

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**APPLICATION OF TRACE DELAWARE
TREATING SERVICES, LLC FOR
AUTHORIZATION TO INJECT, EDDY
COUNTY, NEW MEXICO.**

**CASE NO. 26074
ORDER NO. R-24555**

ORDER OF THE DIVISION

This case came in for hearing before the Oil Conservation Division (“OCD”) at 8:30 a.m. on May 7, 2026, in Santa Fe, New Mexico.

The OCD Director, having considered the testimony, the record, the recommendations of Hearing Examiner, these findings of fact, and conclusions of law, issues this Order.

FINDINGS

1. Due public notice has been given, and the OCD has jurisdiction of this case and the subject matter.
2. Trace Delaware Treating Services, LLC (“Applicant” or “Trace”) seeks authority to utilize its Hatch AGI Well No. 1 (API No. 30-015-Pending; “Well No. 1”) as Underground Injection Control (“UIC”) Class II wells for disposal of treated acid gas (“TAG”) from its Trace Delaware Heritage Treating Facility. Well No. 1 will dispose of TAG through an open-hole completion into an interval comprising Devonian, Wristen, and Fusselman formations.
3. The surface location of Well No. 1 is 460 feet from the South line and 2,615 feet from the East line (Unit F) with bottomhole location 2384 feet from the South line and 1,044 feet from the East line (Unit K) of Section 31, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico. The proposed depth for the injection interval of Well No. 1 is from approximately 13,341 feet to approximately 14,226 feet below ground surface (true vertical depth).

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4. Applicant seeks approval for a total daily injection volume of 12 million standard cubic feet (“MMSCF”) per day of TAG.

5. On March 27, 2026, Applicant submitted the application for hearing and was assigned to a Division hearing docket as Case No. 26074.

6. At hearing on May 7, 2026, Trace, through counsel, provided exhibits and testimony of geologic and engineering evidence in support of the approval of the injection authority for the AGI well.

a. Applicant proposed an injection interval composed of Devonian, Wristen, and Fusselman formation with an upper confining layer provided by the Woodford Shale and a lower confining layer composed of the Montoya and Simpson Group formations. Applicant stated that the proposed injection interval is sufficiently isolated so as not to impact deeper formations or shallower formations and not contribute to induced seismicity.

b. The proposed injection interval is characterized as approximately 885-foot-thick section of interbedded dolomites and dolomitic limestones. The mapped effective porosity in the area of the AGI wells ranges from one percent to approximately 16 percent with an average porosity of 4.6 percent.

c. Applicant calculated a maximum surface injection pressure of 4445 pounds per square inch (“PSI”) for Well No. 1. The calculation utilized the administrative gradient of 0.2 PSI per foot of depth to the top of the open-hole completion, and a specific gravity of 0.732 for the TAG.

d. Applicant identified zero wells that penetrate the injection interval withing the one-mile Area of Review for the AGI No. 1 well.

e. The casing program for the AGI well is a five-string casing design without the use of a liner. All casings are proposed to be cemented to surface. The well designs also incorporate corrosion-resistant (“CR”) well materials (tubing, casing and cement) for the interval 300 feet above the open-hole completion.

f. Based on the records of the New Mexico Office of the State Engineer, there are two shallow freshwater wells (points of diversion) within one mile of the surface and bottomhole location of the AGI well.

g. The analyses of Siluro-Devonian formation water samples provided by Applicant showed compatibility of the TAG injectate for disposal in the proposed interval.

h. Modeling of the TAG injection over 30 years at the proposed maximum rate of 12 million standard cubic feet (“MMSCF”) per day indicated a plume extending 1.79 miles from the Trace Delaware Heritage Treating Facility.

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i. Applicant prepared induced-seismic risk assessment using the Stanford Fault Slip Potential (“FSP”) model. Based on the parameters selected by the Applicant, operation of the AGI wells over a 30-year period is not anticipated to contribute significantly to the risk for injection-induced fault slip.

j. Applicant provided evidence of proper notification within the one-mile Area of Review and an affidavit of publication in a newspaper in the county where the AGI well is located.

7. OCD Technical Examiners identified the following subject matters during the cross examination of the Applicant’s witnesses.

a. Applicant confirmed that the Trace Delaware Heritage Treating Facility has not yet been constructed, and no development plan has been approved by the Bureau of Land Management (“BLM”).

b. Applicant confirmed the surface and bottomhole density parameters for the TAG were based upon initial reservoir conditions prior to injection and do not reflect the change in gas density that will occur as reservoir pressure increases due to injection. OCD technical examiner requested that the TAG density parameters be updated in supplemental filings to reflect the anticipated TAG density at abandonment conditions, and its potential impact on containment.

c. Applicant confirmed that proposed configuration of 20-inch surface casing inside the 24-inch diameter hole has been used multiple times with good success with respect to adequate standoff, cement placement and good quality cement bond.

