

June 27, 2017

Mr. David Catanach Division Director NMOCD 1220 South St. Francis Drive Santa Fe, NM 87501

Via Email and Federal Express

RE: REQUEST BY HOLLYFRONTIER TO DENY LIME ROCK'S REQUEST TO INCREASE INJECTION PRESSURES AT FEDERAL T SWD#1 (API # 30-015-26404)

Dear Director Catanach,

On May 8, 2017 Lime Rock Resources II-A L.P. (Lime Rock) requested from the New Mexico Oil Conservation Department (NMOCD) an injection pressure increase for their existing permitted (Order SWD-1135, approved July 16, 2008) salt water disposal well (Federal T SWD #1; API # 3001526404). Their request asks for an increase from the original maximum allowable operating pressure (MAOP) of 1,480 psig to 2,681 psig. Lime Rock's injection pressure increase (IPI) request is based on and relies on the results of a step rate test performed on this well on May 3, 2017. For the reasons detailed below, HollyFrontier Navajo Refining LLC (HFNR) objects to the requested pressure increase and respectfully requests that NMOCD deny Lime Rock's request.

BACKGROUND

On June 23, 2004 Navajo Refining Company (now HFNR) received from the NMOCD their Approval for Discharge Permit UIC-CLI-008-3 for a Class I non-hazardous waste disposal well (WDW-3; API # 3001526575) to dispose of wastewater from the Navajo Refinery in Artesia, New Mexico. This well is located 790 FSL and 2250 FWL of Section 1, T18S, R27E in Eddy County, New Mexico.

As seen in Figure 1, there are only approximately 2,500 feet separating HNFR's WDW-3 from Lime Rock's Federal T SWD #1, and both wells have completions in the same Cisco zone. The Federal T SWD #1 perforations in the Cisco Formation range from 7,685' to 8,060', and the WDW-3 Cisco perforations run from 7,666' to 8,620'. This overlap allows pressure fronts (and fluids) to migrate from the Lime Rock SWD to HNFR's WDW-3, potentially impairing the function of WDW-3.

HNFR's permit has a maximum allowable operational pressure (MAOP) of 1,550 psig, with no specific limit on the amounts of wastewater injected. From 2008 to 2016, the well (WDW-3; API# 3001526575) has injected an average of approximately 152,000 barrels of wastewater per month. The WDW-3 well is a group of three Class I wells operated by HNFR (WDW-1; API # 3001527592 and WDW-2; API # 3001520894) that also receive non-hazardous wastewater from the HFNR Refinery.

Mr. David Catanach June 27, 2017 Page 2

These three wells are the Refinery's approved method of disposing their non-hazardous wastewaters, and if reservoir capacity is reached, or pressures exceed MAOPs, HFNR would face significant curtailment of its operations at the plant or a possible shut down.

BASIS OF OBJECTIONS

1: The May 2017 Step Rate Test (SRT) is Not Valid and Cannot Serve as Justification for the Requested IPI Because the Injection Zone in This Well was Extensively Hydrofractured in August 2008

NMOCD records show that on August 13, 2008 the zone from 7,893' to 8,060' was fractured with 5,040 gallons of 15% HCl, 120,372 gallons of Spectra Star 2500, and 167,552 pounds of propant (sand). On August 16, the zone from 7,758' to 8,060' was fractured with 4,500 gallons of 15% HCl, 119,255 gallons of Spectra Star 2500, and 106,750 pounds of sand (see Attachment A).

These fracture jobs are also noted in the well diagram submitted as part of Lime Rock's May 2017 pressure increase application (see Attachment B).

It is clear that the reason that Lime Rock observed that "The formation pressure did not break at a maximum surface pressure of 2681 psi (bottom hole pressure of 4140 psi)..." during their SRT is that the formation had already been broken during the hydrofracturing work done in 2008. For these reasons the step rate test results and conclusions are invalid and cannot form a defensible technical basis for Lime Rock's IPI request.

