

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division.



August 7, 2017

Mr. Ben Stone, as agent for Ray Westall Operating
SOS Consulting, LLC
P. O. Box 300
Como, TX 75431

RE: Administrative Order SWD-1582; First Extension of Deadline to Commence Injection

DHY State B SWD Well No. 1 (API 30-015-21971)

Unit L, Sec 11, T19S, R28E, NMPM, Eddy County, New Mexico

Order Date: September 23, 2015

Injection into Cisco and Canyon formations; permitted interval: approximately 9600 feet to 9950 feet

Dear Mr. Stone:

Reference is made to your request on behalf of Ray Westall Operating, Inc. (the "operator") to extend the September 23, 2015 deadline stipulated in order SWD-1582 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 September 23, 2018. All requirements of the above referenced administrative order and agreements in the

SWD-1582: First Extension of Deadline to Commence Injection
Ray Westall Operating, Inc.
August 7, 2017
Page 2 of 2

application remain in full force and effect.

Sincerely,



DAVID R. CATANACH
Director

DRC/prg

cc: Oil Conservation Division – Artesia District Office
State Land Office – Oil, Gas and Minerals Division
Well File API 30-015-21971
SWD-1582



August 1, 2017

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

VIA EMAIL

Attn: Mr. David Catanach, Director

Re: Request for Extension of Administrative Order SWD-1582 pertaining to Ray Westall Operating, Inc.'s DHY State B SWD No.1; API No.30-015-21971 to include Spud Date and Injection Commencement Date; located in Section 11, T19S-R28E, NMPM, Eddy County, New Mexico.

Dear Mr. Catanach,

Ray Westall Operating had suspended some of its projects to accommodate the changes in the climate of the industry over the last few years. Management has determined that it would now like to move forward with the subject project as permitted. The original permit is set to expire on September 23, 2017.

I have reviewed the subject Area of Review and determined that no significant changes have taken place. Leases and offset interested operators are the same; no new wells drilled. The SWD well will be configured exactly as originally permitted.

We are currently preparing the SWD easement application to submit to the State Land Office. We therefore request one additional year for the subject permit and that an expiration date of September 23, 2018 is applied to order SWD-1536.

If you or your staff has any questions, please do not hesitate to call or email me.

Best regards,

A handwritten signature in black ink, appearing to read 'Ben Stone', is written over a light-colored background.

Ben Stone, SOS Consulting, LLC
Agent for Ray Westall Operating, Inc.

Attachments: Wwillbore diagram, SWD-1582

Cc: Project file



WELL SCHEMATIC - PROPOSED

DHY State 'B' Well No.1 SWD API 30-015-21971

1980' FSL & 990' FWL, SEC. 11-T19S-R28E
EDDY COUNTY, NEW MEXICO

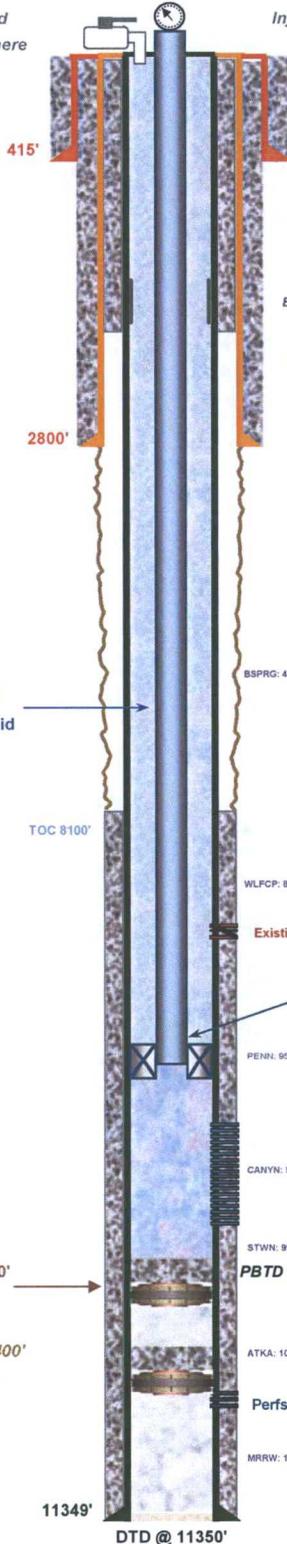
P&A Date: 3/22/2007
SWD Config Date: ~9/15/2015

Annulus Monitored
or open to atmosphere

Injection Pressure Regulated
and Volumes Reported
1920 psi

RAY WESTALL OPERATING, INC.

