

District I  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720  
District II  
811 S. First St., Artesia, NM 88210  
Phone: (575) 748-1283 Fax: (575) 748-9720  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone: (505) 476-3460 Fax: (505) 476-3462

**State of New Mexico**  
**Energy Minerals and Natural Resources**  
**Oil Conservation Division**  
**1220 South St. Francis Dr.**  
**Santa Fe, NM 87505**

Form C-101  
Revised August 1, 2011

Permit

**APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE**

<sup>1</sup> Operator Name and Address <b>Owl SWD Operating, LLC</b> <b>8214 Westchester Dr., Ste.850,</b> <b>Dallas, TX 75255</b>	<sup>2</sup> OGRID Number <b>308339</b>
<sup>3</sup> Property Name <b>McCloy S WD</b>	<sup>4</sup> API Number <b>30-025- 42759</b>
<sup>5</sup> P. <b>313601</b>	<sup>6</sup> Well No. <b>1</b>

**<sup>7</sup> Surface Location**

UL - Lot	Section	Township	Range	Lot Idn	Feet from	N/S Line	Feet From	E/W Line	County
L	15	24 S	32 E		1695'	South	430'	West	Lea

**<sup>8</sup> Pool Information**

S WD; <b>Delaware</b> <i>BELL CANYON - CHEROKEE CANYON</i> <i>SWD - 1549</i>	<del>96100-96802</del>
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**Additional Well Information**

<sup>9</sup> Work Type <b>N</b>	<sup>10</sup> Well Type <b>S</b>	<sup>11</sup> Cable/Rotary <b>R</b>	<sup>12</sup> Lease Type <b>P</b>	<sup>13</sup> Ground Level Elevation <b>3599'</b>
<sup>14</sup> Multiple <b>N</b>	<sup>15</sup> Proposed Depth <b>5800' DTD</b>	<sup>16</sup> Formation <b>Delaware</b>	<sup>17</sup> Contractor <b>Sidewinder</b>	<sup>18</sup> Spud Date <b>9/01/2015</b>
Depth to Ground water <b>~205'</b>		Distance from nearest fresh water well <b>&gt; 1 mile</b>		Distance to nearest surface water <b>n/a</b>

**<sup>19</sup> Proposed Casing and Cement Program**

Type	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
<b>Surface</b>	<b>24.0"</b>	<b>20.0"</b>	<b>106.5# J-55 ST&amp;C</b>	<b>1100'</b>	<b>1244 'C'</b>	<b>Circ. to Surf.</b>
<b>Intermediate</b>	<b>17.5"</b>	<b>13.375"</b>	<b>68.0# HPC-110 ST&amp;C</b>	<b>4850'</b>	<b>2660 'C'</b>	<b>Circ. to Surf.</b>
<b>Long String</b>	<b>12.25"</b>	<b>9.625"</b>	<b>47.0# P-110 BT&amp;C</b>	<b>5800'</b>	<b>1815</b>	<b>Circ. to Surf.</b>

**Casing/Cement Program: Additional Comments**

Drilling operation will utilize a closed-loop system of tanks and/or haul-off bins. Soil background samples will be taken and area will be checked for leaks or spills rig and other equipment has been removed. Appropriate reporting and forms will be filed as needed. Completions will have closed-loop.

**Proposed Blowout Prevention Program**

Type	Working Pressure	Test Pressure	Manufacturer
<b>Double Blind Ram</b>	<b>5000 psi</b>	<b>8000 psi</b>	<b>Cameron (Schaffer/Hydril Equiv.)</b>

I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines <input checked="" type="checkbox"/> , a general permit <input type="checkbox"/> , or an (attached) alternative OCD-approved plan <input type="checkbox"/> .	<b>OIL CONSERVATION DIVISION</b>
Printed name: <b>Ben Stone</b>	Approved By:
Title: <b>Agent for Owl SWD Operating, LLC</b>	Title: <b>Petroleum Engineer</b>
E-mail Address: <b>ben@sosconsulting.us</b>	Approved Date: <b>08/27/15</b> Expiration Date: <b>08/27/17</b>
Date: <b>8/03/2015</b> Phone: <b>903-488-9850</b>	Conditions of Approval Attached