8. Applicant confirmed in supplemental filings dated June 23, 2026, and July 7, 2026, the following items:

a. that their drilling program will incorporate anti-collision measures to mitigate the risk of intersecting existing wells adjacent to the proposed well;

b. that the anticipated reservoir pressure at the time of abandonment will be approximately 6,525 PSI which would require a kill fluid density of approximately 9.8 pounds-per-gallon. Furthermore, a kill-weight fluid of this density can be prepared with materials that are readily available in the area of the Hatch AGI No. 1 well. The supplemental filing also included a preliminary plug-and-abandonment program based upon the anticipated abandonment pressure for the well;

c. that a right-of-way was granted by the BLM to construct, operate, maintain and properly close a 9.91-acre site for their gas treatment facility which also included the authorization for the construction of Well No. 1; and

d. a corrected Form C-102 with surface and bottomhole location details which addressed the differences in the original footage measurements provided in the Form C-108 from a prior hearing exhibit.

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CONCLUSIONS OF LAW

1. Applicant provided the information required by 19.15.26 NMAC and the Form C-108 for an application to inject TAG into the Class II UIC well.
2. Applicant demonstrated a necessity for the Class II UIC wells for TAG disposal that will support the processing of oil and gas production in this area of the Permian Basin.
3. Applicant complied with the notice requirements of 19.15.4 NMAC.
4. Applicant affirmed in a sworn statement by a qualified person that it examined the available geologic and engineering data and found no evidence of open faults or other hydrologic connections between the approved injection interval and any underground sources of drinking water.
5. Applicant is in compliance with 19.15.5.9 NMAC.
6. Having considered the evidence, approval of TAG disposal in the Well with specific conditions and restrictions will enable Applicant to support production and future exploration in this area, thereby preventing waste while not impairing correlative rights and protecting fresh water and underground sources of drinking water.

ORDER

1. Trace Delaware Treating Services, LLC ("Operator") **is hereby authorized by UIC Permit SWD-2710** to utilize its proposed Hatch AGI Well No. 1 ("Well No. 1"), with a surface location of 460 feet from the South line and 2,615 feet from the East line (Unit F) and bottomhole location of 2,384 feet from the South line and 1,044 feet from the East line (Unit K) of Section 31, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico, as a UIC Class II well for disposal of TAG into an interval of Devonian, Wristen and Fusselman formations through an open-hole completion from approximately 13,341 feet to approximately 14,226 feet below ground surface (true vertical depth).
2. The approved total daily injection rate for the Well No. 1 shall not exceed 12 MMSCF of TAG. Any request for an increase in the daily injection shall only be approved through hearing with an application that includes, but not limited to, an evaluation of the changes in reservoir characteristics with the increased injection, evaluation of changes to the prior plume model and the final plume configuration, assessment of the adequacy of current AGI well monitoring systems (including modification of the hydrogen sulfide contingency plan) and a reassessment of the abandonment pressure and plugging program due to the increased volume of TAG in the injection interval.

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3. Within two years of the submittal of Form C-103 Sundry Notice of Spud for Well No. 1, Operator shall submit an application through hearing and obtain approval of a second AGI well as a redundant well for the Trace Delaware Heritage Treating Facility.

4.

5. 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.

6. Jurisdiction is retained by the OCD 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 OCD may, after notice and hearing or prior to notice and hearing in event of an emergency, terminate the disposal authority granted herein.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



**ALBERT C.S. CHANG
DIVISION DIRECTOR**

Date: 09/11/2026

AC/th

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**UIC CLASS II PERMIT SWD-2710
APPENDIX A – AUTHORIZED INJECTION**

Permittee: Trace Delaware Treating Services, LLC

OGRID No.: 334091

Well name: Hatch AGI Well No. 1

Surface location: 460 feet from the South line and 2,615 feet from the East line, Section 31,
Township 18 South, Range 31 East, NMPM, Eddy County New Mexico
Latitude/Longitude: 32.69790° N; 103.90868° W (NAD83).

Bottomhole location: 2,384 feet from South line and 1,044 feet from East line, Section 31,
Township 18 South, Range 31 East, NMPM Eddy County New Mexico.
Latitude/Longitude: 32.70320 ° N; 103.90358° W (NAD83).

