

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.

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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.

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<u>3: Significantly Higher Effort and Expense by the Regulators and the Operator are Required to Permit a</u> 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.

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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,

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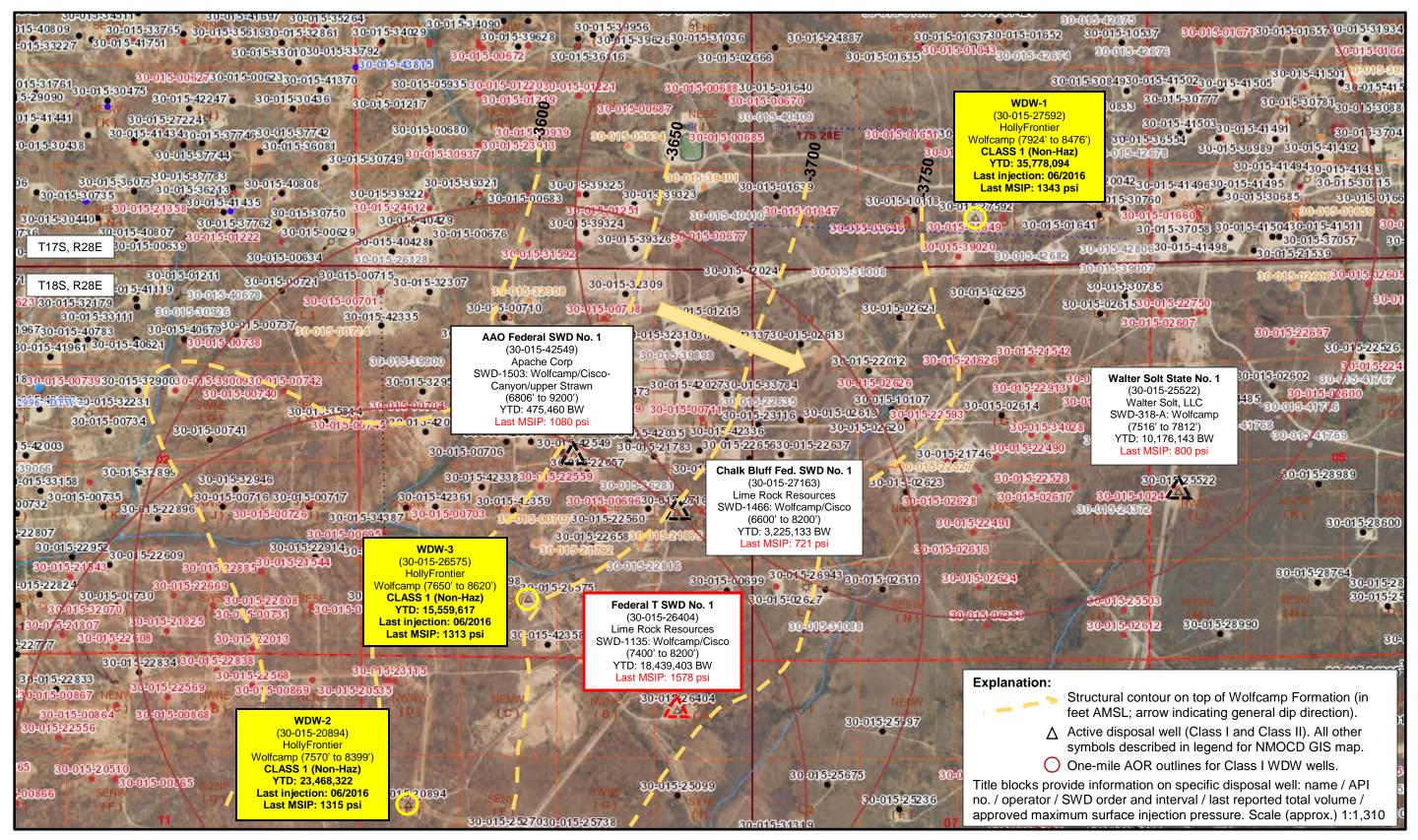
Scott M. Denton Environmental Manager HollyFrontier Navajo Refining LLC