**See Attached**  
**AUG 28 2015**      **Conditions of Approval**

CONDITIONS OF APPROVAL

API #	Operator	Well name & Number
30-025-42759	OWL SWD Operating Inc	MCCLOY SWD # 001

Applicable conditions of approval marked with XXXXXX

Administrative Orders Required

XXXXXXX	Will require administrative order for SWD prior to placing the well on injection

Other wells

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Drilling

XXXXXXX	Once the well is spud, to prevent ground water contamination through whole or partial conduits from the surface, the operator shall drill without interruption through the fresh water zone or zones and shall immediately set in cement the water protection string

Casing

XXXXXXX	SURFACE & INTERMEDIATE(1) CASING - Cement must circulate to surface --
XXXXXXX	PRODUCTION CASING - Cement must circulate to surface --
XXXXXXX	If cement does not circulate to surface, must run temperature survey or other log to determine top of cement
	South Area
XXXXXXX	Surface casing must be set 25' below top of Rustler Anhydrite in order to seal off protectable water

Pits

XXXXXXX	If using a pit for drilling and completions, must have an approved pit form prior to spudding the well

Completion & Production

XXXXXXX	Must notify Hobbs OCD office prior to conducting MIT (575) 393-6161 ext. 114
XXXXXXX	Must conduct MIT prior to any injection

**Owl Oil and Gas, LLC  
McCloy SWD Well No.1  
1695' FSL & 430' FWL  
Section 15, Twp 24-S, Rng 32-E  
Lea County, New Mexico**

**Well Program - New Drill**

**Objective: Drill new well for commercial salt water disposal into the Delaware formation on private surface, state minerals per NMOCD SWD-1549.**

**1. Geologic Information - Delaware Formation – Bell Canyon and Cherry Canyon portions.**

The Delaware is composed predominately of sandstones and shales. All the Delaware members are interbedded, poorly consolidated, light gray sandstones and shales with occasional dense dolomite horizons. The lateral transmissivities of the sandstone beds are highly variable and often forms elective barriers to the movement of hydrocarbons while allowing down-gradient movement of water. The transmissivity variations are fundamentally due to the very-fine grained nature of the sands and the local percentage of silt and clay. The Delaware sandstone members are typically overlain and underlain by bounding shale, dolomite and/or silty shale horizons.

**Estimated Formation Tops:**

FORMATION	DEPTH	PRODUCTION / HISTORICAL
T/Fresh Water	205	Fresh Water
T/Rustler	1010	
T/Salt	1340	None in TWP
T/Lamar	4804	None in TWP
Delaware	4800	Most significant historical oil development in area – in advanced decline & SWD
Bell Canyon	4925	Tried in TWP - all plugged out or SWD
Cherry Canyon	5690	Some historical in TWP but miles away - most converted to SWD
TOTAL DEPTH	7300	
Brushy Canyon	7360	Few tried - now SWD
Bone Spring	8640	Most significant oil development in area – horizontal and conventional completions

**2. Drilling Procedure**

- a. MIRU drilling rig and associated equipment. Set up H<sub>2</sub>S wind direction indicators; brief all personnel on Emergency Evacuation Routes.
- b. All contractors conduct safety meeting prior to current task. All equipment inspected daily. Repair / replace as required.
- c. Well spud operations commence.
- d. Mud logger monitoring returns; cuttings & waste hauled to specified facility. CRI - LEA COUNTY
- e. After surface casing set/drilled; if H<sub>2</sub>S levels >20ppm detected, implement H<sub>2</sub>S Plan accordingly. (e.g., cease operations, shut in well, employ H<sub>2</sub>S safety trailer & personnel safety devices, install flare line, etc. - refer to plan.)
- f. Spills contained & cleaned up immediately. Repair or otherwise correct the situation within 48 hours before resuming operations. Notify OCD within 24 hours. Remediation started ASAP if required. Operator shall comply with 19.15.29 NMAC and 19.15.30 NMAC, as appropriate.
- g. Sundry forms filed as needed - casing, cement, etc. - operations continue to completion.

