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Special docket

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

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 OF MESQUITE SWD, INC. FOR AUTHORIZATION TO INJECT AND TO OBTAIN AN AMENDMENT TO PERMIT NO. SWD-180.

CASE NO. 14178

OIL CONSERVATION DIVISION'S RESPONSE IN OPPOSITION TO MESQUITE SWD, INC.'S, MOTION TO QUASH EMERGENCY ORDER NO. E-

37

FILED SEP 12 9 41 AM '07

The Oil Conservation Division (OCD) hereby files its response in opposition to Mesquite SWD, Inc.'s (Mesquite's), Motion to Quash Emergency Order No. E-37 (Order). In its Motion Mesquite is asking for the Order to be quashed on the ground that no legal basis exists for the Order because Mesquite is injecting within the limits of an authorized Application to Drill (APD). The OCD opposes Mesquite's Motion and respectfully asks that Mesquite's Motion be denied for the reasons discussed below.

SWD
7

7

Argument

Mesquite's argument basically is that it has the authority to dispose of salt water to a depth of 700 feet based on an APD which purportedly authorized salt water to be disposed of to a depth of 700. The facts show, however, that injection authority for the

SWD

Exxon State No. 008 well terminated due to one year of continuous inactivity, the APD that Mesquite relies upon expired and became invalid before the well was drilled; and a tracer survey that Mesquite had performed on the well shows injected fluids going past the well's logged total depth. For these reasons, Mesquite's Motion should be denied.

I. Injection authority for the Exxon State No. 008 well does not exist.

OCD Rule 19.15.9.705(C)(1) NMAC (Rule 705(C)(1)) states:

Whenever there is a continuous one year period of non-injection into any injection project, storage project, salt water disposal well, or special purpose injection well, such project or well shall be considered abandoned, and the authority for injection shall automatically terminate ipso facto.

OCD records show a continuous one year period of non-injection for the Exxon State No. 008 well from November 1994 to May 1997 and March 2005 to March 2006. **See Attachment 1.** Under OCD Rule 705(C)(1), injection authority for the Exxon State No. 008 well terminated around November 1995. Thus, the authority to inject into the Exxon State No. 008 well no longer exists. ✓

II. The APD which purportedly authorizes injection up to a depth of 700 feet expired and became invalid before the applicant drilled the well.

In the APD Applicant A.H. Rains proposed drilling the Exxon State No. 008 well to a depth of 600 to 700 feet. **See Application For Permit To Drill, Deepen, Or Plug Back, attached as Exhibit 2.** The APD shows that OCD District II Supervisor W.A. Gressett approved the APD on February 18, 1977. **Id.** A stamp on the APD reads "APPROVAL VALID FOR 90 DAYS UNLESS DRILLING COMMENCED, EXPIRES 5-18-77." **Id.** According to documents filed by A.H. Rains, the Exxon State No. 008 well was spudded on May 23, 1977 or June 1, 1977. **See May 24, 1977 Sundry Notice and Reports On Well, attached as Exhibit 3; Well Completion Or Recompletion Report**

And Log, attached as Exhibit 4. This was after the APD had expired. The APD became invalid when A.H. Rains did not commence drilling by the deadline. Thus, A.H. Rains lost its authority to dispose of salt water beyond the 600 feet authorized in SWD-180.

III. Mesquite's own tracer survey shows injected fluids traveling out of the authorized injection zone.

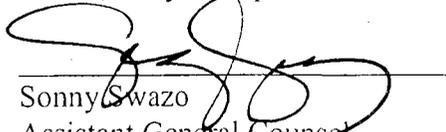
On March 5, 2008, Mesquite had a tracer survey performed on the Exxon State No. 008 well. See Mesquite Tracer Survey, attached as Exhibit 5. The tracer survey states, "Injection profile indicates fluid going in open hole just below casing with majority going down hole past TD." Id. The tracer survey also states, "Tracer pass show fluid movement down hole past logged TD." Id. The well was completed to 694 feet. See Exhibit 4.