cc: NMOCD – P. Goetze Geolex – A. Gutierrez HFNR – R. Dade

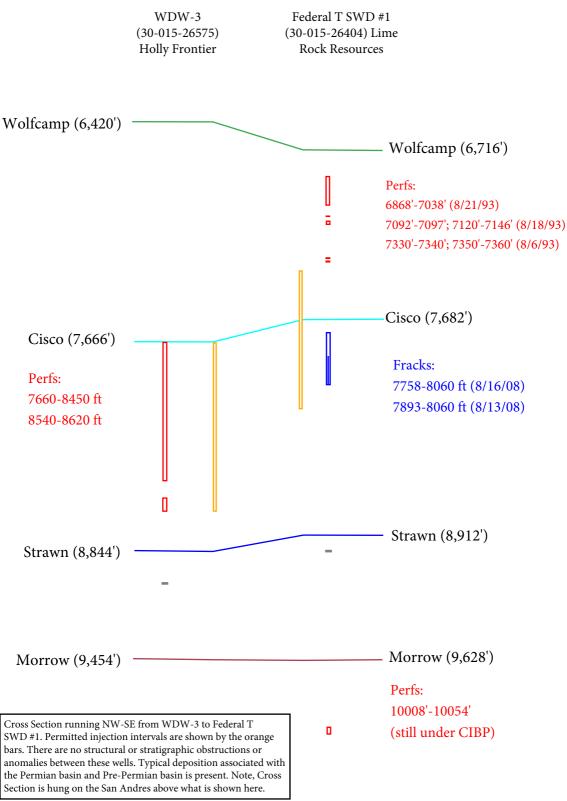
FIGURES

Figure 1:

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



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ATTACHMENT A

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

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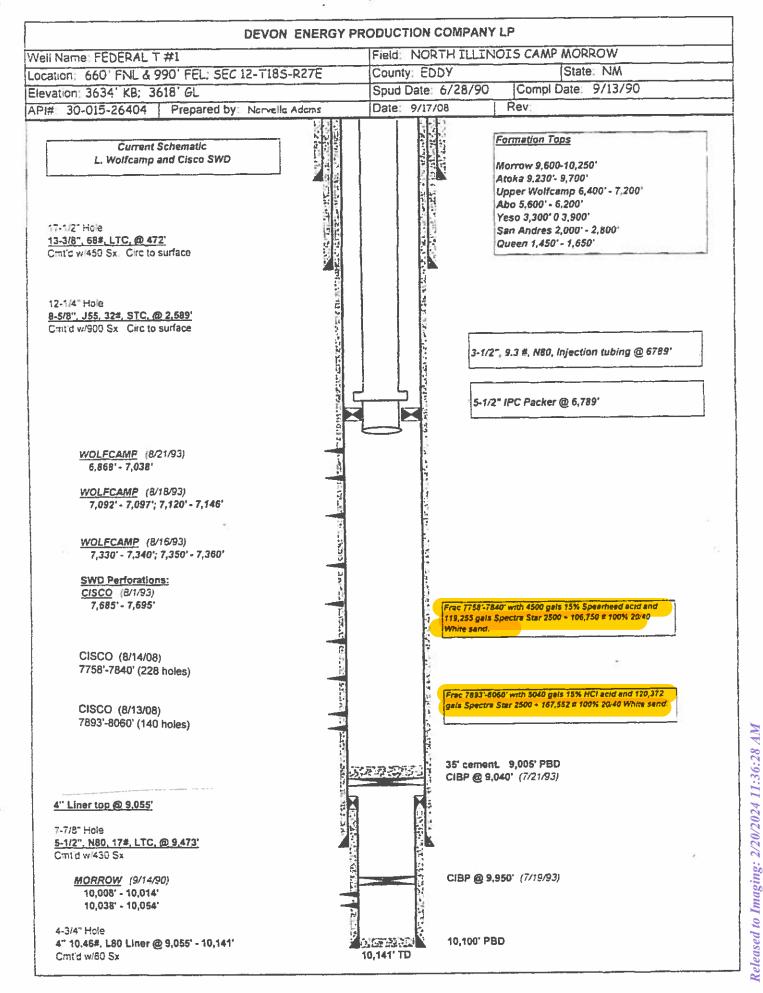
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	UNITED STATES 5) DEPARTMENT OF THE INTERIOR			FORM APROVED OMB NO. 1004-0137	
BUREAU OF LAND MANAGEMENT				EXPIRES: March 31, 2007	
SUNDRY NOTICES AND REPORTS ON WELLS				5 Lease Serial No	NIRA 40440
	m for proposals to drill or to r se Form 3160-3 (APD) for suct			6. If Indian, Allottee	NM-42410 or Tribe Name
SUBMIT IN TRI	PLICATE - Other instructions on	page 2			
1. Type of Well				7. Unit or CA Agree	ment Name and No.
Oil Well Gas W	ell 🗹 Other SWD convers	ion. Admin Order SWD-1	135	8 Well Name and N	0
2. Name of Operator				Federal T 1	
DEVON ENERGY PRODUC	TION COMPANY, LP			9 API Well No	
3a, Address 3b. Phone No. (include area code)			ea code)	3	0-015-26404
20 North Broadway, Oklahoma City, OK 73102 405-552-8198				10. Field and Pool, or Exploratory Area	
4 Location of Well (Footage, Sec., T.	• • •			L.Wolfcamp and Cisco	
660 FNL 990 FEL A	12 18S 27E			11. County or Paris	
	·····			Eddy	<u>NM</u>
12. CHEC	K APPROPRIATE BOX(es) TO	INDICATE NATURE OF NO	OF ACTION	RT OR OTHER DAT	<u> </u>
Notice of Intent	Acidize	Deepen	Reclamat	n (Start/Resume) ion	Water Shut-Off Well Integrity
Subsequent Report		New Construction			Other
Final Abandonment Notice	Change Plans	Plug and Abandon	Tempora	rily Abandon	
13 Describe Proposed or Completed Operations (Convert to Injection	Plug Back	Water Di		
despen directionally or recomplete horizontally, give the Bond No on file with BLM/BIA Required subseq interval, a Form 3160-4 shall be filed once testing ha determined that the site is ready for final inspection) Converted to SWD. Administrative Or 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 752 8/07/08 Ran step rate test; pumped 5 bbls at 3 bbls/min – 170# psi, pumped 8/08/08 Trucked in and established in 8/11/08 Drilled cement retainers at 77	uent reports shall be filed within 30 days for s been completed Final Abandonment No der SWD-1135 J BOP. TIH with bit and drill coll 5', CIBP at 7300' and cement at 0 bbls at ½ bbl/min – 0# psi, pun 50 bbls at 4 bbls/min – 250 psi. jection in the Wolfcamp at 150 l	Ilowing completion of the involved op litces shall be filed only after all requi- ars. 7560' and CIBP at 7595'. nped 50 bbls at 1 bbl/min -2	erations If the o	peration results in a multiple reclamation, have been com	completion or recompletion in a new pleted, and the operator has
8/12/08 Drilled cement retainer at 782	0' and 8000'. Circulate hole and				
8/13/08 Perforate Cisco from 7893' -	8060', total 140 holes. TIH and	set packer at 7688'. Frac w	ith 5,040 gals	15% HCI + 120,372	gals Spectra Star 2500 +
167,552 # 20/40 White sand. 8/14/08 TIH with retrievable tool and 228 total holes	latch onto packer. Release pac	ker and TOOH with packer	and tubing. F	RU wireline and perfor	ate Cisco from 7758'-7840';
8/15/08 TIH with packer and set at 75	82'. NU frac valve.				
8/16/08 Frac 7758'-8060' with 4500 gals 15% Spearhead acid + 119,255 gals Spectra 2500 + 106,750 # 20/40 100% White sand. RD.					<mark>D.</mark>
8/18/08 Release packer. TOOH with	÷	with tubing ND BOP and N	JII flance M	aiting on tubing	
8/20/08 TIH with bailer and bailed sand. Bailed sand to 8460'. TOOH with tubing. ND BOP and NU flange. Waiting on tubing. 9/15/08 TIH with packer and tubing. Set packer at 6789'. ND BOP and NU tree Ran MIT test to 500 # for 30 minutes – ok, notified Mike Bratcher with OCD					
TOOH with tubing. RIH with 3 1/2" IPC tubing and set at 6789'. Injection line installation in progress.					
}					
14. I hereby certify that the foregoing is	true and correct				
Name [•] Norvella Adams	Title	Sr. Staff Engineering T	echnician		
$\bigcap A = \bigcap A $	001				
Signature		9/17/2008			
	CORHS SPACE FOR I	EDERAL OR STATE	UFFICE		
Approved by S/ DAVID	R. GLAS\$				
	Title			Date	
SEP 2 9 200		Acc	epted fo		
Conditions of approval, if any are attached. Approval of this NMOCD			`		
equitable title to those holds in the subject lease which would entitle the applicant to confluct or operations thereon. Office					
entitle the applicant to conduct or operations thereon.] Office					
Title 18 U S C Section 1001 and Title 43 U S C Section	on 1212 make it a crime for any person kn	owingly and willfully to make to any d	epartment or age	ncy of the United States any	false, fictitious or fraudulent statements o