Type of completion: Open hole

Type of injection: Gas waste from Applicant's Trace Delaware Heritage Treating Facility

Injection fluid: Treated acid gas (including carbon dioxide, hydrogen sulfide, and trace amounts
of hydrocarbons)

Injection interval: Approximately 13,341 feet to 14,226 feet TVD; Devonian, Wristen and
Fusselman formations

Injection interval thickness (feet): Approximately 885 feet

Confining layer(s): Woodford Shale (upper) and Montoya Group (lower)

Prohibited injection interval(s): Woodford Shale and shallower formations; Montoya Group,
Simpson Group and deeper Ordovician formations and any lost
circulation zones.

Liner, tubing, and packer set: 3.5-inch tubing with a permanent CR packer set within 100 feet of
the top of the open hole and with a subsurface safety valve
("SSSV") no greater than 500 feet below ground surface.

Maximum daily injection rate: 12 MMSCF per day

Maximum surface injection pressure: 4,445 PSI (as calculated using an average specific gravity
of 0.732).

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

UIC CLASS II PERMIT SWD-2710

Pursuant to the Oil and Gas Act, NMSA 1978, §§70-2-1 *et seq.*, (“Act”) and its implementing regulations, 19.15.1 *et seq.* NMAC, (“Rules”) and the federal Safe Drinking Water Act, 42 U.S.C. 300f *et seq.*, and its implementing regulations, 40 CFR 144 *et seq.*, the Oil Conservation Division (“OCD”) issues this Permit to Trace Delaware Treating Services, LLC (“Permittee”) to authorize the construction and operation of a well to inject treated acid gas (“TAG”) at the location and under the terms and conditions specified in this Permit and Appendix A.

I. GENERAL CONDITIONS

A. AUTHORIZATION

1. Scope of Permit. This Permit authorizes the injection of TAG into the well described on Appendix A (“Well”). Any injection not specifically authorized by this Permit is prohibited. Permittee shall be the “operator” of the Well as defined in 19.15.2.7(O)(5) NMAC.

a. Injection is limited to the approved injection interval described in Appendix A. Permittee shall not allow the movement of fluid containing any contaminant into an underground source of drinking water (“USDW”) if the presence of that contaminant may cause a violation of a Primary Drinking Water Regulation adopted pursuant to 40 CFR Part 142 or that may adversely affect the health of any person. [40 CFR 144.12(a)]

b. The wellhead injection pressure for the Well shall not exceed the value identified in Appendix A.

c. Permittee shall not commence to drill, convert, or recomple the Well until receiving this approval and until OCD approves a Form C-101 Application for Permit to Drill (“APD”) pursuant to 19.15.14 NMAC or receives an approved federal Form 3160-3 APD for the Well. [40 CFR 144.11; 19.15.14.8 and 19.15.26.8 NMAC]

d. Permittee shall not commence injection into the Well until the Permittee complies with the conditions in Section I. C. of this Permit.

e. This Permit authorizes injection of any UIC Class II fluid or oil field waste defined in 19.15.2.7(E)(6) NMAC.

f. This Permit does not authorize injection for an enhanced oil recovery project as defined in 19.15.2.7(E)(2) NMAC.

2. Notice of Commencement. Permittee shall provide written notice on Form C-103 to OCD E-Permitting and notify OCD Engineering Bureau by email of the submittal no later than two (2) business days following the date on which injection commenced into the Well. [19.15.26.12(B) NMAC]

3. Termination. Unless terminated sooner, this Permit shall remain in effect for a term of thirty (30) years beginning on the date of issuance. Permittee may submit an application for a new permit prior to the expiration of this Permit. If Permittee submits an application for a new permit, then the terms and conditions of this Permit shall remain in effect until OCD denies the application or grants a new permit.

a. This Permit shall terminate two (2) years after the date of issuance if Permittee has not commenced injection into the well. The Permittee shall have the option to request an extension of time to commence injection approved administratively by the Director without hearing. The Director may grant a single extension of no longer than two (2) years for good cause shown. The Permittee shall submit a written request for an extension to OCD Engineering Bureau no later than thirty (30) days prior to the deadline for commencing injection. The written request shall contain the results of a current assessment of the Area of Review for changes in affected persons, identification of any new penetrations of the approved injection interval and a summary of any recent occurrences of seismicity within ten (10) miles of the Well's surface location.

b. One (1) year after the last date of reported injection into the Well, OCD shall consider the Well abandoned, the authority to inject pursuant to this Permit shall terminate automatically, and Permittee shall plug and abandon the Well as provided in Section I. E. of this Permit. Upon receipt of a written request by the Permittee no later than one year after the last date of reported injection into the Well, OCD may grant an extension for good cause. [19.15.26.12(C) NMAC]