Even if we assume that Mesquite has authority to inject up to a depth of 700 feet, which we do not believe it does, Mesquite's own tracer survey shows injected fluids going beyond the well's total depth.

In conclusion, the facts show a legal basis for the Order and therefore, Mesquite's Motion should be denied.

Respectfully submitted,

this 12th day of September 2008 by



Sonny Swazo
Assistant General Counsel
Oil Conservation Division
Energy, Minerals and Natural
Resources Department
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3463

Attorney for the Oil Conservation Division

CERTIFICATE OF SERVICE

I hereby certify that on this 12th day of September 2008, a copy of Oil Conservation Division's Response In Opposition To Mesquite SWD, Inc.'s, Motion To Quash Emergency Order No. E-37 was sent to Respondent's Attorney Thomas Hnasko via fax, mail and email.

Thomas Hnasko., Esq.
P.O. Box 2068
Santa Fe, NM 87504-2068
Fax (505) 982-8623
Email: thnasko@hinklelawfirm.com



Sonny Swazo

Well Name:	EXXON STATE # 008	API:	30-015-22055		
Location:	O-15-21.0S-27E 1268 FSL 2032 FEL				
Lat:	32.47632072	Long:	-104.1757226		
Operator Name:	MESQUITE SWD	INC	County:	Eddy	
Land Type:	State	Well Type:	SWD		
Spud Date:		Plug Date:			
Elevation GL:	3274	Depth TVD:	694	APC Status:	
Year:	1994				
Pool Name:	SWD;YATES				
Month	Gas(MCF)	CO2(MCF)	Water(BBLS)	Other(BBLS)	Days Injected
January	0	0	740	0	0
February	0	0	1894	0	0
March	0	0	2442	0	0
April	0	0	2016	0	0
May	0	0	2400	0	0
June	0	0	2850	0	0
July	0	0	2408	0	0
August	0	0	2907	0	0
September	0	0	1826	0	0
October	0	0	154	0	0
November	0	0	0	0	0
December	0	0	0	0	0
Year:	1995				
Pool Name:	SWD;YATES				
Month	Gas(MCF)	CO2(MCF)	Water(BBLS)	Other(BBLS)	Days Injected
January	0	0	0	0	0
February	0	0	0	0	0
March	0	0	0	0	0
April	0	0	0	0	0
May	0	0	0	0	0
June	0	0	0	0	0
July	0	0	0	0	0
August	0	0	0	0	0
September	0	0	0	0	0
October	0	0	0	0	0
November	0	0	0	0	0
December	0	0	0	0	0
Year:	1996				
Pool Name:	SWD;YATES				
Month	Gas(MCF)	CO2(MCF)	Water(BBLS)	Other(BBLS)	Days Injected
January	0	0	0	0	0
February	0	0	0	0	0
March	0	0	0	0	0
April	0	0	0	0	0
May	0	0	0	0	0
June	0	0	0	0	0
July	0	0	0	0	0
August	0	0	0	0	0
September	0	0	0	0	0
October	0	0			
November	0	0			