**Well Program - New Drill (cont.)**

**3. Casing program** - Casing designed as follows:

STRING	HOLE SZ	DPTH	CSG SZ	COND	WT/GRD	CLLPS/BURS	TENSN
Surface	24.0" hole	0'-1100'	20.0"	New	106.5 J/K-55 ST&C	1.125/1.125	1.4
Intermediate	17.5" hole	0'-4850'	13.375"	New	68.0# HCP-110 ST&C	1.125/1.125	1.4
Long String	12.25" hole	0'-5800'	9.625"	New	47.0# P-110 BT&C	1.125/1.125	1.4

**Notes:**

- ✓ Cement volumes may be adjusted to caliper for all strings.
- ✓ While running all casing strings, the pipe will be kept a minimum of 1/3 full at all times to avoid approaching the collapse pressure of casing.

**4. Cementing Program:**

**Surface** – LEAD 1062 sx (13.5#; 1.76 ft<sup>3</sup>/sk) Class C + 4% Gel + 2% CaCl<sub>2</sub>;  
TAIL 182 sx (14.8#; 1.34 ft<sup>3</sup>/sk) Class C + 2% CaCl<sub>2</sub>; 100% excess - circulated to surface.

**Intermediate** – LEAD 3511 sx (12.7#; 1.94 ft<sup>3</sup>/sk) Class C + 4% Gel + 2% CaCl<sub>2</sub>;  
TAIL 435 sx (14.8#; 1.33 ft<sup>3</sup>/sk) Class C + 2% CaCl<sub>2</sub>; 100% excess - circulated to surface.

**Long String / Contingency**

**Prod/Disposal** – LEAD 1085 sx (11.9#; 2.45 ft<sup>3</sup>/sk) Class H 50/50/10 Blend;  
TAIL 730 sx (14.2#; 1.26 ft<sup>3</sup>/sk) Super H Blend; 50% excess; circulated to surface.

**5. Pressure Control** - BOP diagram is attached to this application. All BOP and related equipment shall comply with well control requirements as described NMOCD rules and regulations. Minimum working pressure of the BOP and related equipment required for drilling operations shall be 5000 psi. The NMOCD Hobbs office shall be notified a minimum of 4 hours in advance for a representative to witness BOP pressure tests. The test shall be performed by an independent service company utilizing a test plug (no cup or J-packer). The results of the test shall be recorded on a calibrated test chart submitted to the NMOCD Hobbs office. The BOP test(s) will be conducted at:

- a) Installation;
- b) after equipment or configuration changes;
- c) at 30 days from any previous test, and;
- d) anytime operations warrant, such as well conditions

**6. Mud Program & Monitoring** - Mud will be balanced for all operations as follows:

DEPTH	MUD TYPE	WEIGHT	VISC.	Ph
0-1100'	FW Spud Mud	8.5-9.2	70-40	10.0
1100'-4850'	Brine Water	9.8-10.2	28-32	10.0
4850'-5800'	FW/Gel	8.7-9.0	28-32	9.5-10.5

## **Well Program - New Drill (cont.)**

6. **Mud Program & Monitoring (cont.)** - Mud and all cuttings monitored w/ cuttings recovered for disposal. Returns shall be visually and electronically monitored. In the event of H<sub>2</sub>S, mud shall be adjusted appropriately by weight and H<sub>2</sub>S scavengers.

7. **Auxiliary Well Control and Monitoring** – Hydraulic BOP remote controlled as needed.

8. **H<sub>2</sub>S Safety** - There is a low risk of H<sub>2</sub>S in this area. The operator will comply with the provisions of 19.15.11 NMAC. All personnel will wear monitoring devices and a wind direction sock will be placed on location.

9. **Logging, Coring and Testing** – Owl Oil and Gas, LLC expects to run a standard porosity log (CNL or better) from TD to approximately 4600'. A bond log (CBL or CET) may be run on the long string. No corings or drill tests will be conducted. (The well may potentially be step-rate tested in the future if additional injection pressures are required.)

10. **Potential Hazards** - No abnormal pressures or temperatures are expected.