B. DUTIES AND REQUIREMENTS

1. Duty to Comply with Permit. Permittee shall comply with the terms and conditions of this Permit. Any noncompliance with the terms and conditions of this Permit, or of any provision of the Act, Rules or an Order issued by OCD or the Oil Conservation Commission, shall constitute a violation of law and is grounds for an enforcement action, including revocation of this Permit and civil and criminal penalties. Compliance with this Permit does not relieve Permittee of the obligation to comply with any other applicable law, or to exercise due care for the protection of fresh water, public health and safety and the environment. The contents of the Application and Appendix A shall be enforceable terms and conditions of this Permit. [40 CFR 144.51(a); 19.15.5 NMAC]

2. Duty to Halt or Reduce Activity to Avoid Permit Violations. Permittee shall halt or reduce injection to avoid a violation of this Permit or other applicable law. It shall not be a defense in an enforcement action for Permittee to assert that it would have been necessary to halt or reduce injection in order to maintain compliance with this Permit. [40 CFR 144.51(c)]

3. Duty to Mitigate Adverse Effects. Permittee shall take all reasonable steps to minimize, mitigate and correct any waste or effect on correlative rights, public health, or the environment resulting from noncompliance with the terms and conditions of this Permit. [40 CFR 144.51(d)]

4. Duty to Operate and Maintain Well and Facilities. Permittee shall operate and maintain the Well and associated facilities in compliance with the terms and conditions of this Permit. [40 CFR 144.51(e)]

5. Duty to Provide Information. In addition to any other applicable requirement, Permittee shall provide to OCD by the date and on the terms specified by OCD any information which OCD requests for the purpose of determining whether Permittee is complying with the terms and conditions of this Permit. [40 CFR 144.51(h)]

6. Private Property. This Permit does not convey a property right or authorize an injury to any person or property, an invasion of private rights, or an infringement of state or local law or regulations. [40 CFR 144.51(g)]

7. Inspection and Entry. Permittee shall allow OCD's authorized representative(s) to enter upon the Permittee's premises where the Well is located and where records are kept for the purposes of this Permit at reasonable times and upon the presentation of credentials to:

- a. Inspect the Well and associated facilities;
- b. Have access to and copy any record required by this Permit;
- c. Observe any action, test, practice, sampling, measurement or operation of the Well and associated facilities; and
- d. Obtain a sample, measure, and monitor any fluid, material or parameter as necessary to determine compliance with the terms and conditions of this Permit. [40 CFR 144.51(i)]

8. Certification Requirement. Permittee shall sign and certify the truth and accuracy of all reports, records, and documents required by this Permit or requested by OCD. [40 CFR 144.51(k)]

9. Financial Assurance. Permittee shall provide and maintain financial assurance for the Well in the amount specified by OCD until the Well has been plugged and abandoned and the financial assurance has been released by OCD. [40 CFR 144.52; 19.15.8.12 NMAC]

C. PRIOR TO COMMENCING INJECTION

1. Construction Requirements.

a. Permittee shall construct the Well as described in the Application, Appendix A and as required by the Special Conditions.

b. Permittee shall construct and operate the Well in a manner that ensures the injected fluid enters only the approved injection interval and is not permitted to escape to other formations or onto the surface.

2. Tests and Reports. Permittee shall complete the following actions prior to commencing injection in the Well.

a. Permittee shall obtain and comply with the terms and conditions of an approved APD prior to commencing drilling of the Well, or other OCD approval, as applicable, prior to converting or recompleting the Well. If the APD is approved by the OCD, the Well shall be subject to the construction, testing, and reporting requirements of 19.15.16 NMAC. Permittee is also subject to the cement bond log ("CBL") requirements identified in II. Special Conditions of this Permit.

b. Permittee shall circulate to surface the cement for all casings. If cement does not circulate on any casing string, Permittee shall run a CBL to determine the top of cement, then notify the OCD Engineering Bureau and the appropriate OCD Inspection Supervisor and submit the CBL prior to continuing with any further cementing on the Well. If the cement did not tie back into next higher casing shoe, Permittee shall perform remedial cement action to bring the cement to surface. If the remedial action does not circulate the cement to surface, Permittee shall demonstrate that a minimum of three hundred (300) feet of cement is present above the next higher casing shoe in order to cease any further remedial actions.

c. If a liner is approved for the construction of the Well, Permittee shall run and submit to OCD E-Permitting and notify the OCD Engineering Bureau by email, a CBL for the liner to demonstrate placement of cement and the cement bond with the tie-in for the casing string.