Exhibit 1

December	0	0	0	0	0
Year:	1997				
Pool Name:	SWD;YATES				
Month	Gas(MCF)	CO2(MCF)	Water(BBLS)	Other(BBLS)	Days Injected
January	0	0	0	0	0
February	0	0	0	0	0
March	0	0	0	0	0
April	0	0	0	0	0
May	0	0	0	X	0
June	0	0	4241	0	0
July	0	0	400	0	0
August	0	0	625	0	0
September	0	0	0	0	0
October	0	0	0	0	0
November	0	0	13787	0	0
December	0	0	11210	0	0
Year:	1998				
Pool Name:	SWD;YATES				
Month	Gas(MCF)	CO2(MCF)	Water(BBLS)	Other(BBLS)	Days Injected
January	0	0	300	0	0
February	0	0	1478	0	0
March	0	0	12203	0	0
April	0	0	12608	0	0
May	0	0	12870	0	0
June	0	0	5224	0	0
July	0	0	685	0	0
August	0	0	435	0	0
September	0	0	586	0	0
October	0	0	782	0	0
November	0	0	156	0	0
December	0	0	547	0	0
Year:	1999				
Pool Name:	SWD;YATES				
Month	Gas(MCF)	CO2(MCF)	Water(BBLS)	Other(BBLS)	Days Injected
January	0	0	340	0	0
February	0	0	492	0	0
March	0	0	0	0	0
April	0	0	1211	0	0
May	0	0	12870	0	0
June	0	0	10769	0	0
July	0	0	4396	0	0
August	0	0	3700	0	0
September	0	0	4004	0	0
October	0	0	2442	0	0
November	0	0	2185	0	0
December	0	0	2562	0	0
Year:	2000				
Pool Name:	SWD;YATES				
Month	Gas(MCF)	CO2(MCF)	Water(BBLS)	Other(BBLS)	Days Injected
January	0	0	6314	0	0
February	0	0	1600	0	0

March	0	0	2214	0	0
April	0	0	1510	0	0
May	0	0	1720	0	0
June	0	0	1240	0	0
July	0	0	1800	0	0
August	0	0	1520	0	0
September	0	0	3465	0	0
October	0	0	3645	0	0
November	0	0	2758	0	0
December	0	0	1845	0	0

Year: 2001

Pool Name: SWD;YATES

Month	Gas(MCF)	CO2(MCF)	Water(BBLS)	Other(BBLS)	Days Injected
January	0	0	7280	0	0
February	0	0	1400	0	0
March	0	0	2380	0	0
April	0	0	6720	0	0
May	0	0	2120	0	0
June	0	0	1508	0	0
July	0	0	1489	0	0
August	0	0	1542	0	0
September	0	0	1482	0	0
October	0	0	1565	0	0
November	0	0	1386	0	0
December	0	0	1021	0	0

Year: 2002

Pool Name: SWD;YATES

Month	Gas(MCF)	CO2(MCF)	Water(BBLS)	Other(BBLS)	Days Injected
January	0	0	965	0	0
February	0	0	865	0	0
March	0	0	894	0	0
April	0	0	502	0	0
May	0	0	462	0	0
June	0	0	0	0	0
July	0	0	97	0	0
August	0	0	0	0	0
September	0	0	0	0	0
October	0	0	0	0	0
November	0	0	462	0	0
December	0	0	0	0	0

Year: 2003

Pool Name: SWD;YATES

Month	Gas(MCF)	CO2(MCF)	Water(BBLS)	Other(BBLS)	Days Injected
January	0	0	0	0	0
February	0	0	0	0	0
March	0	0	600	0	0
April	0	0	615	0	0
May	0	0	500	0	0
June	0	0	787	0	0
July	0	0	0	0	0
August	0	0	934	0	0
September	0	0	840	0	0

October	0	0	900	0	0
November	0	0	854	0	0
December	0	0	931	0	0
Year:	2004				
Pool Name:	SWD;YATES				
Month	Gas(MCF)	CO2(MCF)	Water(BBLS)	Other(BBLS)	Days Injected
January	0	0	796	0	0
February	0	0	846	0	0
March	0	0	607	0	0
April	0	0	0	0	0
May	0	0	600	0	0
June	0	0	0	0	0
July	0	0	4500	0	0
August	0	0	500	0	0
September	0	0	17136	0	0
October	0	0	0	0	0
November	0	0	0	0	0
December	0	0	26571	0	0
Year:	2005				
Pool Name:	SWD;YATES				
Month	Gas(MCF)	CO2(MCF)	Water(BBLS)	Other(BBLS)	Days Injected
January	0	0	4585	0	0
February	0	0	87000	0	0
March	0	0	94000	0	0
April	0	0	0	0	0
May	0	0	0	0	0
June	0	0	0	0	0
July	0	0	0	0	0
August	0	0	0	0	0
September	0	0	0	0	0
October	0	0	0	0	0
November	0	0	0	0	0
December	0	0	0	0	0
Year:	2006				
Pool Name:	SWD;YATES				
Month	Gas(MCF)	CO2(MCF)	Water(BBLS)	Other(BBLS)	Days Injected
January	0	0	0	0	0
February	0	0	0	0	0
March	0	0	0	0	0
April	0	0	34464	0	0
May	0	0	83928	0	0
June	0	0	107282	0	0
July	0	0	127367	0	0
August	0	0	0	0	0
September	0	0	177874	0	0
October	0	0	187040	0	0
November	0	0	187583	0	0
December	0	0	184567	0	0
Year:	2007				
Pool Name:	SWD;YATES				
Month	Gas(MCF)	CO2(MCF)	Water(BBLS)	Other(BBLS)	Days Injected

