

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 SWD-315-B
December 15, 2013

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Pursuant to the provisions of 19.15.26.8B. NMAC, Kevin O. Butler and Associates (the "operator" or Butler and Associates) seeks an administrative order to operate the Maxwell Well No. 2 SWD with a location of 2310 feet from the North line and 990 feet from the West line, Unit letter E of Section 6, Township 13 South, Range 38 East, NMPM, Lea County, New Mexico, for produced water disposal purposes.

THE DIVISION DIRECTOR FINDS THAT:

The application has been duly filed under the provisions of 19.15.26.8B. NMAC and satisfactory information has been provided that affected parties as defined in said rule 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 19.15.26.8 NMAC have been met.

The operator is currently not in compliance with Rule 19.15.5.9 NMAC and has entered into an Agreed Compliance Order for Inactive Wells (ACOI)-280. This AOCI satisfies the compliance requirements of 19.15.5.9 NMAC required for issuance of this Order and includes conditions of operation for this well in Ordering Paragraph (4).

This well was approved for injection into the Wolfcamp formation through perforations under Division Order SWD-315 dated March 24, 1987. The injection interval was expanded to include the open-hole portion of the well in the Devonian formation under an amendment dated June 27, 1987. Both orders have lost their injection authority due to failure of the operator to comply with testing requirements and for interruption of injection activities for greater than one year.

IT IS THEREFORE ORDERED THAT:

The applicant, Butler and Associates (OGRID 12627), is hereby authorized to utilize its Maxwell Well No. 2 SWD (API 30-025-23089) with a location of 2310 feet from the North line and 990 feet from the West line, Unit letter E of Section 6, Township 13 South, Range 38 East, NMPM, Lea County, for disposal of oil field produced water (UIC Class II only) into the Wolfcamp formation through perforations from approximately 9624 feet to 9682 feet. Injection

will occur through internally-coated, 2 7/8-inch tubing and a packer set within 100 feet of the permitted interval.

The operator will demonstrate the location of the cast-iron bridge plug (CIBP) identified in the construction diagram (identified as Exhibit "A") provided in the administrative application for this well. In this application, the operator has stated that a CIBP with cement cap is located at approximately 9803 feet. The operator shall conduct a wireline verification of the CIBP that is to be witnessed by a representative of the Division's district I office. The operator is to provide written notification to Division's district I office at least 48 hours prior to the wireline event. If the wireline verification is not satisfactory to the Division's representative in demonstrating the location of the CIBP, the operator shall provide an alternative method to determine the location of the CIBP and submit a written plan to the Division's district I office and the Bureau's Santa Fe office for review and written approval.

If the wireline verification establishes that the CIBP is not located at approximately 9803 feet, the operator shall be required to install a CIBP with cement cap within 200 feet of the deepest perforation at 9682 feet prior to commencing injection.

Additionally, the operator shall conduct an annual mechanical integrity test ("MIT") within one year of the anniversary date of the initial MIT (conducted prior to commencing injection) and during each successive year of injection operation. All annual MITs will conform to testing procedures requirements in Division Rule 19.15.26.11A. NMAC. Failure to conduct the annual testing shall cause the authority to dispose to terminate *ipso facto*, except where the operator has submitted a written application, prior to the anniversary date, to request for good cause an extension for completing the annual test.

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 well construction proposed and described in the application.

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 MIT prior to initially commencing disposal and prior to resuming disposal each time the disposal packer is unseated. The initial and five-year MIT procedures shall follow the requirements in Division Rule 19.15.26.11A. NMAC. The five-year MIT can be substituted by the annual MIT required in the previous section of the Order. 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 1925 psig**. 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 permit after notice and hearing if the operator is in violation of 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.


JAMI BAILEY
Director

JB/prg

cc: Oil Conservation Division – Hobbs District Office
Well File – API 30-025-23089