d. Permittee shall submit the mudlog, geophysical logs, and a summary of depths (picks) for the contacts of the formations demonstrating that only the permitted formation is open for injection. OCD may amend this Permit to specify the depth of the approved injection interval within the stratigraphic interval requested in the application. If Permittee detects a hydrocarbon show during the drilling of the Well, it shall notify OCD Engineering Bureau by email and obtain written approval prior to commencing injection into the Well.

e. Permittee shall obtain and submit on a Form C-103 a calculated or measured static bottom-hole pressure measurement representative of the completion in the approved injection interval.

f. Permittee shall conduct an initial mechanical integrity test ("MIT") on the Well in compliance with the terms and conditions of this Permit and 19.15.26 NMAC, and shall not commence injection into the Well until the results of the initial MIT have been approved by the appropriate OCD Inspection Supervisor. [19.15.26.11(A) NMAC]

g. Permittee shall submit and receive approval from the OCD for a hydrogen sulfide contingency plan that addresses the operation and monitoring of the Well. Permittee may revise an existing hydrogen sulfide contingency plan to incorporate the Well if disposal is part of a gas processing facility. [19.15.11.9 NMAC]

h. OCD retains authority to require a wireline verification of the completion and packer setting depths in this Well. [19.15.26.11(A) NMAC]

D. OPERATION

1. Operation and Maintenance.

a. Permittee shall equip, operate, monitor and maintain the Well to facilitate periodic testing, assure mechanical integrity, and prevent significant leaks in the tubular goods and packing materials used and significant fluid movements through vertical channels adjacent to the well bore. [19.15.26.10(A) NMAC]

b. Permittee shall operate and maintain the Well and associated facilities in a manner that confines the injected fluid to the approved injection interval and prevents surface damage and pollution by leaks, breaks and spills. [19.15.26.10(B) NMAC]

c. OCD may authorize an increase in the maximum surface injection pressure upon a showing by the Permittee that such higher pressure will not result in the migration of the disposed fluid from the approved injection interval or induced seismicity. Such proper showing shall be demonstrated by sufficient evidence, including an acceptable step-rate test.

d. If OCD has reason to believe that operation of the Well may have caused or determined to be contributing to seismic activity, Permittee shall, upon OCD's written request:

i. Take immediate corrective action, which could include testing and evaluating of the injection interval and confining layers; suspending or reducing of the rate of injection or maximum surface

injection pressure, or both; and providing increased monitoring of the Well's operation; and

ii. Submit a remedial work plan or an application to modify the Permit to implement the corrective action, plug back the injection interval, or incorporate another modification required by OCD.

OCD may approve the remedial work plan, modify the Permit or issue an emergency order or temporary cessation order as it deems necessary.

2. Pressure Limiting Device.

a. The Well shall be equipped with a pressure limiting device, which is in workable condition and can be tested for proper calibration at the well site, that shall limit surface tubing pressure to the maximum surface injection pressure specified in Appendix A.

b. Permittee shall test the pressure limiting device and all gauges and other metering requirement to ensure their accuracy and proper function every year.

3. Mechanical Integrity. Permittee shall conduct a MIT prior to commencing injection, annually after the date of the previous MIT, and whenever the tubing is removed or replaced, the packer is reset, mechanical integrity is lost, Permittee proposes to transfer the Well, or requested by OCD.

a. **Annual MIT shall be conducted and in accordance with 19.15.26 NMAC.**

b. Permittee shall submit a sundry notice on Form C-103 of intent to install or replace injection equipment or conduct a MIT no later than three (3) business days prior to the event.

c. Permittee shall report the result of a MIT no later than two (2) business days after the test.

d. Permittee shall cease injection and shut-in the Well no later than twenty-four (24) hours after discovery if:

i. The Well fails a MIT; or

ii. Permittee observes conditions at the Well that indicate the mechanical failure of tubing, casing, or packer.

e. Permittee shall take all necessary actions to address the effects resulting from the loss of mechanical integrity in accordance with 19.15.26.10 NMAC.

f. Permittee shall conduct a successful MIT pursuant to 19.15.26.11 NMAC, including written approval from OCD prior to recommencing injection and the requirements contained in Section I G.3.

4. Additional Tests. Permittee shall conduct any additional test requested by OCD, including but not limited to step-rate tests, tracer surveys, injection surveys, noise logs, temperature logs, and casing integrity logs [19.15.26.11(A)(3) NMAC]

5. Records.

a. Permittee shall retain a copy of each record required by this Permit for a period of at least five (5) years and shall furnish a copy to OCD upon request. [40 CFR 144.51(h)]

b. Permittee shall retain a record of each test, sample, measurement, and certification of accuracy and function collected for the Well, including:

- i. Date, location, and time of sample, measurement or calibration;
- ii. Person who conducted the sample event, measurement or calibration;
- iii. Calibration of gauge or other equipment in accordance with the manufacturer's specifications;
- iv. Description of method and procedures;
- v. Description of handling and custody procedures; and
- vi. Result of the analysis.