No loss of circulation is expected to occur with the exception of drilling into the target disposal zone. All personnel will be familiar with the safe operation of the equipment being used to drill this well.

The maximum anticipated bottomhole pressure is 3050 psi and the maximum anticipated bottomhole temperature is 130° F.

11. **Waste Management** - All drill cuttings and other wastes associated with and drilling operations will be transported to a CRI facility permitted by the Environmental Bureau of the New Mexico Oil Conservation Division.

12. **Anticipated Start Date** - Upon approval of all permits for SWD, operations would begin within 30 days. Completion of the well operations will take six to seven weeks. Installation of the tank battery, berms, plumbing and other and associated equipment would be occurring during the same interval. In any event, it is not expected for the construction phase of the project to last more than 60 days, depending on availability of contractors and equipment. At the time of this submittal, and subject to the availability of the drilling contractor, the anticipated start date is:

**September 1, 2015.**

13. **Configure for Salt Water Disposal** - Prior to commencing any work, an NOI sundry(ies) will be submitted to configure the well for SWD and will detail the completion workover including all work otherwise described above, any change to the procedure noted herein and to perform mechanical integrity pressure test per OCD test procedures. (Notify NMOCD 24 hours prior.) The casing/tubing annulus will be monitored for communication with injection fluid or loss of casing integrity. Anticipated daily maximum volume is 7,500 bpd and average of 3,500 bpd at a maximum surface injection pressure of 1080 psi. If satisfactory disposals rates cannot be achieved at default pressure of .2 psi/ft, Owl Oil and Gas, LLC will conduct a step-rate test and apply for an injection pressure increase 50 psi below parting pressure.



**WELL SCHEMATIC - PROPOSED**  
**McCloy SWD Well No.1**

**API 30-025-00000 (TBD)**  
 1650' FSL & 430' FWL, SEC. 15-T24S-R32E  
 LEA COUNTY, NEW MEXICO

Spud Date: 9/01/2015

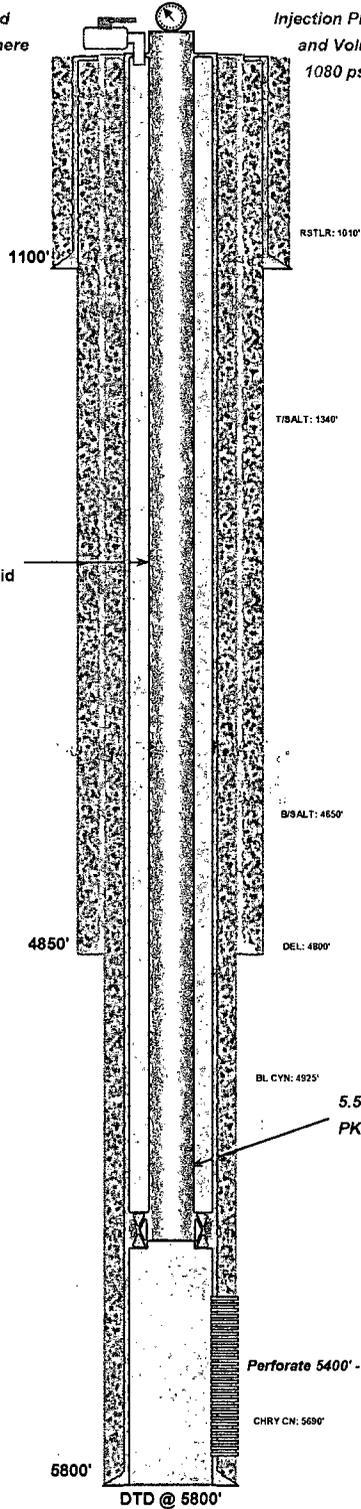
Annulus Monitored  
 or open to atmosphere

Injection Pressure Regulated  
 and Volumes Reported  
 1080 psi Max Surface

**OWI-SWD Operating, LLC**

Spud and Complete well as described in APD.  
 Run CNL or Equiv. Logs from TD to 4600'.  
 Run & Set 9.625" Cement to surface.  
 Run Porosity Log - Perforate selected intervals.  
 Run PC Tubing and PKR - Conduct MIT.  
 Commence Disposal Operations per SWD-1549 Order.