2: HFNR Has Priority of use of this Shared Injection Zone in the Cisco Reservoir

Well WDW-3 was approved in June 2004 as a Class I non-hazardous well and began operations in January 2008. The well was originally spudded in December 1990 by Mewbourne Oil Company and was advanced to 10,120 feet and completed as a Morrow gas well. For economical reasons Mewbourne temporarily shut in the well in 1993. In September 2000 the wellbore was purchased by Navajo Refining as a potential disposal well. Following the 2004 approval of their Class I injection application, Navajo recompleted the well in October 2006 as an injection well, and commenced injection in January 2008. By the end of 2008, Navajo had injected approximately 2,021,000 barrels, and in 2009 over 2,385,000 barrels.

The Devon Federal T SWD #1 was approved as a SWD well in July 2008, over 4 years after the approval of WDW-3. This well was first spudded in June of 1990 Mewbourne Oil Company and was advanced to 10,141 feet and completed as a Morrow gas well. For economical reasons Mewbourne temporarily shut in this well in 1994. The well was acquired by Devon Energy Production in April of 2008, was approved as an SWD in Order SWD-1135 in July of 2008, and re-completed by Devon in August of 2008. Throughout 2008 Devon only injected a total of 190 barrels and in 2009 did not operate the well until September, and only injected 513,281 barrels in that year.

It is clear from this history that Navajo (now HFNR) received NMOCD approval to inject in the Wolfcamp, Cisco and Canyon zones in 2004, four years prior to the Devon (now Lime Rock) 2008 application. Further, HFNR commenced significant injection rates and volumes in January 2008, while Devon only began significant injection in September 2009, 20 months later.

Mr. David Catanach June 27, 2017 Page 3

3: Significantly Higher Effort and Expense by the Regulators and the Operator are Required to Permit a Class I Non-Hazardous Well versus a Standard Class II SWD Well

The NMOCD, USEPA Region 6, and HFNR spent significant technical effort, professional time, and costs to perform the analyses required to permit this Class I non-hazardous injection well. This level of investment far exceeds the efforts required to permit a SWD such as Federal T SWD#1.

4: WDW-3 Is Critical to the HFNR Refinery Operations

HFNR operates, in addition to WDW-3, two additional Class I disposal wells (WDW-1 and WDW-2), all permitted under the NMOCD UIC program. These wells accept non-exempt, non-hazardous wastewaters from the Refinery, at average total amounts of approximately 15,000 barrels per day, roughly equally distributed among the 3 wells. HFNR has no other current options for disposing of this wastewater, and loss of service of even one of these wells would severely reduce refinery throughput leading to losses of jobs, and diminished revenues for HFNR, contracted operators, and the State.

5: Both the Lime Rock and HFNR Injection Wells Share the Same, Continuous Reservoir

Figure 2 is a cross-section showing the geology of injection zones of WDW-3 and Federal T SWD#1. There is clearly an overlap of the injection zones in the Cisco Formation, the lithologies of the Cisco are very similar, and it is clear that there are no stratigraphic or structural barriers between the wells. This direct connection will ensure that increased injection pressure in the Federal T SWD #1 will result in the migration of a pressure wave to WDW-3 that will negatively affect HFNR's ability to stay within their approved MAOP of 1,550 psig surface.

6: Increased Injection Pressure by Lime Rock will Raise Reservoir Pressure at WDW-3

Lime Rock proposes to increase the MAOP of their Federal T SWD #1 from 1,480 to 2,681 psig, an increase of approximately 1,200 psig, or over 180% of the current limit. Currently, the HFNR well WDW-3 has seen an annual injection average of 1,315 psig, only 235 psig below their MAOP of 1,550 psig. Only approximately 20% of Lime Rock's requested increase would push reservoir pressures above HFNR's MAOP, making WDW-3 inoperable. If the requested pressure increase is approved, the overlapping perforations in the Cisco Formation, 7,685' to 8,060' in the Federal T SWD #1, and 7,666' to 8,620' in the WDW-3, will allow pressure fronts (and fluids) to migrate from the Lime Rock SWD to HFNR's WDW-3, impairing or precluding successful injection in the WDW-3.