E. PLUGGING AND ABANDONMENT

1. Upon the termination of this Permit, Permittee shall plug and abandon the Well and restore and remediate the location in accordance with 19.15.25 NMAC.

2. If Permittee has received an extension pursuant to Section I. A. 3. b., Permittee shall apply for approved temporary abandonment pursuant to 19.15.25 NMAC.

3. If this Permit expires pursuant to 19.15.26.12 NMAC and OCD has not issued a new permit, then Permittee shall plug and abandon the Well and restore and remediate the location in accordance with 19.15.25 NMAC.

4. Permittee's temporary abandonment of the Well shall not toll the abandonment of injection in accordance with 19.15.26.12(C) NMAC.

F. REPORTING

1. Monthly Reports. Permittee shall submit a report using Form C-115 using the OCD's web-based online application on or before the 15th day of the second month following the month of injection, or if such day falls on a weekend or holiday, the first workday following the 15th, with the number of days of operation, injection volume, and injection pressure. [19.15.26.13 NMAC; 19.15.7.24 NMAC]

2. Additional AGI Well Reports. Permittee shall submit the required reports listed in II. Special Conditions. Submittal of quarterly or annual reports shall be done using Form C-103 and larger documents using the Engineering Bureau e-mail.

3. Corrections. Permittee shall promptly disclose to OCD any incorrect information in the Application or any record required by this Permit and submit corrected information. [40 CFR 144.51(h)(8)]

G. CORRECTIVE ACTION

1. Releases. Permittee shall report any unauthorized release of injection fluid at the Well or associated facilities in accordance with 19.15.29 and 19.15.30 NMAC.

2. Failures and Noncompliance. Permittee shall report the following incidents to appropriate OCD Inspection Supervisor and OCD Engineering Bureau verbally and by e-mail no later than 24 hours after such incident:

a. Any mechanical integrity failures identified in Section I. D. 3. d;

b. The migration of injection fluid from the injection interval [19.15.26.10 NMAC]; or

c. A malfunction of the Well or associated facilities that may cause waste or affect the public health or environment, including: (a) monitoring or other information which indicates that a contaminant may affect a USDW; or (b) noncompliance or malfunction which may cause the migration of injection fluid into or between USDWs. [40 CFR 144.51(l)(6)]

3. Corrective Action. Permittee shall submit a written report describing the incident in Sections I.G.1 or I.G.2, including a corrective active plan, no later than five (5) calendar days after discovery of the incident. [40 CFR 144.51(l)(6)] For an unauthorized release, Permittee also shall comply with the site assessment, characterization and remediation requirements of 19.15.29 and 19.15.30 NMAC.

4. Restriction or Shut-In. OCD may restrict the injected volume and pressure or shut-in the Well if OCD determines that the Well has failed or may fail to confine the injected fluid to the approved injection interval or has caused induced seismicity until OCD determines that Permittee has identified and corrected the failure. [19.15.26.10(E) NMAC]

H. PERMIT CHANGES

1. Transfer. This Permit shall not be transferred without the prior written approval of OCD. Permittee shall file Form C-145 for a proposed transfer of the Well. OCD may require, as a condition of approving the transfer, that this Permit be amended to ensure compliance and consistency with applicable law. If the Well has not been spud prior to the transfer, the OCD may require that the new operator reapply and submit to the OCD a new Form C-108 prior to constructing and injecting into the well. [19.15.26.15 NMAC; 19.15.9.9 NMAC]

2. Insolvency. Permittee shall notify OCD Engineering Bureau of the commencement of a voluntary or involuntary proceeding in bankruptcy which names Permittee or an entity which operates the Well on behalf of Permittee as a debtor no later than ten (10) business days after the commencement of the proceeding.