Annulus Loaded  
 w/ Inert Packer Fluid



**Surface Casing**

20.0", 106.5# Csg. (24.0" Hole) @ 1100'  
 1244 sx Cls 'C' + Addtvs - 100% xss - Circ. to Surface

**Intermediate Casing**

13.375", 68.0# Csg. (17.5" Hole) @ 4850'  
 2660 sx 'C' + Additives - 100% xss - Circ. to Surface

**Long String Casing**

9.625", 47.0# Csg - Surface to 5800'  
 1815 sx w/ 50% excess - Circulate to Surface

All Cement Volumes May Be Adjusted to Caliper.

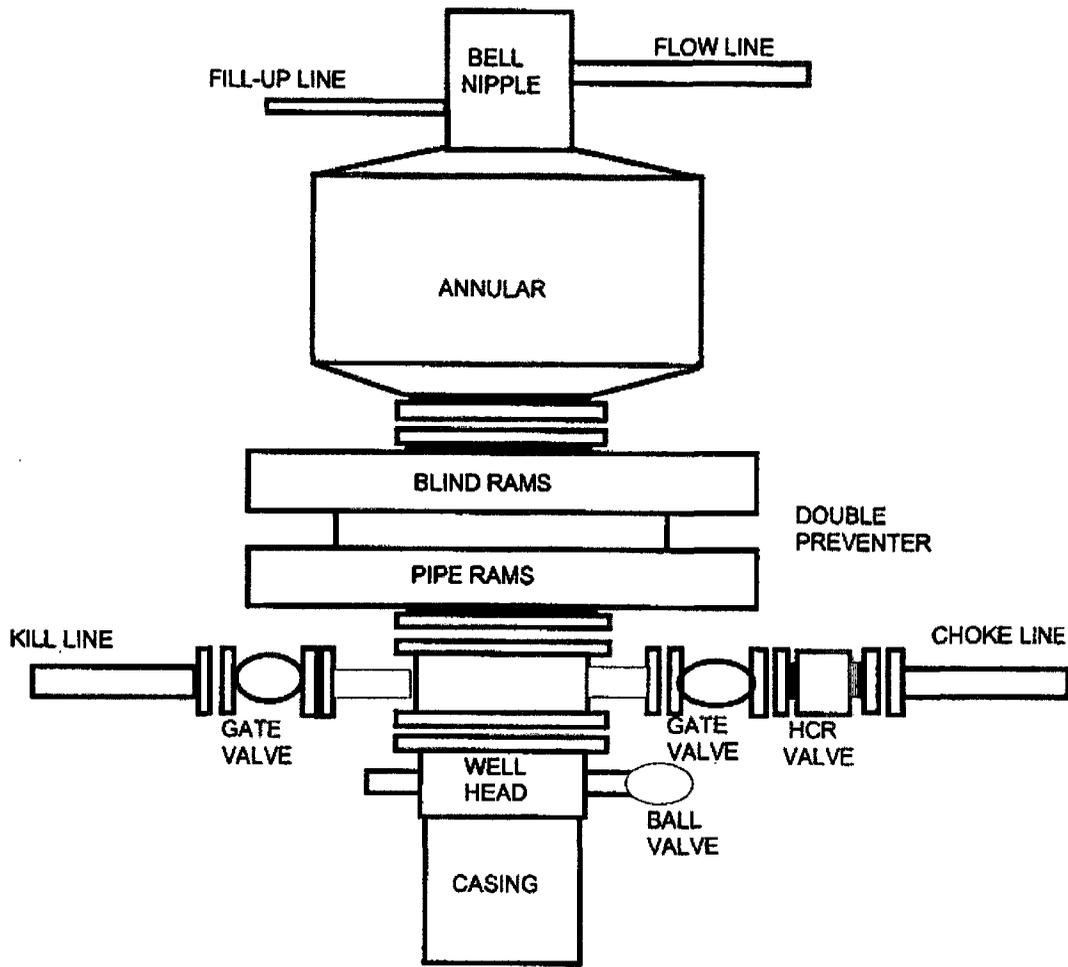
Perforate 5400' - 5700' (Based on Log Analysis)



