

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



Administrative Order IPI-435
April 22, 2013

Mesquite SWD, Inc.
P. O. Box 1479
Carlsbad, NM 88221
Attn: Dr. Kay Havenor, Geoscience Technologies

RE: Injection Pressure Increase
Disposal Permit: SWD-1269
Pool: SWD; Bell Canyon and Cherry Canyon members; Delaware Mountain Group
Heavy Metal 12 Federal Well No. 1 API 30-015-29602
Unit K, Sec 12, T24S, R31E, NMPM, Eddy County, New Mexico

Dear Dr. Havenor:

Reference is made to your request on behalf of Mesquite SWD, Inc. (OGRID 161968) received by the Division on April 9, 2013, to increase the maximum allowed surface tubing pressure on the above named well.

This well was permitted by the Division for water disposal in the Bell Canyon and Cherry Canyon (of the Delaware Mountain Group) by Division administrative order SWD-1269 approved March 29, 2011. That permit allowed disposal through open hole from 4415 feet to 7050 feet at a maximum surface disposal pressure of 883 psi.

It is our understanding that this well will not take a sufficient volume of fluid at the current pressure limit and a higher pressure limit is needed. It is also understood that an increase will not result in the fracturing of the formation and confining strata.

Based on a step rate test for this well run February 28, 2013, through 3-1/2 inch tubing, you are hereby authorized to inject at the following maximum surface tubing pressure:

Heavy Metal 12 Federal Well No. 1	API 30-015-29602	<u>1400 psi</u>
--	-------------------------	------------------------

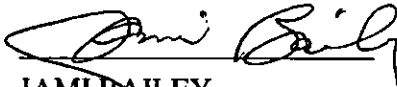
This approval is based on the provision that the tubing size, packer setting depth and completion interval for this well does not change. Any future requested pressure increase will require resubmission of additional data and a new step-rate test. The Division Director retains the right to require at any time wireline verification of completion and packer setting depths in this well. This approval is subject to your

BEFORE THE OIL CONSERVATION
DIVISION
Santa Fe, New Mexico
Exhibit No. 3
Submitted by: OXY & Chevron
Hearing Date: December 9, 2014

being in compliance with all other Division rules, including but not limited to Division Rule 19.15.5.9 NMAC.

The Division Director may rescind this permitted injection pressure increase if it becomes apparent that the injected fluid is not being confined to the permitted disposal interval or is endangering any fresh water aquifer.

Sincerely,



JAMI BAILEY
Director

JB/pg

cc: Oil Conservation Division – Artesia
Bureau of Land Management - Carlsbad
File: SWD-1269



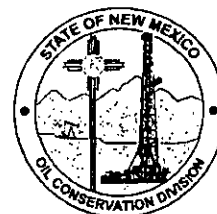
New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

J. Daniel Sanchez
Acting Division Director
Oil Conservation Division



Administrative Order SWD-1269
March 29, 2011

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Division Rule 26.8B., Mesquite SWD, Inc. seeks an administrative order to utilize its Heavy Metal 12 Federal Well No. 1 (API 30-015-29602) located 1900 feet from the South line and 1900 feet from the West line, Unit Letter K of Section 12, Township 24 South, Range 31 East, NMPM, Eddy County, New Mexico, for produced water disposal purposes.

THE DIVISION DIRECTOR FINDS THAT:

The application has been duly filed under the provisions of Division Rule 26.8B. Satisfactory information has been provided that affected parties as defined in Rule 26.8B.(2) 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 26.8 will be met and the operator is in compliance with Division Rule 5.9.

IT IS THEREFORE ORDERED THAT:

The applicant, Mesquite SWD, Inc., is hereby authorized to utilize its Heavy Metal 12 Federal Well No. 1 (API 30-015-29602) located 1900 feet from the South line and 1900 feet from the West line, Unit Letter K of Section 12, Township 24 South, Range 31 East, NMPM, Eddy County, New Mexico, for disposal of oil field produced water (UIC Class II only) into the Bell Canyon and Cherry Canyon members of the Delaware Mountain Group through an open hole from 4415 feet to 7050 feet through lined tubing and a packer set within 100 feet above the permitted disposal interval.

Within one year of commencing disposal into this well, the operator shall run an injection survey (tracer and temperature or equivalent tools) while disposing at an average rate into this large open hole interval. The logged results of this survey shall be copied to the Division [Hobbs office] for inclusion into the log files for this well. If the survey does not appear in Division records within 18 months of commencement of disposal or if the survey shows the disposal



interval is not contained within permitted depths, then the disposal permit shall expire *ipso facto* and disposal operations shall cease.

IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the disposed water enters only the proposed disposal interval and is not permitted to escape to other formations or onto the surface.

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 wellhead injection pressure on the well shall be limited to **no more than 883 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 office of the date and time of the installation of disposal equipment and of any mechanical integrity test 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 26.13 and 7.24.

Without limitation on the duties of the operator as provided in Division Rules 30 and 29, or otherwise, the operator shall immediately notify the Division's 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.

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.

In accordance with Division Rule No 26.12.C., the disposal authority granted herein shall terminate one year after the effective date of this order if the operator has not commenced

injection operations into the subject well, provided however, the Division, upon written request, mailed by the operator prior to the termination date, may grant an extension thereof for good cause. One year after disposal into the well has ceased, the authority to dispose will terminate *ipso facto*.

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.


J. DANIEL SANCHEZ
Acting Director

JDS/wvjj

cc: Oil Conservation Division – Artesia
Bureau of Land Management - Carlsbad