

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

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

**CASE NO. 15192
ORDER NO. R-13955**

**APPLICATION OF BOPCO, L. P. FOR THE REVOCATION OF THE
INJECTION AUTHORITY UNDER ADMINISTRATIVE ORDERS SWD-1269
AND SWD-649-B, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 30, 2014, at Santa Fe, New Mexico, before Examiner Phillip R. Goetze and on December 9, 2014, at Santa Fe, New Mexico, before Examiners Phillip R. Goetze and William V. Jones.

NOW, on this 30th day of January, 2015, the Division Director, having considered the testimony, the record, and the recommendations of the Examiners,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) By Administrative Order No. SWD-1269 dated March 29, 2011, the Oil Conservation Division ("Division") authorized Mesquite SWD, Incorporated (Mesquite) to utilize its Heavy Metal 12 Federal Well No. 1 (API No. 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, Eddy County, New Mexico, as a commercial well for disposal of oil-field produced water into the Bell Canyon and Cherry Canyon formations through an open-hole interval from 4415 feet to 7050 feet.

(3) By Administrative Order No. SWD-649-B dated February 15, 2012, the Division authorized Mesquite to utilize its Bran SWD Well No. 1 (API No. 30-015-25697) located 660 feet from the South line and 660 feet from the East line (Unit letter P) of Section 11, Township 24 South, Range 31 East, Eddy County, New Mexico, as a

commercial well for disposal of oil-field produced water into the Bell Canyon and Cherry Canyon formations through an open-hole interval from 4874 feet to 6740 feet.

(4) By Administrative Order No. IPI-435 dated April 22, 2013, the Division approved an application by Mesquite to increase the maximum surface injection pressure for the Heavy Metal 12 Federal Well No. 1 from 883 pounds per square inch (psi) to 1400 psi based on a step-rate test conducted on February 28, 2013.

(5) By Administrative Order No. IPI-446 dated September 30, 2013, the Division approved an application by Mesquite to increase the maximum surface injection pressure for the Bran SWD Well No. 1 from 975 psi to 1450 psi based on a step-rate test conducted on July 18, 2013.

(6) BOPCO, L.P. ("Applicant" or BOPCO), made application on July 24, 2014, seeking an order revoking the injection authority granted to Mesquite under Administrative Orders SWD-649-B and SWD-1269 and inclusive of the pressure increases granted under Administrative Orders IPI-435 and IPI-446. BOPCO stated that the injection operation of the two disposal wells had impacted production from the Poker Lake Unit Well No. 401H, a horizontal well with a surface location 335 feet from the South line and 570 feet from the East line (Unit letter P) and a bottomhole location 359 feet from the North Line and 544 feet from the West line (Unit letter D) of Section 21, Township 24 South, Range 31 East, Eddy County, New Mexico.

(7) On September 15, 2014, BOPCO submitted to the Division a *Motion For Entry of Order Revoking Injection Authority* (the "*Motion*") that details a negotiated resolution (*Stipulation Regarding Revocation of Injection Authority*) between Applicant and Mesquite. The resolution contained the following stipulated facts:

- (a) BOPCO operates producing horizontal wells within the Poker Lake Unit which is southwest of the general location of the Heavy Metal 12 Federal Well No. 1 and Bran SWD Well No. 1 (the "two commercial disposal wells").
- (b) The horizontal wells within the Poker Lake Unit ("PLU") are producing from a lower interval in the Brushy Canyon formation which is stratigraphically below the Cherry Canyon formation within the Delaware Mountain group.
- (c) In April 2014, BOPCO discovered unusually high bottomhole pressures and an increase in water production for its Poker Lake Unit ("PLU") Well No. 401H (API No. 30-015-39918). This horizontal well has the entire completed interval in the lower Brushy Canyon formation.
- (d) Soon after the discovery of the change in well condition of PLU Well No. 401H, additional horizontal wells completed within the

PLU were observed to have similar increases in bottomhole pressures and increases in water production.

- (e) BOPCO conducted an investigation of the elevated bottomhole pressures and increased water production for the impacted wells and identified the two commercial disposal wells as the source of impacts to PLU Well No. 401H and the possible source of increased water intrusion for two other PLU horizontal wells.
- (f) Applicant notified Mesquite and provided the results of the investigation for review and negotiation.
- (g) Following notification, Mesquite voluntarily suspended the injection operations of the two commercial disposal wells on July 24, 2014.
- (h) Applicant and Mesquite negotiated a settlement as summarized in Exhibit "A", the *Stipulation Regarding Revocation of Injection Authority of the Motion*.

(8) On December 9, 2014, the Applicant appeared through counsel and requested the Division to grant BOPCO's *Motion*.

(9) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes as follows:

(10) Applicant has provided sufficient evidence to support a conclusion that the operation of the two commercial disposal wells has impacted hydrocarbon production, thereby causing waste and impairing correlative rights.

(11) Mesquite has reviewed the same evidence provided by Applicant and agreed to issuance of a Division Order revoking the injection authority in the two wells.

(12) The application to revoke the two administrative orders should be approved.

IT IS THEREFORE ORDERED THAT:

(1) Administrative Order No. SWD-1269 issued March 29, 2011, by the Oil Conservation Division ("Division") authorizing Mesquite SWD, Incorporated ("operator" or Mesquite) to utilize its Heavy Metal 12 Federal Well No. 1 (API No. 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, Eddy County, New Mexico, as a commercial well for disposal of oil-field produced water, is hereby **revoked**.

(2) Administrative Order No. SWD-649-B issued February 15, 2012, by the Division authorizing Mesquite to utilize its Bran SWD Well No. 1 (API No. 30-015-25697) located 660 feet from the South line and 660 feet from the East line (Unit letter P) of Section 11, Township 24 South, Range 31 East, Eddy County, New Mexico, as a commercial well for disposal of oil-field produced water, is hereby **revoked**.

(3) Additional administrative orders associated with disposal operations of the two wells, specifically Administrative Orders Nos. IPI-435 and IPI-446, are terminated as a result of the loss of injection authority.

(4) As a condition of this Order, Mesquite shall notice the United States Bureau of Land Management of: (1) the loss of injection authority for each well and (2) future plans for the beneficial use of each well. A copy of the notice and planned uses for each well shall be supplied to the Division's District II office.

(5) As an additional condition of this Order and prior to any further well activities involving the **Heavy Metal 12 Federal Well No. 1 (API No. 30-015-29602)**, Mesquite shall take all the necessary steps to conduct a wireline verification of the cement plug at 6140 feet. The operator shall file the appropriate Sundry Notice of Intent with the United States Bureau of Land Management for approval. Once approval of the Sundry has been obtained, the operator shall notify the Division's District II office 72 hours prior to the verification activity and a representative of the Division's District II office shall be present to witness the wireline verification.

(6) 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

David R. Catanach

DAVID R. CATANACH
Director