CONCLUSIONS

In summary, HFNR respectfully requests the NMOCD deny Lime Rock's application for an injection pressure increase for their Federal T SWD #1 for the reasons detailed above. However, should NMOCD see fit to grant this pressure increase, HFNR requests that a corresponding pressure increase be immediately granted to wells WDW-1, WDW-2, and WDW-3, that are completed in the same injection zone.

Mr. David Catanach June 27, 2017 Page 4

If you have any questions or require additional information regarding our request to deny Lime Rock's application please contact me at 575-746-5487 or our technical consultants on this matter Alberto Gutierrez, RG & James C. Hunter, RG at 505-842-8000.

Sincerely,

Scott M. Denton

Environmental Manager

HollyFrontier Navajo Refining LLC

cc:

NMOCD – P. Goetze

Geolex – A. Gutierrez HFNR – R. Dade

FIGURES

Figure 1:

HollyFrontier Class 1 Wells: Active Disposal Wells Within One-Mile AORs (All three Class 1 wells)

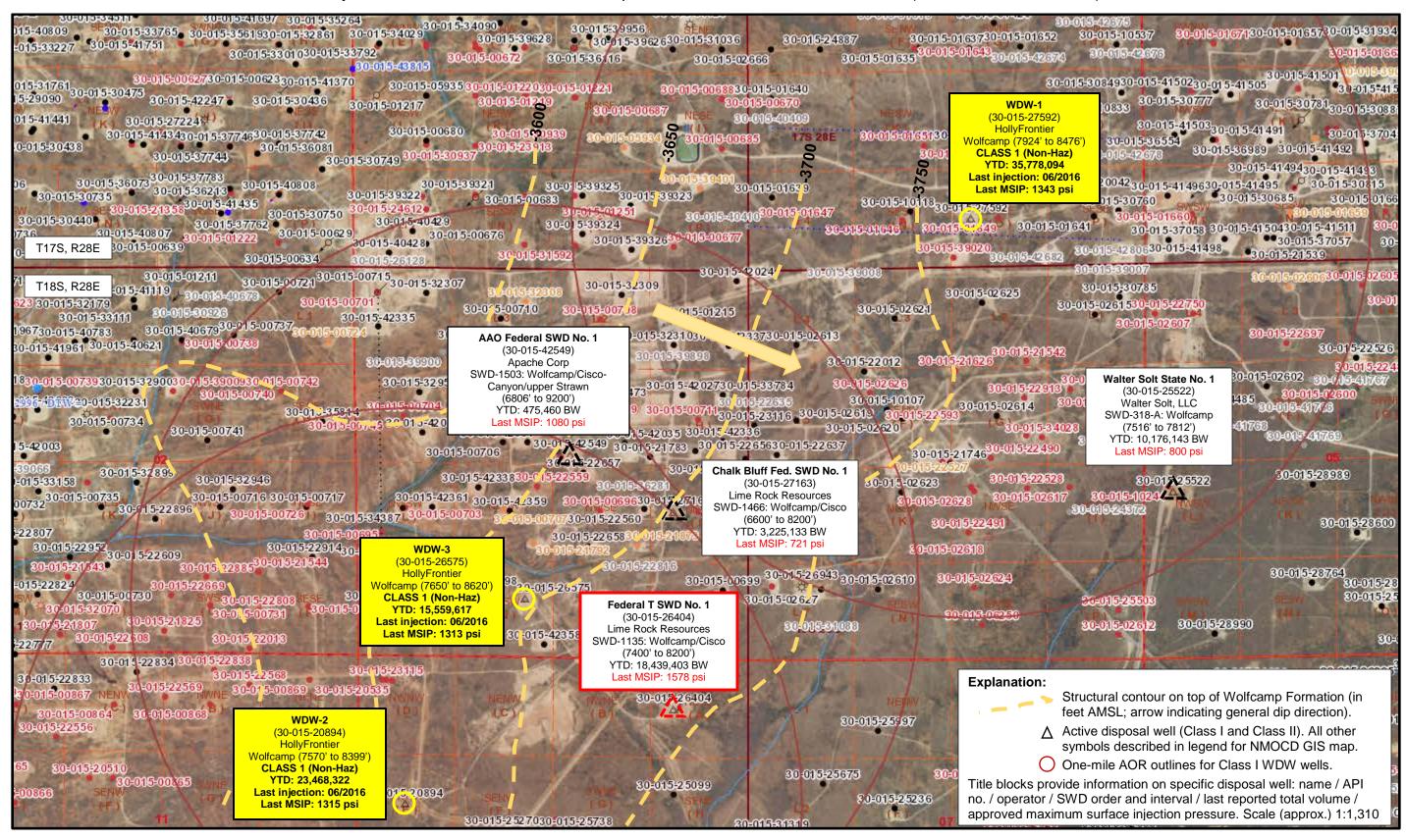
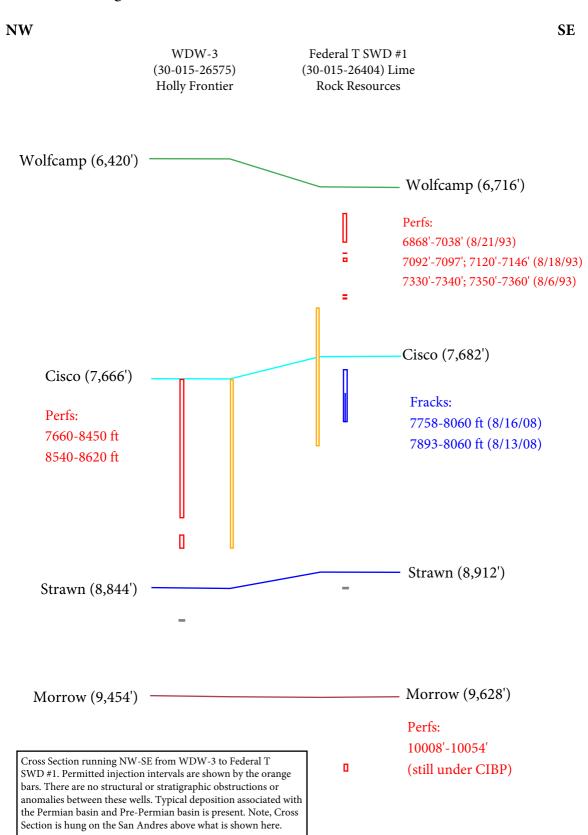


