir Engineer
Mewbourne Oil Company
P. O. Box 7698
Tyler, TX 75711

RE: Administrative Order SWD-1635; First Extension of Deadline to Commence Injection

Red Hills SWD Well No. 2 (API 30-025-Pending)
Unit M, Sec 8, T26S, R32E, NMPM, Lea County, New Mexico
Order Date: July 12, 2016

Injection into the Devonian and Silurian formations; permitted interval: approximately 17300 feet to 19350 feet

Dear Mr. Harrington:

Reference is made to your request on behalf of Mewbourne Oil Company (the "operator") to extend the deadline stipulated in order SWD-1635 based upon the approval date of July 12, 2016, to commence injection for the above referenced well for an additional one year for reasons outlined in the attached correspondence.


It is the Division's understanding from your request that there have been no significant changes in the information provided in the application submitted for review and approval of this order. These changes include the completion of new wells within the Area of Review that penetrated the approved injection interval and any changes in ownership.

The Division finds that granting this request to extend this administrative order is in the interest of conservation, will prevent waste, and will protect the environment.

The deadline to commence injection for the existing order is hereby extended until July 12, 2019. All requirements of the above referenced administrative order and agreements in the application

remain in full force and effect.

Sincerely,



HEATHER RILEY
Director

HR/prg

cc: Oil Conservation Division – Hobbs District Office
Bureau of Land Management – Carlsbad Field Office
SWD-1635

APR 17 2018 AM09:27

April 12, 2018

New Mexico Oil Conservation Division
Attn: Mr. Will Jones
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

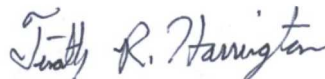
SUBJECT: Request for Permit Extension of SWD -1635
Red Hills SWD #2
API: 42-025-pending
1100' FSL, 900' FWL, Unit M
Sec 8, Twp 26S, Rge 32E
Lea County, NM

Dear Mr. Jones:

The purpose of this letter is to request a one year permit extension for SWD-1635 that is scheduled to expire on 7/12/2018. Mewbourne Oil Company has significant oil and gas drilling activity planned in this area in the next year, and we would like to retain this permit in case our current commercial salt water disposal outlets are unable to keep up with the demand and additional disposal capacity is required.

Please contact me if you have any questions regarding our request.

Very truly yours,



Tim Harrington
Reservoir Engineer
tharrington@mewbourne.com
903-534-7647

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Tony Delfin
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



Administrative Order SWD-1635
July 12, 2016

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Pursuant to the provisions of Division Rule 19.15.26.8B. NMAC, Mewbourne Oil Company (the "Operator") seeks an administrative order to authorize the Red Hills SWD Well No. 2 located 1100 feet from the South line and 900 feet from the West line, Unit M of Section 8, Township 26 South, Range 32 East, NMPM, Lea County, New Mexico, for the disposal of produced water.

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 as defined in said rule have been notified and no objection was 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, Mewbourne Oil Company (OGRID 14744), is hereby authorized to utilize its Red Hills SWD Well No. 2 (API 30-025-pending) located 1100 feet from the South line and 900 feet from the West line, Unit M of Section 8, Township 26 South, Range 32 East, NMPM, Lea County, for disposal of oil field produced water (UIC Class II only) through an open hole interval within the Devonian and Silurian formations approximately 17300 feet to approximately 19350 feet. Injection shall occur through 4 ½-inch or smaller internally-coated tubing and a packer set a maximum of 100 feet above the top of the open-hole interval.

This permit does not allow disposal into the Ellenburger formation (lower Ordovician) or lost circulation intervals directly on top and obviously connected to this formation. The operator shall provide logs and a mudlog over the proposed interval which verify that only the permitted interval is completed for disposal.

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 formation is 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.

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 proposed in the application and, if necessary, as modified by the District Supervisor.

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 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 from approximately 17300 feet to 11000 feet demonstrate a good cement bond between the 7-inch liner and the 9-5/8-inch casing.

Operator shall cement to surface all surface and intermediate casings.

Within two years after commencing disposal, the operator shall conduct an injection survey, consisting of a temperature log or equivalent, over the entire injection interval using representative disposal rates. Copies of the survey results shall be provided to the Division's District I office and Santa Fe Engineering Bureau office.

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.