January	0	0	174418	0	0
February	0	0	189706	0	0
March	0	0	223381	0	0
April	0	0	195680	0	0
May	0	0	239000	0	0
June	0	0	167705	0	0
July	0	0	184962	0	0
August	0	0	214403	0	0
September	0	0	233205	0	0
October	0	0	256599	0	0
November	0	0	216000	0	0
December	0	0	174952	0	0

X
8300

Year:	2008				
Pool Name:	SWD;YATES				
Month	Gas(MCF)	CO2(MCF)	Water(BBLS)	Other(BBLS)	Days Injected
January	0	0	223342	0	0
February	0	0	185057	0	0
March	0	0	218221	0	0
April	0	0	222251	0	0
May	0	0	54446	0	0
June	0	0	0	0	0
July	0	0	0	0	0
August	0	0	0	0	0
September	0	0	0	0	0
October	0	0	0	0	0
November	0	0	0	0	0
December	0	0	0	0	0

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FEB 15 1977

D.C.C.
ARTESIA, OFFICE

30-118-22600

Form O-101
Revised 1-1-65

5A. Indicate Type of Lease
STATE FEE

6. State Oil & Gas Lease No.
E 2597

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work
b. Type of Well
DRILL DEEPEN PLUG BACK
OIL WELL GAS WELL OTHER WATER DISPOSAL SINGLE ZONE MULTIPLE ZONE

7. Unit Agreement Name
0

2. Name of Operator
A. L. RAINBOW

8. Firm or Lease Name
EXADIN STATE

3. Address of Operator
1517 2nd CARLSBAD, N.M. 88230

9. Well No.
8

4. Location of Well
UNIT LETTER 0 LOCATED 1268 FEET FROM THE SOUTH LINE

10. Field and Pool, or Wildcat
MAGNUER-YATES

AND 26 FEET FROM THE EAST LINE OF SEC. 15 T.21S. R.29E. N.1/4

11. County
EDDY

12. Proposed Depth 600-700'	19A. Formation LIME	21. Factory or C.T. ROTARY
13. Job itemized (how, whether D.P., R.P., etc.) 3290'	20A. Blanket or other special program BLANKET	22. Approx. Date work will start UNKNOWN

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12"	5 3/4"	24	175'	CIRCULATED	
7 7/8"	5 1/2"	14	600'		

INTEND TO DRILL 7" HOLE TO A DEPTH OF 600-700'
CIRCUULATE CEMENT AND CEMENT TO TOP OF

APPROVAL VALID
FOR 90 DAYS UNLESS
DRILLING COMMENCED,

EXPIRES 5-18-77

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM IF PROPOSED IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE A SUMMARY OF PREVIOUS PROGRAMS, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Signed A. L. Rainbow Title OPERATOR Date 2-8-77

(This space for State Use)

APPROVED BY W. C. Gussert SUPERVISOR, DISTRICT II DATE FEB 18 1977

CONDITIONS OF APPROVAL, IF ANY:

Exhibit 2

copy N.M.O.C. in efficient
time to witness cementing
the 7 7/8" casing

WELL COVER RECEIVED	1
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U.S.G.S.	2
LAND OFFICE	1
OPERATOR	

RECEIVED
NEW MEXICO OIL CONSERVATION COMMISSION
WELL COMPLETION OR RECOMPLETION REPORT AND LOG
NOV 28 1977

50. Indicate Type of Lease
State For
5. State Oil & Gas Lease No.
E-2597

Duncan Minerals
O. C. C.
ARTESIA, OFFICE

6. TYPE OF WELL
OIL WELL GAS WELL DRY OTHER *WATER DISPOSAL*

6. TYPE OF COMPLETION
NEW WELL WORK OVER DEEPEN PLUG BACK DIFF. RESVR. OTHER

7. Unit Agreement Name
8. Farm or Lease Name
LENNON STATE
9. Well No.
8

11. Name of Operator
ALZARAINS
12. Address of Operator
Box 927 Catford New Mexico 88220

10. Field and Pool, or Wildcat
Magnum Yates

13. HIT LETTER **0** LOCATED **1268** FEET FROM THE **SOUTH** LINE AND **2032** FEET FROM
14. NE **EAST** CORNER OF SEC. **15** TWP. **21S** RGE. **27E** N.M.P.M.

12. County
ELLY

5. Date Spudded **6-1-77** 16. Date T.D. Reached **9-9-77** 17. Date Compl. (Ready to Prod.) **9-15-77** 18. Elevations (DF, RKB, RT, GR, etc.) 19. Elev. Casinghead **3295**

20. Total Depth **694** 21. Plug Back T.D. 22. If Multiple Compl., How Many 23. Intervals Drilled By **Rotary Tools** Cable Tools

24. Producing Interval(s) of this completion - Top, bottom, name 25. Was Directional Survey Made

26. Type Electric and Other Logs Run 27. Was Well Cored

28. CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT LB. FT.	DEPTH SET	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
3 7/8	24	168' 6"	1 1/2"	110 SACKS CEMENT	CIR
5 1/2	14	567' 9"	7 7/8"	110 SACKS CEMENT	CIRCULATION
PACKER SET AT 550' 4 3/4 HOLES DRILL 567' 9" TO 694 FEET					

LINER RECORD				TUBING RECORD			
SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN	SIZE	DEPTH SET	PACKER SET
					2 7/8"	550	550

29. Generation Packer (Interval, size and number) 30. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

DEPTH INTERVAL	AMOUNT AND KIND MATERIAL USED
568-694	110 gal acid

31. PRODUCTION

Date First Production Production Method (Flowing, gas lift, pumping - Size and type pump) Well Status (Prod. or Shut-in)
Water Disposal

Date of Test	Hours Tested	Choke Size	Prod'n. For Test Period	Oil - Bbl.	Gas - MCF	Water - Bbl.	Gas - Oil Ratio
Flowing Press.	Casing Pressure	Calculated 24-Hour Rate	Oil - Bbl.	Gas - MCF	Water		