3. OCD Authority to Modify Permit and Issue Orders

a. The OCD may amend, suspend, or revoke this Permit after notice and an opportunity for hearing if it determines that:

- i. The Permit contains a material mistake;
- ii. Permittee made an incorrect statement on which OCD relied to establish a term or condition of the Permit or grant this Permit;
- iii. This Permit must be amended to ensure compliance and consistency with applicable law, including a change to the financial assurance requirements;
- iv. The Well's operation may affect the water quality of fresh water;
- v. Injected fluid is escaping from the approved injection interval;
- vi. Injection may be caused or contributed to seismic activity:
or
- vii. Injection may cause or contribute to the waste of oil, gas or potash resources or affect correlative rights, public health, or the environment.

b. OCD retains jurisdiction to enter such orders as it deems necessary to prevent waste and to protect correlative rights, protect public health, and the environment.

c. OCD retains jurisdiction to review this Permit as necessary and no less than once every five (5) years, and may determine whether this Permit should be modified, revoked and reissued, or terminated. [40 CFR 144.36(a)]

4. Permittee Request to Modify Permit. Permittee may apply to modify the terms of this Permit.

a. **Minor Modifications.** OCD may make a minor modification to this Permit without notice and an opportunity for hearing for:

- i. Non-substantive changes such as correction of typographical errors;
- ii. Requirements for more frequent monitoring or reporting;
- iii. Changes to the Well construction requirements provided that any alteration shall comply with the conditions of the Permit and does not change the Area of Review considered in the application for the Permit;
- iv. Amendments to the plugging and abandonment plan;
- v. Changes in the types of fluids injected which are consistent with sources listed in the application for the Permit and do not change the classification of the Well;
- vi. Corrections of the actual injection interval if within the approved formation; or
- vii. Transfer of a Permit for a Well that has been spud. [40 CFR 144.41]

b. **Major Modifications.** OCD shall require notice and an opportunity for hearing for any modification that is not minor. For such modifications, Permittee shall submit Form C-108 and comply with the notice requirements of 19.15.26 NMAC. Upon review of the Form C-108, OCD may require a hearing before the OCC for approval of the modifications.

II. SPECIAL CONDITIONS

Permittee shall comply with these special conditions:

1. Testing Prior to Commencing Injection: Permittee shall conduct step-rate and fall-off tests on the completed well before commencing injection. Permittee may adjust the maximum surface injection pressure for the Well after these tests with the approval of the OCD. Correspondingly, OCD shall retain the authority to reduce the maximum

surface injection pressure based on the test results if necessary.

2. Additional Testing Prior to Commencing Injection: Permittee shall complete the specific geophysical logging, formation sampling and formation testing as presented in the C-108 application found in Section 3.2, Page 34 of the Exhibit package received by OCD on 4-29-2026. OCD shall be notified of any changes to these procedures because of drilling conditions, well completion issues, or other issues which require modification of the proposed activities.
3. Well Construction and Testing Requirement: All casing shall have cement circulated to the surface with placement confirmed by a conventional CBL utilizing both amplitude and variable density parameters. In addition to the conventional CBL, a high frequency ultrasonic cement evaluation tool may be included as part of the logging suite at the discretion of the Permittee. OCD shall retain authority to require remedial action of the Well if the annulus of the any casing (or liner) is not properly sealed to prevent vertical migration.
4. Well Construction Requirement: Well construction shall be designed for exposure to corrosive environment including, but not limited to casing, casing cement, tubing, and the packer in proximity of injection interval, or adjacent to existing injection intervals penetrated by the Well.
5. Well Construction Requirement: Permittee shall use a corrosion-inhibiting diesel with a biocide component as the annular fluid of the Well. Permittee shall maintain the volume of annular fluid replaced in the annulus of the Well as part of the Well's maintenance record.
6. Well Construction Requirement: Permittee shall establish temperature parameters for injected fluid, install and maintain temperature-activated controls to govern the temperature of injected fluid, and install and maintain an alarm system for the controls to indicate exceedance of the parameters.
7. Well Construction Requirement: Permittee shall equip the Well with a pressure-limiting device and a one-way subsurface safety valve ("SSSV") on the tubing approximately 100 feet to 500 feet below the surface. The SSSV must be suitably designed and/or sized to permit the passage of a barrier device to isolate the reservoir using a locking mandrel or barrier/isolation device set in a landing nipple.
8. Well Construction Requirement: Tubing composition shall be SS-95 VA Superior from 0 feet to 13,319 feet-measured depth (ft-MD) and G3 VAMTOP from 13,319 ft-MD to the top of the packer. Adjustments of the tubing lengths for each type shall be adjusted based on the final stratigraphic picks of the injection interval following completion of the well bore.
9. Well Construction Requirement: Permittee shall equip the well with a landing nipple set

in the tailpipe below the packer to accommodate a lock mandrel or equivalent barrier/isolation device to isolate the tubing from the injection interval.