Litle 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, fictuous 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



DATEN	1/2017 SUSPE	NSE ENGINEER	S/12-1	ZPZ TYPE	PMAMITI3	255697
		ABOVE T	HIS LINE FOR DIVISION USE ONLY			
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EDE	RAL T SWD #1	Order: SWD-1135			<u> </u>	
		ADMINISTRATIVE	APPLICATIC	ON CHECK	LIST	
TI	HIS CHECKLIST IS N	ANDATORY FOR ALL ADMINISTRATIVE WHICH REQUIRE PROCES	APPLICATIONS FOR EX	CEPTIONS TO DIVIS	ION RULES AND RI	EGULATIONS
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]		PLICATION - Check Those V Location - Spacing Unit - Sin	Which Apply for [A]	Lip	ALP 27755	esounes
	Checl [B]	Conc Only for [B] or [C] Commingling - Storage - Mea DHC CTB	asurement PLC PC] ols 🗌 o	LM 201	emil 7540, 30-015-269
	[C]	Injection - Disposal - Pressure	Increase - Enhance SWD 🛛 IPI 🗌	- · · ·	PR	
	[D]	Other: Specify			- jjr	
	NOTIFICAT [A]	ION REQUIRED TO: - Check	Those Which Applerriding Royalty Inte	y, or Does No rest Owners	t Apply	
	[B]	Offset Operators, Leaseh	olders or Surface O	wner	Pad	,
	[C]	Application is One Whic	h Requires Publishe	d Legal Notice	-5 ~	D' LOLFO
	[D]	Notification and/or Conc U.S. Bureau of Land Management - Co	urrent Approval by 2 mmissioner of Public Lands, 5	BLM or SLO	Ci) 5 c d 961 36
	[E]	For all of the above, Proc	of of Notification or	Publication is At	ttached, and/or,	461 36
	[F]	Waivers are Attached				
		CURATE AND COMPLETE		REQUIRED TO	PROCESS T	НЕ ТҮРЕ
	CERTIFICA	FION: I hereby certify that the	information submitt	ed with this appl	ication for adm	inistrative

approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

<u>Like</u> Signatu

Lippin	Petroleum Engineer	ay 8, 2017
ire	Title	Date
	mike@pippinllc.com	
	e-mail Address	

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Mike Pippin Print or Type Name

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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: <u>Injection Pressure Increase Request</u> 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.

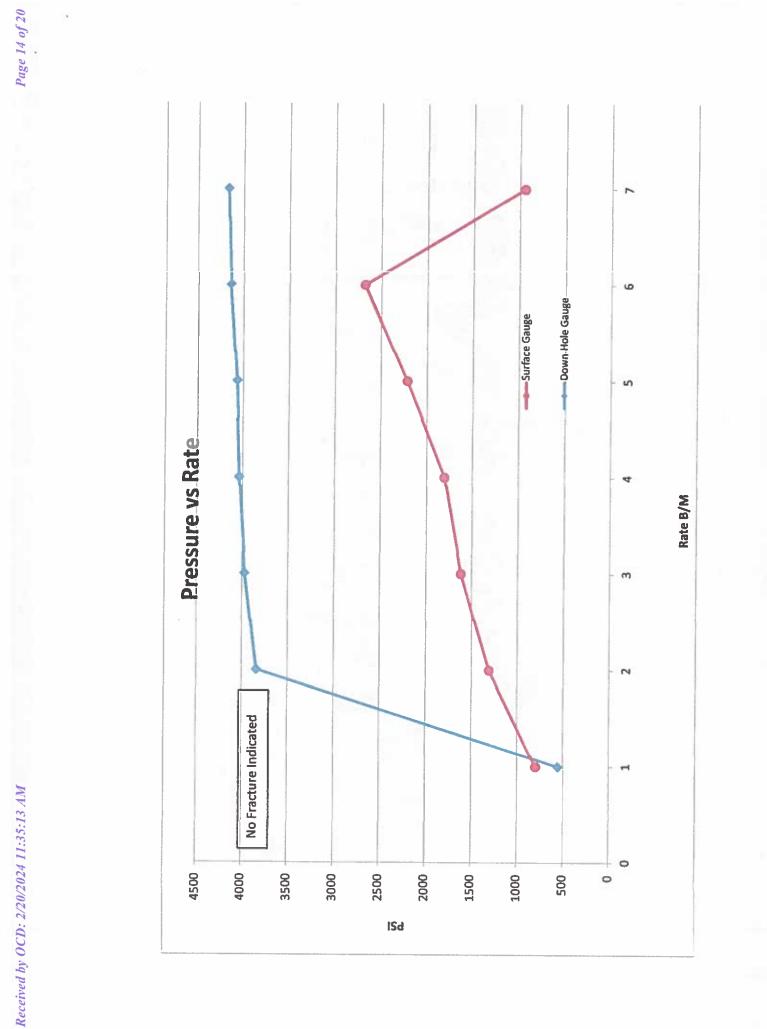
Please contact me at 505-327-4573 should you have any questions.