Figure 2: Cross Section between WDW-3 and Federal T SWD #1



ATTACHMENT A

BLM FORM 3160-5 REPORTING THE RECOMPLETION AND HYDROFRACTURING OF FEDERAL T SWD#1

Form 3160-5 (February 2005)

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

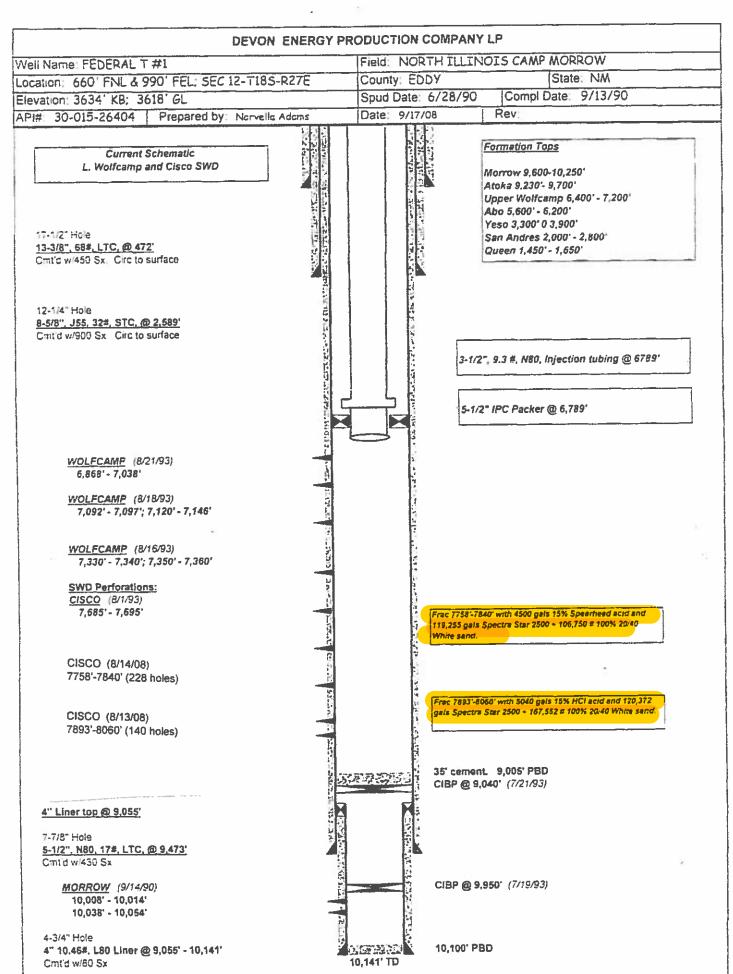
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	ICES AND REPORTS ON WEI				5 Lease Serial No	
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3a, Address		3b. Phone	e No. (include a	rea code)	3	30-015-26404
20 North Broadway, Oklahoma City, Ok	C 73102	405-552-8	3198		10. Field and Pool,	or Exploratory Area
4 Location of Well (Footage, Sec., T., I						Ifcamp and Cisco
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13 Describe Proposed or Completed Operations (Cl deepen directionally or recomplete horizontally, give suthe Bond No on file with BLM/BIA Required subsequenterial, a Form 3160-4 shall be filed once testing has a determined that the site is ready for final inspection)	bsurface location and measured and true ent reports shall be filed within 30 days foll	vertical depth owing comple	s of all pertinent mar tion of the involved o	kers and zones A perations If the op	ttach the Bond under which peration results in a multiple	n the work will be performed or provide e completion or recompletion in a new
8/04/08 RU unit. ND wellhead and NU 8/05/08 Drill CIBP at 6800' and 7078'. 8/06/08 Drilled through cement at 7525 8/07/08 Ran step rate test; pumped 50 bbls at 3 bbls/min – 170# psi, pumped 5 8/08/08 Trucked in and established inje 8/11/08 Drilled cement retainers at 774 8/12/08 Drilled cement retainer at 7820 8/13/08 Perforate Cisco from 7893' – 8/167,552 # 20/40 White sand. 8/14/08 TIH with retrievable tool and la 228 total holes 8/15/08 TIH with packer and set at 758/16/08 Frac 7758'-8060' with 4500 gal.	', CIBP at 7300' and cement at bbls at ½ bbl/min – 0# psi, pum io bbls at 4 bbls/min – 250 psi. ection in the Wolfcamp at 150 E5', and 7780'. ' and 8000'. Circulate hole and 060', total 140 holes. TIH and satch onto packer. Release packer. NU frac valve.	7560' and ped 50 bbl WPD at 17 TOH with t et packer a	s at 1 bbl/min -2 70 psi. ubing and bit. at 7688'. Frac v OH with packer	vith 5,040 gals and tubing. R	15% HCl + 120,372 U wireline and perfor	gals Spectra Star 2500 + rate Cisco from 7758'-7840';
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8/20/08 TIH with bailer and bailed sand 9/15/08 TIH with packer and tubing. Se TOOH with tubing. RIH with 3 ½" IPC tu	. Bailed sand to 8460'. TOOH at packer at 6789'. ND BOP and bing and set at 6789'. Injection	NU tree	Ran MIT test to	500 # for 30 r		l Mike Bratcher with OCD
14. I hereby certify that the foregoing is tri Name: Norvella Adams	ue and correct Title	Sr. Staf	f Engineering ⁻	Technician		
Signature	Date		9/17/2008			
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Approved by S/ DAVID	R.GLASS					
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Title 18 U S C Section 1001 and Title 43 U S C Section 1212 make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

