

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

RECEIVED  
2008 MAY 9 PM 2 45

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST MESQUITE SWD, INC., SUSPENDING MESQUITE'S AUTHORITY TO INJECT INTO THE EXXON STATE NO. 008 UNDER ORDER NO. SWD-180 UNTIL MESQUITE SHOWS THAT THE INJECTED FLUIDS ARE NOT ESCAPING TO UNAUTHORIZED INJECTION ZONES; REQUIRING COMPLIANCE WITH ORDER NO. SWD-180 AND RULE 19.15.9.703 NMAC; AND REQUEST FOR EXPEDITED HEARING; EDDY COUNTY, NEW MEXICO.

CASE NO. 14136

**APPLICATION FOR COMPLIANCE ORDER AGAINST MESQUITE SWD, INC., AND REQUEST FOR EXPEDITED HEARING**

1. Mesquite SWD, Inc. (hereinafter, "Operator") is a domestic limited liability company (SCC No. 2339406) operating wells in New Mexico under OGRID 161968.
2. Operator is the operator of record of the following well:
  - Exxon State No. 008; 30-015-22055; O-15-21S-27E
3. On December 31, 1976, the Oil Conservation Commission issued Order No. SWD-180, which authorized the Exxon State No. 008 to inject into the "Yates formation at approximately 570 feet to approximately 600 feet."
4. Order No. SWD-180 further ordered that "the operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface."

5. Operator recently conducted an injection survey on the Exxon State No. 008. The survey results show injected fluids being injected into the Yates formation through an open hole from 587 feet to a total depth of 694 feet. The injected fluids are going vertically down and out the bottom of the open hole. A high volume of fluids are being injected into the Exxon State No. 008 at extremely low pressures. Mesquite has increased its injection into the Exxon State No. 008 from 1500 barrels per day in 2006 to the current 6700 barrels per day. The fluids are being injected near or into the top of the Capitan Reef, which is an extremely porous aquifer.

6. Oil Conservation Division ("OCD") Rule 19.15.9.703.A & B NMAC ("Rule 703") provides that injection wells shall be operated and maintained so as to confine injected fluids to authorized injection zones.

7. The Exxon State No. 008 has failed to confine injected fluids to the authorized injection zone or zones, in violation of Order No. SWD-180 and Rule 703.

8. OCD Rule 703.E authorizes the OCD to shut in injection wells or projects that have exhibited failure to confine injected fluids to the authorized injection zones or zones until the failure has been identified and corrected.

9. Pursuant to NMSA 1978, Section 70-2-23, the OCD has issued an emergency order (Order No. E-37) requiring Operator to shut in the Exxon State No. 008. See Attachment A. Such orders remain in force no longer than 15 days from their effective date. The emergency order will expire on May 24, 2009.

10. In cases of emergency, OCD Rule 19.15.14.1225 NMAC ("Rule 1225") authorizes the OCD to conduct a hearing on any application within less than 30 days after

a party files an application. OCD Rule 1225 further provides that the OCD Director may set the notice period at his discretion.

11. Because an emergency exists for all the reasons stated in the attached emergency order and the emergency order will expire in 15 days, Applicant requests that that this case be set for hearing on the May 15, 2008 OCD hearing calendar. In the alternative, Applicant asks that the case be set for a special hearing date prior to May 24, 2008.

WHEREFORE, the OCD District II Supervisor hereby applies to the Director to enter an Order:

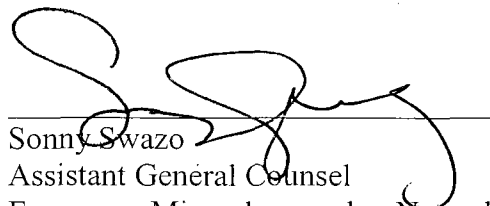
A. Suspending Operator's authority to inject into the Exxon State No. 008 under Order No. SWD-180 until Operator shows that the injected fluids are not escaping to unauthorized injection zones;

B. Requiring compliance with Order No. SWD-180 and Rule 703;

C. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED

this 9 day of May, 2008 by



Sonny Swazo  
Assistant General Counsel  
Energy, Minerals and Natural  
Resources Department of the State of  
New Mexico  
1220 S. St. Francis Drive  
Santa Fe, NM 87505  
(505) 476-3463  
Fax (505) 476-3462