Drawn by: Ben Stone, Revised 8/03/2015

# Blow Out Preventer Diagram

5000 PSI WORKING PRESSURE



State of New Mexico  
Energy, Minerals and Natural Resources Department

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Susana Martinez  
Governor

David Martin  
Cabinet Secretary

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

David R. Catanach, Division Director  
Oil Conservation Division



Administrative Order SWD-1549  
May 5, 2015

**ADMINISTRATIVE ORDER  
OF THE OIL CONSERVATION DIVISION**

Pursuant to the provisions of Division Rule 19.15.26.8B. NMAC, OWL SWD Operating, L.L.C. (the "operator") seeks an administrative order for its proposed McCloy SWD Well No. 1 located 1650 feet from the South line and 430 feet from the West line, Unit letter L of Section 15, Township 24 South, Range 32 East, NMPM, Lea County, New Mexico, for the 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. Three objections by affected parties were received within the prescribed waiting period. The applicant has negotiated a resolution by contracting the proposed injection interval and, as a result, all protests have been withdrawn. The applicant has presented satisfactory evidence that all requirements prescribed in Rule 19.15.26.8 NMAC has been met and the operator is in compliance with Rule 19.15.5.9 NMAC.

**IT IS THEREFORE ORDERED THAT:**

The applicant, OWL SWD Operating, L.L.C. (OGRID 308996), is hereby authorized to utilize its McCloy SWD Well No. 1 (API 30-025-Pending) located 1650 feet from the South line and 430 feet from the West line, Unit letter L of Section 15, Township 24 South, Range 32 East, NMPM, Lea County, for commercial disposal of oil field produced water (UIC Class II only) in the Bell Canyon and upper Cherry Canyon formations of the Delaware Mountain group through perforations from 5400 feet to 5700 feet. Injection will occur through internally-coated, 3½-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 completion and construction of the well as proposed in the application, and as modified by applicant in submittal to Division on April 2, 2015.

*The operator shall supply the Division with a copy of a mudlog over the permitted disposal interval and an estimated insitu water salinity based on open-hole logs. 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 approval to sample water well C-03528-POD1 (located in the NW/4 of the NE/4 of Section 15, Township 24 South, Range 32 East, NMPM) and submit the sample to a qualified laboratory for water quality analysis that includes major cations, major anions, and Total Dissolved Solids (TDS). The results of the analysis shall be supplied to Division's Santa Fe office and to the well's owner prior to commencing disposal.*

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 1080 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 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 order 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/prg

cc: Oil Conservation Division – Hobbs District Office  
Administrative Application No. pMAM1428741704

McCloy SWD No.1  
15-24S-32E

Owl SWD Operating, LLC  
August 3, 2015

BACKGROUND INFORMATION

This well is split estate; private surface over federal minerals.

In communicating with the BLM and OCD, it was originally decided that the APD should go through the BLM and that APD was filed with the Carlsbad Field Office in September of 2014.

The C-108 for SWD was filed October 10, 2014 and received 3 objections from offset operators and the State Land Office. Owl negotiated a settlement with all 3 parties and agreed to contract the proposed disposal interval.

SWD-1549 was issued on May 5, 2015.

On July 8, 2015, Owl personnel met with BLM personnel at the BLM CFO. In addition to other topics covered, Owl was informed that these split estates should be filed with the NMOCD. BLM indicated the APDs on file with their office would be withdrawn from the system. Owl received notice that this was done on July 23, 2015.

The well casing design was updated to conform to BLM's well design spreadsheet per their request.

This C-101 is a result of Owl's continuing efforts to get this well permitted.