ATTACHMENT B

WELL COMPLETION DIAGRAM PROVIDED IN LIME ROCK'S REQUEST FOR PRESSURE INCREASE SHOWNING ZONES OF HYDROFRACTURING IN FEDERAL T SWD#1



5/11/2017	
DATEN	ŀ

ENGINEER

PMAM 1713255697

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -1220 South St. Francis Drive, Santa Fe, NM 87505



e-mail Address

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	[C]	Injection - Disposal - Pressure Increase - Enhanced Oil Recovery WFX PMX SWD IPI EOR PPR
	[D]	Other: Specify
[2]	NOTIFICAT [A]	ION REQUIRED TO: - Check Those Which Apply, or □ Does Not Apply Working, Royalty or Overriding Royalty Interest Owners
	[B]	Offset Operators, Leaseholders or Surface Owner
	[C]	Application is One Which Requires Published Legal Notice Notification and/or Concurrent Approval by BLM or SLO U.S. Bureau of Land Management - Commissioner of Public Lands. State Land Office
	[D]	Notification and/or Concurrent Approval by BLM or SLO U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
	[E]	For all of the above, Proof of Notification or Publication is Attached, and/or,
	[F]	Waivers are Attached
[3]	SUBMIT ACC	CURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE ATION INDICATED ABOVE.
[4] appro applie	val is accurate a	TION: I hereby certify that the information submitted with this application for administrative and complete to the best of my knowledge. I also understand that no action will be taken on this quired information and notifications are submitted to the Division.
	Note:	Statement must be completed by an individual with managerial and/or supervisory capacity.
	Pippin or Type Name	Mike Spin Petroleum Engineer ay 8, 2017 Signature Title Date mike@pippintle.com

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LIME ROCK RESOURCES II-A, L.P. Mike Pippin 3104 N. Sullivan Avenue Farmington, NM 87401 505-327-4573 (phone) mike@pippinllc.com

May 8, 2017

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

RE:

Injection Pressure Increase Request

Administrative Order SWD-1135

FEDERAL T SWD #1 API#: 30-015-26404

Unit Letter "A" Section 12 T18S R27E

Eddy County, New Mexico

Dear Mr. Goetze,

By administrative order SWD-1135, dated July 16, 2008, the NMOCD authorized water injection into Federal T SWD #1 (API No. 30-015-26404) for the disposal of produced water. The order provides for a wellhead injection pressure of "no more than 1480 psi". On 9/16/08, this well was converted to SWD & soon started produced water injection. Lime Rock believes that this maximum pressure of 1480 psi is significantly below the formation frac pressure.

The disposal formation in this well is extremely tight. On 5/3/17, a step rate test was run to determine the actual formation frac pressure. The formation pressure did not break at a maximum surface pressure of 2681 psi (bottom hole pressure of 4140 psi), which indicates that the formation frac pressure was not exceeded at that point. Therefore, the actual formation frac pressure is higher than a surface pressure of 2681 psi. A summary of the step rate test data from Renegade Services is attached along with a wellbore diagram.

Lime Rock Resources therefore requests that the maximum wellhead injection pressure be increased to at least 2681 psi.

Please contact me at 505-327-4573 should you have any questions.