The wellhead injection pressure on the well shall be limited to **no more than 3460 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 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 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/mam

cc: Oil Conservation Division – Hobbs District Office
Bureau of Land Management - Carlsbad
Administrative Application No. - pMAM1616155153

Goetze, Phillip, EMNRD

From: Bill Carr <WCarr@concho.com>
Sent: Tuesday, April 17, 2018 4:18 PM
To: Goetze, Phillip, EMNRD
Cc: Tom Kendall
Subject: Ronco Federal SWD No. 1 Well, (API No. 30-015-44420), Unit C, Sec. 19, T17S, R30E, Eddy County, New Mexico; Oil Conservation Division Administrative Order SWD-1677.

Phil:

COG received Division authorization to transport oil from the Ronco Well on March 15th. Since then, we have removed and sold the oil recovered during the initial testing of the well and have resumed our flow back test. We are now in our 14th day of the this test and, as shown by the Day 13 Production Graphs previously provided, the oil cut has declined from initially more than 75% to currently a little more than 30%. However, this well has not produced long enough to enable us to collect the information required to make a reliable determination on its long term producing ability. We request a 60 day authorization to accomplish this work.

On January 3rd the BLM approved this well subject to Conditions of Approval which, among other things, require COG to "obtain BLM approval prior to using the well as a disposal well." ConocoPhillips and the BLM have expressed concern about the impact of the disposal of produced water into the Cisco Canyon formation. We share those concerns but need to point out that COG is not injecting water into this formation. We are only flowing back the well to collect information needed respond to the BLM condition of approval noted above.

I want you to know that we will meticulously comply with the BLM's Conditions of Approval and OCD rules as we continue to test this well. I will provide periodic progress reports on the status of our work. If you have any questions concerning this matter, please call.

Thank you for meeting with me this morning.

Bill

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Goetze, Phillip, EMNRD

From: Tim Harrington <tharrington@mewbourne.com>
Sent: Thursday, April 19, 2018 3:26 PM
To: Goetze, Phillip, EMNRD
Cc: Jones, William V, EMNRD; McMillan, Michael, EMNRD; Dawson, Scott, EMNRD; Lowe, Leonard, EMNRD
Subject: RE: Request for Extension of Administrative Order SWD-1635 - Additional Information Required
Attachments: Red Hills SWD #2 Revised Tabulation of Wells 41918.xlsx

Phillip:

I have conducted a re-review of wells within the ½ mile radius AOR of our Red Hills #2 SWD and have found 3 new Mewbourne horizontal wells (2 permits, 1 drilled) that are Wolfcamp tests with actual / planned TVD's around 12,000'. Attached is a copy of the revised tabulation of wells and there are no wells within the AOR that penetrate the proposed Devonian disposal zone (estimated top depth @ 17,300').

I have also re-checked offsetting operators within ½ mile and there are no changes since the original application. Please get back with me if you have any questions. Thanks.

Tim Harrington

Reservoir Engineer
Mewbourne Oil Company
3620 Old Bullard Road
PO Box 7698
Tyler, TX 75701

W- 903-561-2900 (Ext 7647)
C – 832-217-6852
tharrington@mewbourne.com

From: Goetze, Phillip, EMNRD [mailto:Phillip.Goetze@state.nm.us]
Sent: Wednesday, April 18, 2018 9:11 AM
To: Tim Harrington
Cc: Jones, William V, EMNRD; McMillan, Michael, EMNRD; Dawson, Scott, EMNRD; Lowe, Leonard, EMNRD
Subject: Request for Extension of Administrative Order SWD-1635 - Additional Information Required

RE: Red Hills SWD No. 2 (30-025-Pending); SWD-1635; UL M, Sec 8, T26S, R32E, NMPM, Lea County

Tim:

You have submitted a request, on behalf of Mewbourne, to extend order SWD-1635. This correspondence was provided to Division prior to the anniversary date for injection to commence (July 12, 2018) and satisfied the condition for a written request detailed in the order. As part of the review process for an extension, there are two information requirements that need to be provided by Mewbourne:

1. Is there any change in the AOR wells or are the AOR wells the same as the original application? If there are new AOR wells, please provide this information (location and completion as would be submitted in a C-108 application).

2. Is there any change in the affect persons – those notified in the original application within the ½-mile radius? If there is a new affect persons, then they will have to be notified and return receipts provided to the Division.