Email: [sonny.swazo@state.nm.us](mailto:sonny.swazo@state.nm.us)

Attorney for the New Mexico Oil  
Conservation Division

Case No. 14136: Application of the New Mexico Oil Conservation Division for an Compliance Order against Mesquite SWD, Inc., suspending Mesquite's authority to inject in the Exxon State No. 008 under Order No. SWD-180 until Mesquite shows that the injected fluids are not escaping to unauthorized injection zones. The affected well is the:

- Exxon State No. 008; 30-015-22055; O-15-21S-27E.

The well is located approximately 9 miles Northeast of Carlsbad, in Eddy County, New Mexico.

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE PROCEEDING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF CONSIDERING:

CASE NO. 14136  
ORDER NO. E-37

APPLICATION OF THE SUPERVISOR OF DISTRICT II FOR AN  
EMERGENCY ORDER SHUTTING IN THE EXXON STATE NO. 008 WELL  
OPERATED BY MESQUITE SWD, INC.

EMERGENCY  
ORDER OF THE DIVISION

BY THE DIVISION:

This matter came on for decision before the Director of the Oil Conservation Division on May 9, 2008, upon the verbal request of the Supervisor of District II.

Now, on this 9 day of May, 2008, the Division Director, having considered the request, and the records and other information provided by the Supervisor of District II,

FINDS THAT:

- (1) The Division has jurisdiction over this case and its subject matter.
- (2) Mesquite SWD, Inc. ("Mesquite"), OGRID 161968, is the operator of record of the Exxon State No. 008, API No. 30-015-22055, located in Unit letter O, Section 15, Township 21 South, Range 27 East in Eddy County, New Mexico.
- (3) On December 31, 1976, the Oil Conservation Commission issued Order No. SWD-180, which authorized the Exxon State No. 008 well to inject into the "Yates formation at approximately 570 feet to approximately 600 feet."

ATTACHMENT A

(4) Order No. SWD-180 further ordered that "the operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface."

(5) The results of an injection survey that Mesquite recently performed on the Exxon State No. 008 shows fluids being injected into the Yates formation through an open hole from 587 feet to a total depth of 694 feet. The injection survey shows the injection going vertically down and out the bottom of the open hole. The injection survey shows a high volume of fluids being injected into the Exxon State No. 008 at extremely low pressures. The injection survey shows that Mesquite has increased its injection into the Exxon State No. 008 from 1500 barrels per day in 2006 to the current 6700 barrels per day. The fluids are being injected near or into the top of the Capitan Reef, which is an extremely porous aquifer.

(6) The Exxon State No. 008 has failed to confine injected fluids to the authorized injection zone or zones, in violation of Order No. SWD-180 and 19.15.9.703.A & B NMAC.

(7) The Division is authorized to shut in injection wells or projects that have exhibited failure to confine injected fluids to the authorized injection zones or zones until the failure has been identified and corrected. 19.15.4.703.E NMAC.

(8) The Division has determined that Mesquite's continued injection into the Exxon State No. 008, resulting in injected fluids leaking out of authorized injection zone or zones, constitutes an emergency under NMSA 1978, Section 70-2-23, requiring the issuance of an emergency order without public notice or hearing. Such order shall have the same validity as if a hearing with respect to the same had been held after due notice.

IT IS THEREFORE ORDERED THAT:

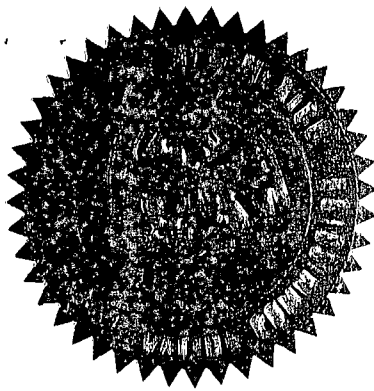
(1) Mesquite is ordered to shut in the Exxon State No. 008 until the failure has been identified and corrected.

(2) This Order is effective **immediately**.

(3) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



*Mark E. Fesmire*  
MARK E. FESMIRE, P.E.  
Director