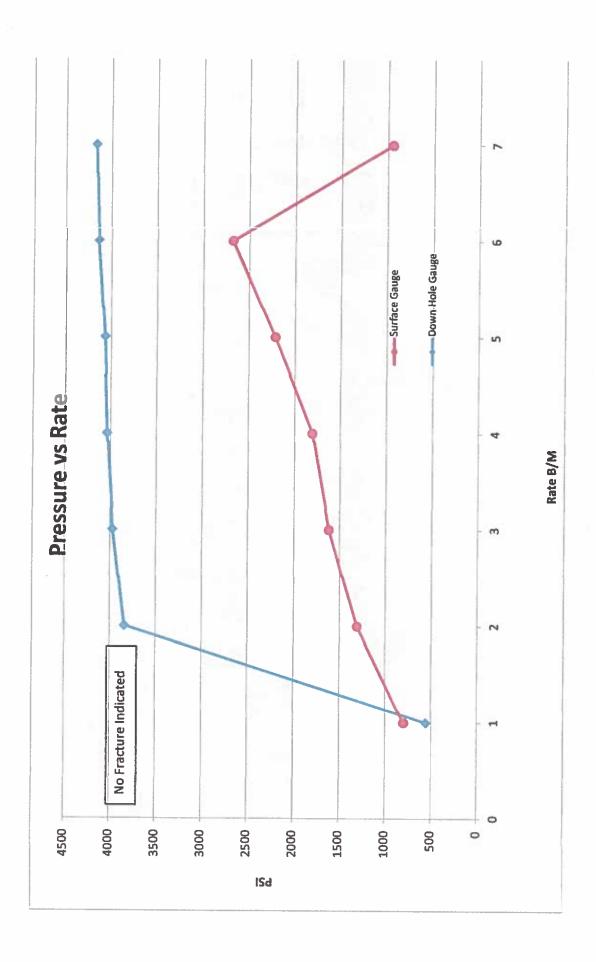
Very truly yours,

Mike Pippin P.E. Petroleum Engineer

Enclosures

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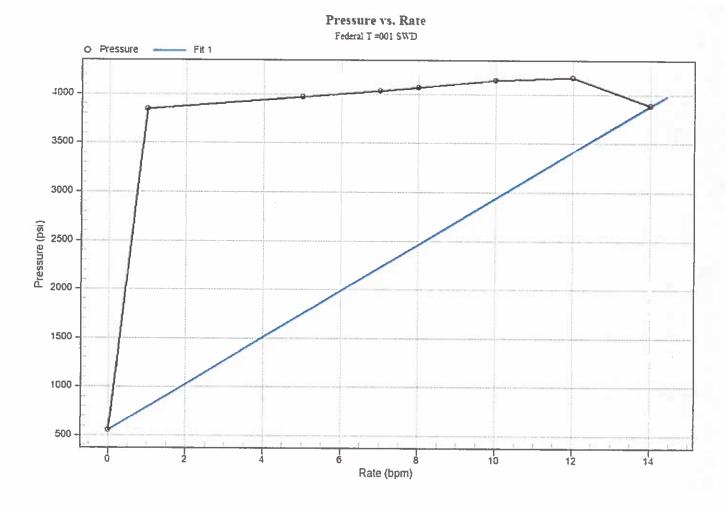


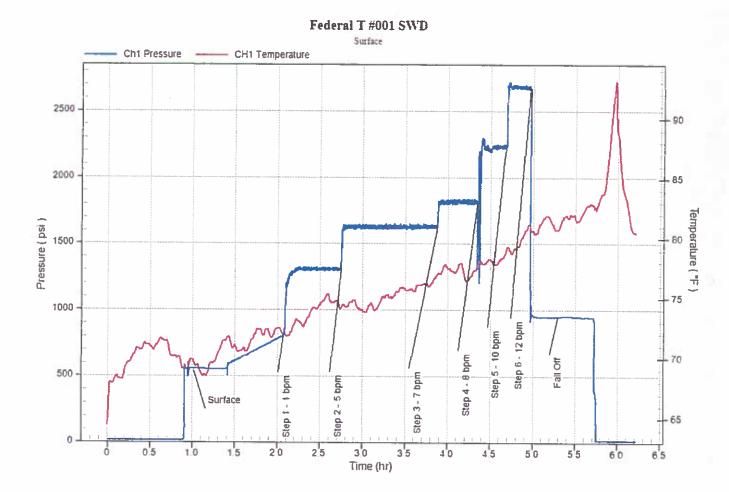
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JOB INFORMATION SHEET