- Convert to SWD: D/O & C/O Existing Plugs to 10050'.
- Test Existing Perfs Going Down - SQZ if Rqr'd.
- Set CIBP @ 10030' w/ 30' Cement Cap.
- Perforate Selected Interval Between 9600'-9950'.
- Acidize w/ Max. 5000 gals. 15% HCl - Flowback/Swab.
- Run Internally Coated Tubing w/ PKR set ~9555'.
- Perform OCD Witnessed MIT (24 hr. notice).
- Commence Disposal Operations.



Surface Casing
13.375" 48.0# Csg. (17.5" Hole) @ 415'
400 sx - Circulated to Surface

Intermediate Casing
8.625" 24.0/28.0# Csg. (11.0" Hole) @ 2800'
1121 sx - TOC @ 541' by Temp

Annulus Loaded
w/ Inert Packer Fluid

Existing Csg Patch 1660'

SA: 2500'

BSPRG: 4303'

TOC 8100'

WLFCP: 8750'

Existing Perfs: 8870'-8942' (SQZ if Rqr'd.)

3.5" or 2.875" IC Tubing
PKR ~9555'

PENN: 9540'

CANYN: 9773'

STWN: 9910'

PBTD @ 10000'

ATKA: 10285'

Perfs: 10458'-66'

MRRW: 10740'

11349'

DTD @ 11350'

Perf Interval: 9600' to 9950'

Set CIBP @ ~10030'
Cap w/ 30' Cmt.

Existing CIBP @ 10400'
w/ 20' Cmt. Cap

Formation Fluids

Production Casing
5.5" 17.0/20.0# Csg (7.875" Hole) @ 11349'
700 sx Cls H - TOC @ 8100' by Temp

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David Martin
Cabinet Secretary

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

David R. Catanach, Division Director
Oil Conservation Division



Administrative Order SWD-1582
September 23, 2015

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Pursuant to the provisions of Division Rule 19.15.26.8B, NMAC, Ray Westall Operating, Inc. (the "operator") seeks an administrative order to utilize its proposed DHY State B SWD Well No. 1 located 1980 feet from the South line and 990 feet from the West line, Unit L of Section 11, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico, for the purpose of commercial disposal of produced water.

THE DIVISION DIRECTOR FINDS THAT:

The application has been duly filed under the provisions of Division Rule 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 and the operator is in compliance with Rule 19.15.5.9 NMAC.

IT IS THEREFORE ORDERED THAT:

The applicant, Ray Westall Operating, Inc. (OGRID 119305), is hereby authorized to utilize its DHY State B SWD Well No. 1 (API 30-015-21971) located 1980 feet from the South line and 990 feet from the West line, Unit L of Section 11, Township 19 South, Range 28 East, NMPM, Eddy County, for commercial disposal of oil field produced water (UIC Class II only) in the interval consisting of the Cisco and Canyon formations through perforations from approximately 9600 feet to 9950 feet. Injection will occur through internally-coated, 3 ½-inch or smaller tubing and a packer set within 100 feet of the top perforation.

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 and modified in this order.

Existing perms at 8870-8942 shall be squeezed and tested.

The CIBP set at approximately 10030 feet shall be capped with 30 sacks cement.

Within two years after commencing disposal, the operator shall conduct an injection survey, consisting of a tracer/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 Artesia District 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 19.15.26.11A. 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 1920 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 II 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 II 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 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 – Artesia District Office
State Land Office – Oil, Gas and Minerals Division
Well File 30-015-21971