

State of New Mexico  
Energy, Minerals and Natural Resources Department

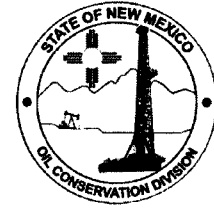
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**Susana Martinez**  
Governor

**Ken McQueen**  
Cabinet Secretary

**Matthias Sayer**  
Deputy Cabinet Secretary

**Heather Riley, Division Director**  
Oil Conservation Division



Administrative Order SWD-1739  
June 19, 2018

**ADMINISTRATIVE ORDER  
OF THE OIL CONSERVATION DIVISION**

Pursuant to the provisions of Division Rule 19.15.26.8(B) NMAC, Goodnight Midstream Permian, LLC (the "operator") seeks an administrative order for its Snyder 28 SWD Well No. 1 ("subject well") with a location of 2402 feet from the North line and 1911 feet from the West line, Unit F of Section 28, Township 21 South, Range 36 East, NMPM, Lea 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 19.15.26.8(B) NMAC and satisfactory information has been provided that affected parties have been notified and received one protest within the prescribed waiting period. The protest was resolved by means of a negotiated settlement which has been included in this order. The applicant has presented satisfactory evidence that all requirements prescribed in Division Rule 19.15.26.8 NMAC have been met and the operator is in compliance with Division Rule 19.15.5.9 NMAC.

**IT IS THEREFORE ORDERED THAT:**

The applicant, Goodnight Midstream Permian, LLC (OGRID 372311), is hereby authorized to utilize its Snyder 28 SWD Well No. 1 (API 30-025-44386) with a location of 2402 feet from the North line and 1911 feet from the West line, Unit F of Section 28, Township 21 South, Range 36 East, NMPM, Lea County, for disposal of oil field produced water (UIC Class II only) through a perforated interval consisting of the San Andres and Glorieta formations from 5200 feet to 6500 feet. Injection will occur through internally-coated, 4½-inch or smaller tubing with a packer set within 100 feet of the top perforation of the disposal interval.

*The operator shall complete the well with production casing set in cement for the entire length of the injection interval. The operator shall prepare a new well design that includes a cased injection interval and submit the design in a Form C-103 to the Division's District I supervisor for approval.*

*Prior to commencing disposal, the operator shall submit mudlog and geophysical logs information, to the Division's District geologist and Santa Fe Bureau Engineering office, showing evidence agreeable that only the permitted formation is open for disposal including a summary of depths (picks) for contacts of the formations which the Division shall use to amend this order for a final description of the depth for the injection interval. If significant hydrocarbon shows occur while drilling, the operator shall notify the Division's District I and the operator shall be required to receive written permission prior to commencing disposal.*

*The operator shall obtain formation water samples from the injection interval for analysis. The conditions for the sampling are as follows:*

- (a) Two discrete formation water samples shall be taken at depths (1) between approximately 5200 feet and 5800 feet below surface and (2) between 5900 feet and 6500 feet below surface.*
- (b) Each sample shall be analyzed for general water chemistry including major cations, major anions, and Total Dissolved Solids (TDS). The samples shall be collected and maintained following proper sampling protocols based on analytical methods selected to provide the analyses requested previously.*

*The results of the formation water samples shall be provided to the Division's District I and the Santa Fe Bureau Engineering office prior to commencing injection. If either sample shows TDS concentrations of 10,000 milligrams per liter or less, the operator shall notify the Division's District I and the operator shall be required to receive written permission prior to commencing disposal.*

*If cement does not circulate on any casing string, the operator shall run a cement bond log (CBL) or other log to determine top of cement and shall notify the Hobbs District with the top of cement on the emergency phone number prior to continuing with any further cement activity with the subject well. If cement did not tie back in to next higher casing shoe, the operator shall perform remedial cement job to bring cement, at a minimum, 200 feet above the next higher casing shoe.*

*This order does not allow disposal into the Yeso formation (lower Permian) or lost circulation intervals directly on top and obviously connected to this formation.*

*Per the negotiated settlement with Penroc Oil Corporation ("Penroc"; OGRID 17213) dated April 2, 2018, the operator shall complete the following conditions:*

- (a) If the operator makes application for an Injection Pressure Increase order, then the operator shall notify Penroc of the step-rate test along with the District office with a Form C-103 Sundry Notice of Intent;*
- (b) If the subject well fails the mandatory mechanical integrity test, the operator shall notice Penroc along with the District office; and*
- (c) The operator shall make available to Penroc any electronic data associated with the operation of the subject well obtained in the two (2) year period following the commencement of injection.*

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 completion and construction of the well as described in the application with the following modifications and, if necessary, as modified by the District Supervisor.

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 19.15.26.11(A) 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 1040 psi**. 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 formations. Such proper showing shall be demonstrated by sufficient evidence including but not limited to an acceptable Step-Rate Test.

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.

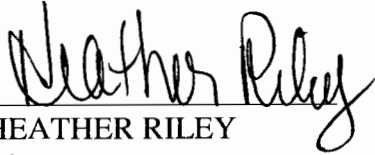
The operator shall notify the supervisor of the Division's District office of the date and time of the installation of disposal equipment and of any MIT so that the same may be inspected and witnessed. The operator shall provide written notice of the date of commencement of disposal to the Division's District I 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.

The disposal authority granted herein shall terminate one year 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.

A handwritten signature in black ink, appearing to read "Heather Riley", written over a horizontal line.

HEATHER RILEY  
Director

HR/prg

cc: Oil Conservation Division – Hobbs District Office  
Well File - 30-025-44386