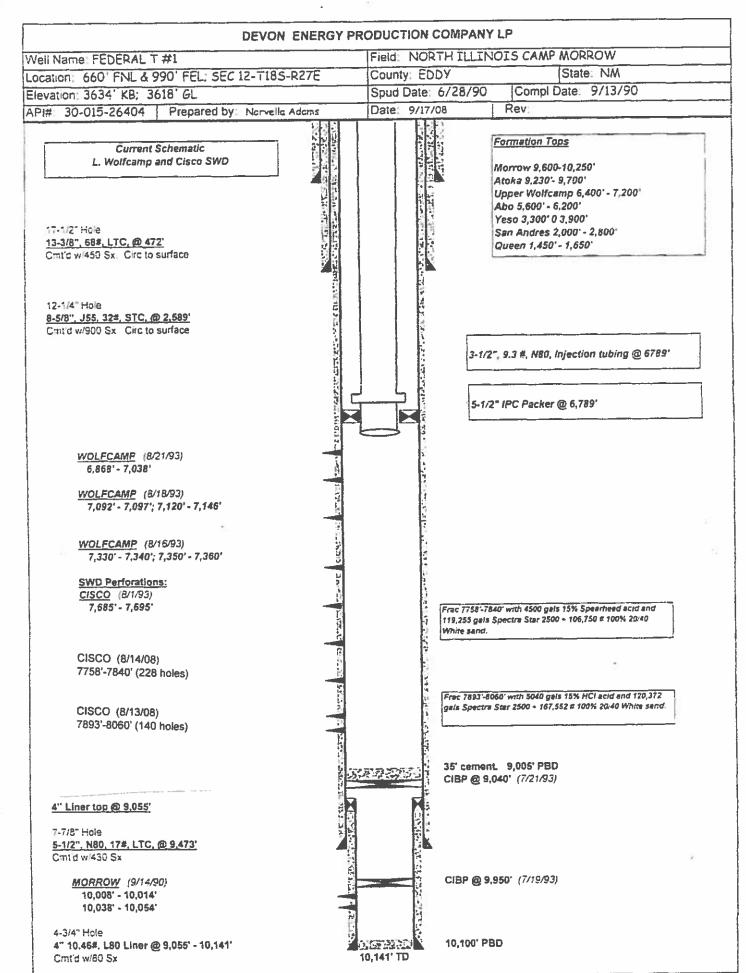
	Company Information	
Company Name:	Lime Rock Resources	
	Well Information	
Well Name:	Federal T #001 SWD	
Location:	Eddy County, NM	
Field - Pool.	Federal T	
Status:	SWD	
	Test Information	
Type of Test:	Step Rate Test	
Gauge Depth:	6750 ft	
Temperature @ Run Depth	100.03 degF	
Surface Temperature:	68.51 degF	
	Gauge Information	
	Top Recorder	Bottom Recorder
Serial Number:	79810	
Calibration Date:	10/21/16	
Pressure Range:	10000 psi	
	Comments	

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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 Rd., Aztec, NM 87410 Phone:(505) 334-6178 Fax:(505) 334-6170 1220 S. St Francis Dr., Santa Fe, NM 87505 Phone:(505) 476-3470 Fax:(505) 476-3462

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

CONDITIONS

Action 315969

CONDITIONS

Operator:	OGRID:
NEW MEXICO ENERGY MINERALS & NATURAL RESOURCE	264235
1220 S St Francis Dr	Action Number:
Santa Fe , NM 87504	315969
	Action Type:
	[IM-SD] Admin Order Support Doc (ENG) (IM-AAO)

CONDITIONS

Created E	ly Condition	Condition Date
pgoetze	None None	2/20/2024