Very truly yours,

Mike Pippin P.E. Petroleum Engineer

Enclosures

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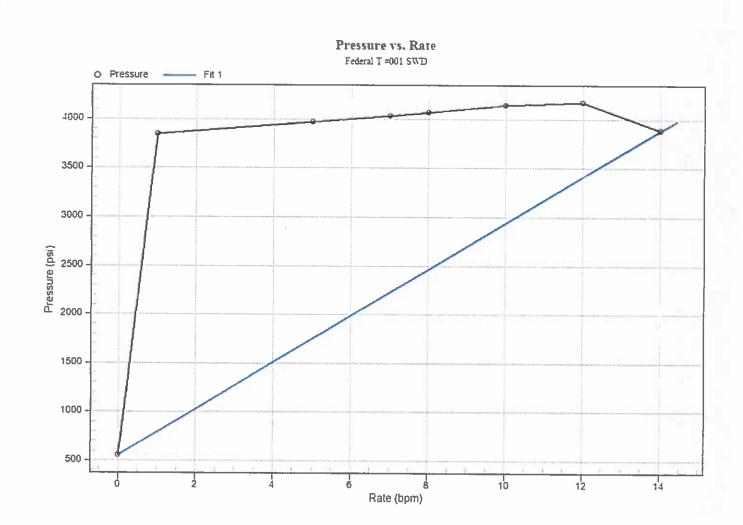


Step 4 Step 5 Step 3 Step 2 Step 6 Step 1 Fall Off Seat Nipple Depth: N/A Perforations: Plug Back Depth N/A RATE B/D Fall Off 0 Ċ 4 ω Company: Lime Rock Resources Well: Federal T #001 SWD N County: Eddy, County State: New Mexico Field: LLU 5/3/2017 5/3/2017 5/3/2017 5/3/2017 5/3/2017 5/3/2017 5/3/2017 Date SERVICES 1:56 PM 12:01 PM 11:20 AM 2:13 PM 2:32 PM 1:09 PM 1:37 PM Time STEP RATE TEST **BH PRESS** 3842.09 4169.81 4140.96 558.57 4035.19 3970.7 4066.6 SURF. PRESS Truck Number: 113 **Recorded By: J. Gable** 2681.72 2219.85 1619.11 1803.03 1311.16 801.96 944.2 District: Levelland Comments

