



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



Administrative Order SWD-1161

February 23, 2009

Alberto A. Gutierrez, RG, Agent
Versados Gas Processors, LLC.
Operated by Targa Midstream Services, LP
500 Marquette Avenue NW, Suite 1350
Albuquerque, NM 87102

ADMINISTRATIVE ORDER **OF THE OIL CONSERVATION DIVISION**

Under the provisions of Division Rule 26.8B, Versados Gas Processors, LLC operated by Targa Midstream Services, LP seeks administrative order to utilize its existing Eunice Gas Plant SWD Well No. 1 (**API 30-025-21497**) located 1200 feet from the West line and 2580 feet from the South line, Unit L of Section 27, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico, for acid gas and wastewater disposal purposes.

By Division Order No. R-12809 issued in Case No. 13865 on September 14, 2007, Targa Midstream Services LP ("Targa" or "operator") was authorized to inject acid gas and waste water, for disposal purposes into its proposed Versado AGI Well No. 1 which would have been drilled at 2250 feet from the South line and 1200 feet from the West line (Unit L) of Section 27, Township 22 South, Range 37 East, NMPM, in Lea County, New Mexico. Injection was permitted into the San Andres formation through perforations from approximately 4500 feet to 5000 feet through plastic lined tubing set in a packer located within 100 feet of the top injection perforation.

The operator now seeks approval to convert its existing Eunice Gas Plant SWD Well No. 1 as referenced above for acid gas and wastewater disposal purposes instead of drilling its proposed and already approved Versados AGI Well No. 1.

It is our understanding that the existing Eunice Gas Plant SWD Well No. 1 is only 300 feet from the proposed Versados AGI Well No. 1, there are no changes in the well's area of review (AOR), and there are no additional interest owners to notify with regard to this change.



THE DIVISION DIRECTOR FINDS THAT:

The application has been duly filed under the provisions of Division Rule 26.8B. Satisfactory information has been provided that affected parties as defined in Rule 26.8B(2) have already 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 26.8 will be met and the operator is in compliance with Division Rule 5.9.

IT IS THEREFORE ORDERED THAT:

The Division Order No. R-12809 is hereby amended administratively pursuant to Ordering Paragraph (19) by granting the change requested by Versados Gas Processor's, LLC, operated by Targa Midstream Services, LP.

Accordingly, the applicant Versados Gas Processors, LLC, operated by Targa Midstream Services, LP is hereby authorized to utilize its existing Eunice Gas Plant SWD Well No. 1 (API 30-025-21497) located 1200 feet from the West line and 2580 feet from the South line, Unit L of Section 27, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico, for acid gas and wastewater disposal purposes, into the San Andres formation from 4450 feet to 5000 feet through 2-7/8 inch plastic-coated tubing set in a packer at 4400 feet.

IT IS FURTHER ORDERED THAT:

A one-way subsurface automatic safety valve shall be installed on the injection tubing 200 feet to 300 feet below the surface to prevent the injected acid gas from migrating upwards in case of an upset or emergency.

The operator shall take all steps necessary to ensure that the injected acid gas and wastewater enter only the proposed injection interval and are not permitted to escape to other formations or onto the surface.

After installing injection tubing, the casing-tubing annulus shall be loaded with an inert and corrosive-resistant 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 wellhead injection pressure on the well shall be limited to **no more than 900 psi**. In addition, the injection well or system shall be equipped with a pressure limiting device in workable condition which shall, at all times, limit surface injection pressure to the maximum allowable pressure for this well. The operator shall maintain the injection fluid in the non-corrosive phase with minimum pressure regulating devices as necessary.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the injection formation. Such proper showing shall be demonstrated by an acceptable Step-Rate Test. Any step-rate test shall be run with an inert fluid such as produced

water, and not with acid gas.

The operator shall notify the supervisor of the Division's district I office in Hobbs of the date and time of the installation of disposal equipment and of any mechanical integrity test so that the same may be inspected and witnessed. The operator shall provide written notice of the date of commencement of injection 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 26.13 and 7.24.

Without limitation on the duties of the operator as provided in Division Rules 30 and 29, or otherwise, the operator shall immediately notify the Division's district 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.

In accordance with Division Rule No 26.12.C., the injection 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, provided however, the Division, upon written request, mailed by the operator prior to the termination date, may grant an extension thereof for good cause. One year after injection operations into the well has ceased, the injection authority shall terminate *ipso facto*.

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.

Ordering Paragraph (9) of Order No. R-12809 is hereby superseded. However, all the provisions of Order No. R-12809 which are applicable to the proposed Versados AGI Well No. 1 shall now be applicable to the Eunice Gas Plant SWD Well No. 1.

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 injection authority granted herein.



MARK E. FESMIRE, P.E.
Director

MEF/re

cc: Oil Conservation Division – Hobbs