Respectfully submitted by,



State of New Mexico  
Energy, Minerals and Natural Resources Department

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**Susana Martínez**  
Governor

**David Martin**  
Cabinet Secretary

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

**David R. Catanach, Division Director**  
Oil Conservation Division



Administrative Order SWD-1549  
May 5, 2015

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OF THE OIL CONSERVATION DIVISION**

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**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. Three objections by affected parties were received within the prescribed waiting period. The applicant has negotiated a resolution by contracting the proposed injection interval and, as a result, all protests have been withdrawn. The applicant has presented satisfactory evidence that all requirements prescribed in Rule 19.15.26.8 NMAC has been met and the operator is in compliance with Rule 19.15.5.9 NMAC.

**IT IS THEREFORE ORDERED THAT:**

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**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 proposed in the application, and as modified by applicant in submittal to Division on April 2, 2015.

*The operator shall supply the Division with a copy of a mudlog over the permitted disposal interval and an estimated insitu water salinity based on open-hole logs. 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.*

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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 1080 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 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.

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The Division may revoke this injection order 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/prg

cc: Oil Conservation Division – Hobbs District Office  
Administrative Application No. pMAM1428741704

State of New Mexico  
Energy, Minerals and Natural Resources Department

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**Susana Martinez**  
Governor

**David Martin**  
Cabinet Secretary

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

**David Catanach**  
Division Director  
Oil Conservation Division



August 10, 2015

Owl SWD Operating, LLC  
8214 Westchester Dr., Ste 850  
Dallas, TX 75255  
[Address of record]

Owl SWD Operating, LLC  
8214 Westchester Dr., Ste 850  
Dallas, TX 75255  
[Address on C-101]

**DENIAL OF APPLICATION FOR PERMIT TO DRILL, DEEPEN OR PLUG BACK**

**Re: Owl SWD Operating LLC, OGRID No. 308339**  
◦ McCloy SWD # 1, L-15-24S-32E 1695' FSL & 430' FWL, Lea t County, New Mexico

Dear Operator:

The Oil Conservation Division (OCD) **denies** your application(s) for permit(s) to drill, deepen or plug back the wells identified above because your company is out of compliance with 19.15.5.9(A) NMAC [Part 5.9(A)]. See 19.15.14.10(A) NMAC.

Your company is out of compliance with Part 5.9(A) on the following ground(s):

**XXX Financial assurances.** Your company is in violation of the financial assurance requirements for well plugging set out in 19.15.8.9 NMAC. See 19.15.5.9(A)(1) NMAC. Specifically, your company [has not posted the required blanket financial assurance] [has not posted the single-well financial assurances required for state or fee wells which have been inactive for more than two years. The wells requiring single-well financial assurances are identified in the attached sheet.]

\_\_\_\_\_ **Corrective action.** Order \_\_\_\_\_, issued on \_\_\_\_\_ after notice and hearing, found your company to be in violation of an order requiring corrective action. See 19.15.5.9(A)(2) NMAC.

\_\_\_\_\_ **Unpaid penalties.** Your company has not paid the penalties assessed against your company in \_\_\_\_\_, issued on \_\_\_\_\_. More than 70 days have passed since the issuance of the order assessing the penalty. See 19.15.5.9(A)(3) NMAC.

XXX **Inactive wells.** According to the attached inactive well list, your company has too many wells in violation of the inactive well rule (19.15.25.8 NMAC) that are not subject to an inactive well agreed compliance order. See 19.15.5.9(A)(4) NMAC. As an operator of 13 wells, your company may have no more than 2 wells in violation of the inactive well rule. Your company has 3 wells in violation of the inactive well rule. In addition,

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_.

I have enclosed an information sheet explaining the requirements of Part 5.9. You may re-submit your request after your company has returned to compliance with Part 5.9.

Respectfully yours,

Daniel Sanchez  
OCD Compliance and Enforcement Manager  
Appointed OCD District 4 Supervisor

Ec: David Catanach, OCD Director  
Maxey Brown, OCD District 1 Supervisor  
Randy Dade, OCD District 2 Supervisor  
Charlie Perrin, OCD District 3 Supervisor  
Will Jones, OCD District 4 Supervisor  
Paul Kautz, OCD District 1 Geologist  
Keith Herrmann, OCD Assistant General Counsel-Santa Fe  
Gabriel Wade, OCD Assistant General Counsel-Santa Fe  
Allison Marks, OCD Assistant General Counsel-Santa Fe