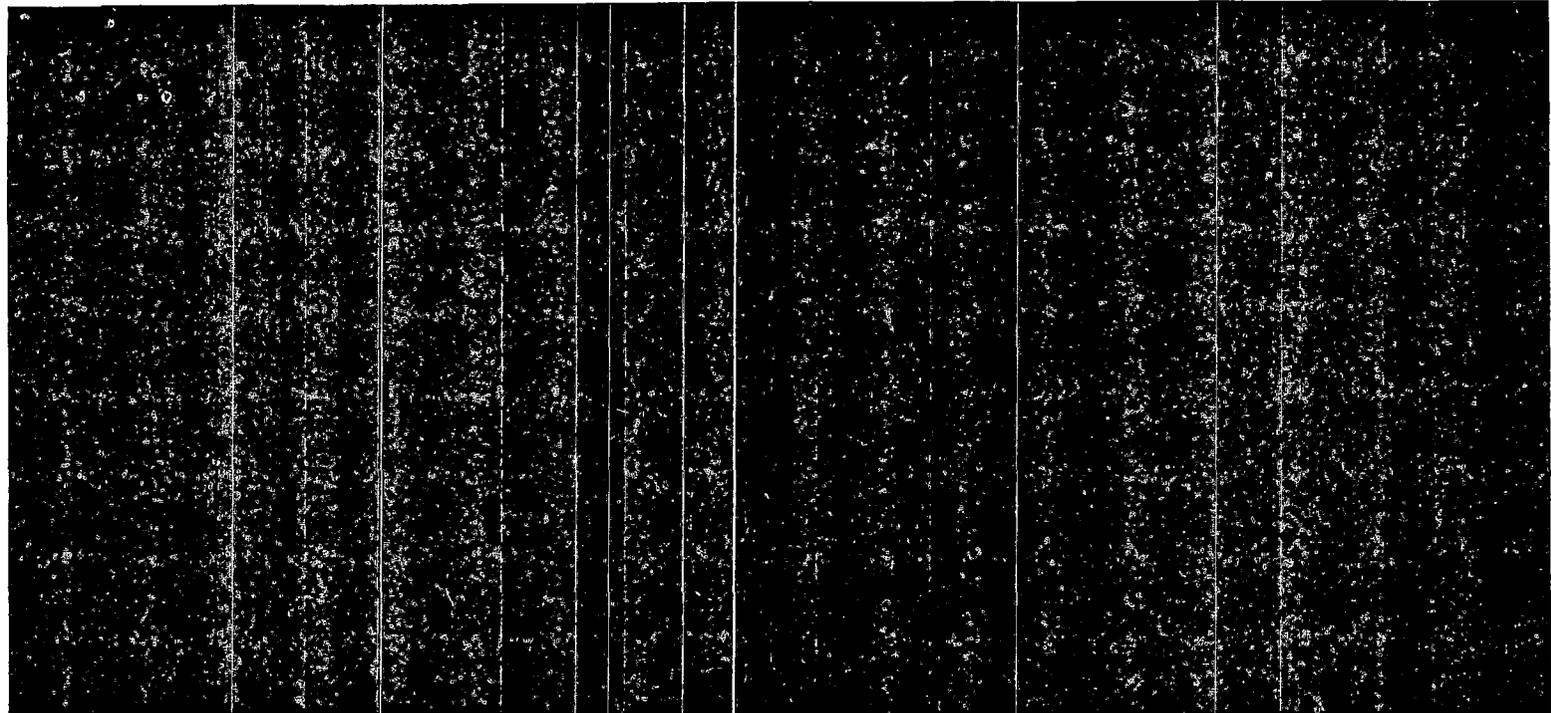
32. Disposition of Gas (Sold, used for fuel, vented, etc.)

33. List of Attachments

34. I hereby certify that the information shown on both sides of this form is true and complete to the best of my knowledge and belief.

SIGNED *G.H. Ward* TITLE *OPERATOR* DATE *11-25-77*

Exhibit 4



pretations are opinions based on inferences from electrical or other measurements and we cannot and do not guarantee the accuracy or correctness of interpretation, and we shall not, except in the case of gross or willful negligence on our part, be liable or responsible for any loss, costs, damages, or expenses incurred or sustained by anyone resulting from any interpretation made by any of our officers, agents or employees. These interpretations are also subject to our general terms and conditions set out in our current Price Schedule.

Comments

Injection profile indicates fluid going in open hole just below casing with majority going down hole past TD.
 Tracer pass show fluid movement down hole past logged TD.
 Temperature show cooling effect just below casing to TD.

Thank you for using Black Warrior Wireline.

Log	Offset (ft)	Schematic	Description	Len (ft)	GD (in)	Wt (lb)
D	43.67		CHD_88	0.84	0.69	1.00
			TREJCT-Bell775 (775-001)	2.00	1.44	5.00
			TRDET-Bell 10 (710-002)	3.00	1.44	5.00
			L_5816			
T	38.33					
AR	37.83					
AR	32.83					

Exhibit 5