If there have been no changes in either item, please send an e-mail with this finding and it will be included with the extension request. If there is additional info, this can also be submitted as an attachment. Please contact me with any questions regarding the content of this e-mail. PRG

Phillip Goetze, PG

Engineering Bureau, Oil Conservation Division

New Mexico Energy, Minerals and Natural Resources Department

1220 South St. Francis Drive, Santa Fe, NM 87505

Direct: 505.476.3466

E-mail: phillip.goetze@state.nm.us



RED HILLS SWD #2 PERMIT APPLICATION

TABULATION OF WELLS WITHIN 1/2 MILE RADIUS

April 19, 2018 Revision

TOP DISPOSAL INTERVAL 17300 FT TVD

Direction	API	Lease Name	Well Num	Operator Name	Current Operator	Sec	Twp	Rge	Footage	Current Status	Final Status	IP Prod Form Name	TVD	Driller Td	Proj Depth	Proj Form	Permit Date	Spud Date	Comp Date
V	30025287260000	AMOCO FEDERAL	1	LYCO ENERGY CORP	SAHARA OPERATING CO	8	26S	32E	2004 FSL 2004 FEL CONGRESS SECTION	PRODUCING	OIL	DELAWARE	4425	4425	4500	DELAWARE	1984-06-19	1984-06-29	1984-10-03
V	30025277440000	FEDERAL 'CM'	1	AMOCO PROD CO	AMOCO PROD CO	8	26S	32E	1665 FNL 1660 FWL CONGRESS SECTION	PERMIT EXPIRED	AB-LOC		NA		4700	DELAWARE	1982-02-02		
V	30025232500000	HIGGINS N C FEDERAL	1	TEXACO INCORPORATED	TEXACO INCORPORATED	8	26S	32E	1980 FSL 660 FWL CONGRESS SECTION	PLUGGED	ABD-OW	DELAWARE	4550	4550	4650	DELAWARE	1969-08-07	1969-08-17	1969-09-26
V	30025295400000	HIGHLAND FEDERAL	1	HIGHLND PROD CO	QUAY VALLEY INC	8	26S	32E	1005 FSL 2337 FEL CONGRESS SECTION	PLUGGED	ABD-OW	DELAWARE	4430	4430	4600	DELAWARE	1985-12-05	1985-12-15	1986-01-31
H	30025427050000	RED HILLS WEST UNIT	9H	MEWBOURNE OIL CO	MEWBOURNE OIL CO	8	26S	32E	330 FSL 380 FWL CONGRESS SECTION	PRODUCING	OIL	AVALON	9252	13770	13639	BONE SPRING UPPER	2015-07-23	2015-08-05	
H	30025429010000	RED HILLS WEST UNIT	8H	MEWBOURNE OIL CO	MEWBOURNE OIL CO	8	26S	32E	150 FSL 2250 FWL CONGRESS SECTION	PERMIT	PERMIT		NA		16613	WOLFCAMP UPPER	2015-10-23		
H	30025404420000	RED HILLS WEST UNIT	3H	MEWBOURNE OIL CO	MEWBOURNE OIL CO	8	26S	32E	150 FSL 890 FWL CONGRESS SECTION	PRODUCING	OIL	BONE SPRING	8882	13479	13477	BONE SPRING UPPER	2012-02-09	2012-03-11	2012-05-21
H	30025409010000	BUCK 17 FEDERAL	6H	CONOCOPHILLIPS CO	CONOCOPHILLIPS CO	17	26S	32E	28 FSL 2604 FEL CONGRESS SECTION	PRODUCING	OIL	BONE SPRING	8848	13592	13539	BONE SPRING UPPER	2012-12-18	2013-04-04	2013-12-19

NEW WELLS ADDED WITHIN 1/2 MILE RADIUS OF REVIEW

H	30025439130000	RED HILLS WEST UNIT	018H	MEWBOURNE OIL CO	MEWBOURNE OIL CO	8	26S	32E	370 FSL 364 FWL CONGRESS SECTION	PRODUCING	GAS	WOLFCAMP	11914	16635	16561	WOLFCAMP	07/27/2017	09/10/2017	02/02/2018
H	30025446020000	RED HILLS WEST UNIT	019H	MEWBOURNE OIL CO	MEWBOURNE OIL CO	8	26S	32E	150 FSL 1205 FWL CONGRESS SECTION	PERMIT	PERMIT		12113 Est		16869	WOLFCAMP	02/14/2018		
H	30025446030000	RED HILLS WEST UNIT	020H	MEWBOURNE OIL CO	MEWBOURNE OIL CO	8	26S	32E	220 FSL 1205 FWL CONGRESS SECTION	PERMIT	PERMIT		11854 Est		16631	WOLFCAMP	02/14/2018		

THREE NEW WELLS WERE ADDED TO THE AREA OF REVIEW AND NO WELLS PENETRATE THE PROPOSED DISPOSAL ZONE