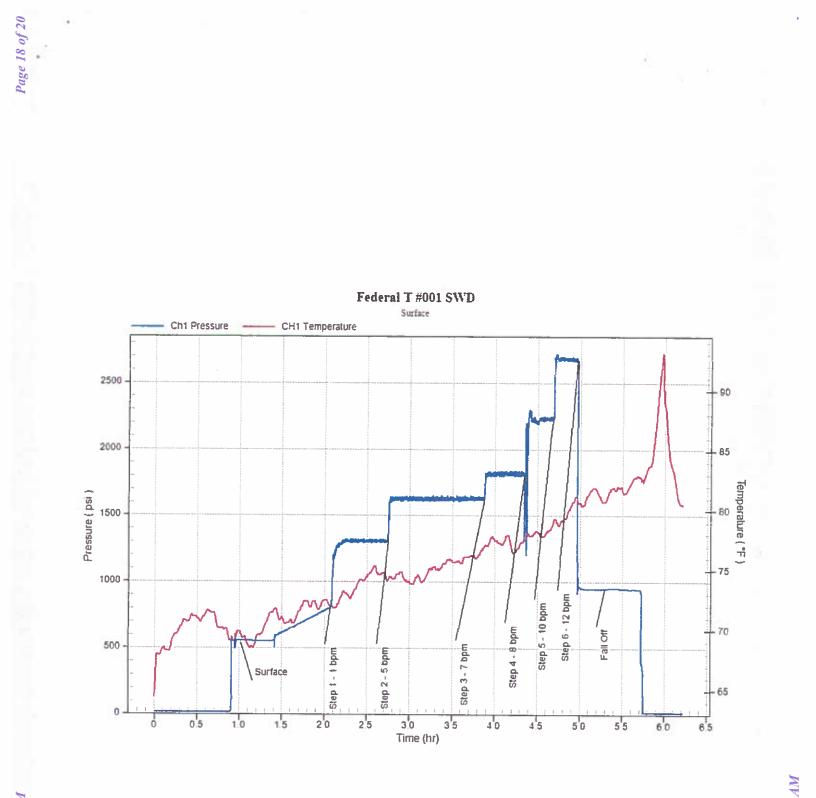
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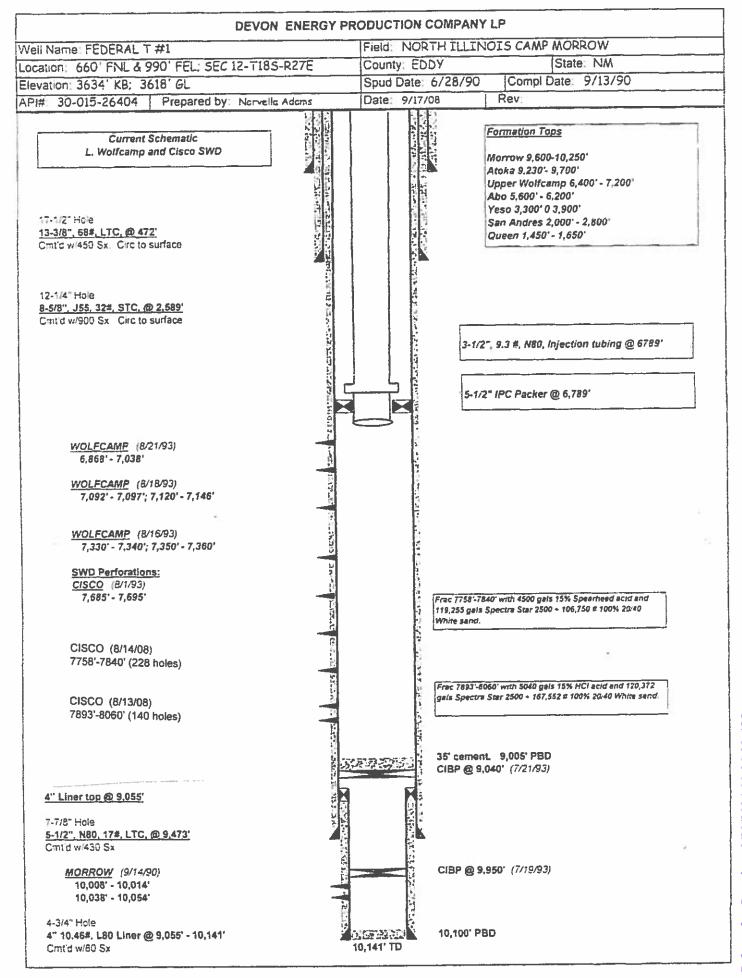
JOB INFORMATION SHEET

	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

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

District IV 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				
Operator:	OGRID:			
NEW MEXICO ENERGY MINERALS & NATURAL RESOURCE	264235			
1220 S St Francis Dr	Action Number:			
Santa Fe , NM 87504	315994			
	Action Type:			
	[IM-SD] Admin Order Support Doc (ENG) (IM-AAO)			

CONDITIONS

Created By Condition Condition Date 2/20/2024 pgoetze None

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Action 315994