10. Well Construction Requirement: If static bottomhole temperatures of 230 degrees Fahrenheit or higher are encountered, the cement blend shall contain additives (such as silica sand, silica flour, or equivalent additives) to prevent strength retrogression of the set cement.
11. Well Construction Requirement: Permittee shall utilize effective casing centralization for each casing string to ensure optimal stand-off to facilitate effective mud removal and optimal cement placement around the entire circumference of the casing.
12. Well Completion Requirement: If the Montoya Group or deeper formations are penetrated for evaluation and testing, the Well shall be plugged back to ensure the Simpson Group is suitably isolated to act as a lower confining zone. The OCD shall retain the authority to require, without hearing, the Permittee:
 - a. to conduct injection surveys to demonstrate the vertical isolation of the Simpson Group to prevent migration of the injected fluids; and,
 - b. to conduct additional remedial cement to increase the bottomhole plug and decrease the open-hole completion within the Montoya Group formations.
13. Injection Fluid Sampling Requirement: In combination with the annual MIT requirement, the Permittee shall obtain a sample of the TAG being injected into the Well and provide the analytical report to the OCD Engineering Bureau using Form C-103 Subsequent Report. Permitted shall also include with the analytical report an assessment of any changes in the specific gravity of the injection fluid that would alter the approved maximum injection surface pressure above the previously administratively approved pressure or a pressure based on formation testing.
14. Requirement for Hydrogen Sulfide Contingency Plan: Prior to commencing injection, Permittee shall obtain OCD approval of a hydrogen-sulfide contingency plan that complies with Rule 19.15.11.9 NMAC.
15. Additional Requirements for Hydrogen Sulfide Contingency Plan: The hydrogen sulfide contingency plan shall include documentation and response procedures for the anticipated abandonment reservoir pressure of 6,525 PSI detailed in the application that would require an equivalent kill fluid density of 9.8 pound per gallon during an emergency or end-of-well abandonment operations. The Permittee shall be required to notice and obtain OCD approval if the reservoir pressure exceeds the predicted abandonment pressure of 6,525 PSI. Approval shall comprise a revised hydrogen-sulfide contingency plan with modified procedures to address any emergency or end-of-well abandonment operations with the increased abandonment reservoir pressure.

16. Requirement for Seismic Monitoring Equipment: Permittee shall establish a seismic monitoring station in proximity to the Well that shall be included in the public seismic monitoring array. Permittee shall coordinate with the New Mexico Tech Seismological Observatory ("NMTSO") to obtain technical specifications of equipment to be installed and the procedure to periodically transfer all unprocessed data to the public repository. If the location of the Well is sufficiently monitored by an existing public array, then the NMSTO shall have the discretion to recommend an alternative location for the proposed station which the Permittee shall fulfill as required by this Order.
17. Monitoring Requirement: Permittee shall conduct continuous monitoring of surface TAG injection pressure, temperature, rate, surface annular pressure, and bottom-hole (or "end of tubing") temperatures and pressures in the tubing and the annulus.
18. Monitoring Requirement: No later than thirty (30) days prior to commencing injection, Permittee shall obtain OCD's approval of immediate notification parameters for annulus pressure and tubing and casing differential pressure at a set injection temperature.
19. Monitoring Requirement: Permittee shall report on a quarterly basis the summary data for injection parameters monitored under the permit, subject to OCD approval of annual reports after one year of operation upon request by Permittee.
20. Reporting Requirement: No later than forty-five (45) days after Permittee completes drilling the Well, Permittee shall submit to OCD Engineering Bureau the Well drilling logs including mudlogs, electric logs, daily reports, and provide the static bottom-hole pressure measured at completion of drilling the Well using a Form C-103 Subsequent Report.
21. Reporting Requirement: No later than forty-five (45) days after completion of the Well, Permittee shall submit to OCD Engineering Bureau the final reservoir evaluation and confirm that the open-hole portion of the Well does not intersect the fault plane of any identified fault that occurs within the approved injection interval.
22. Reporting Requirement: No later than ninety (90) days after commencing injection, and no less frequently than annually thereafter, Permittee shall consult with OCD regarding the immediate notification parameters. If OCD determines that the immediate notification parameters should be modified, Permittee shall provide modified parameters within thirty (30) days of notification for review by OCD.
23. Reporting Requirement: No later than thirty (30) days after the fifth (5th) year of injection, Permittee shall submit to OCD Engineering Bureau a report summarizing the Well's performance including injected volumes by fluid type, reservoir pressures, the models calibrated using that information and seismic modeling.

24. Resolution of General Permit Conditions with Special Conditions: If any conditions contained in the general Permit conflict with the conditions set by the OCC under II. Special Conditions, then the requirements of the Special Conditions shall supersede the condition found in the sections of the general Permit.

End of Special Conditions

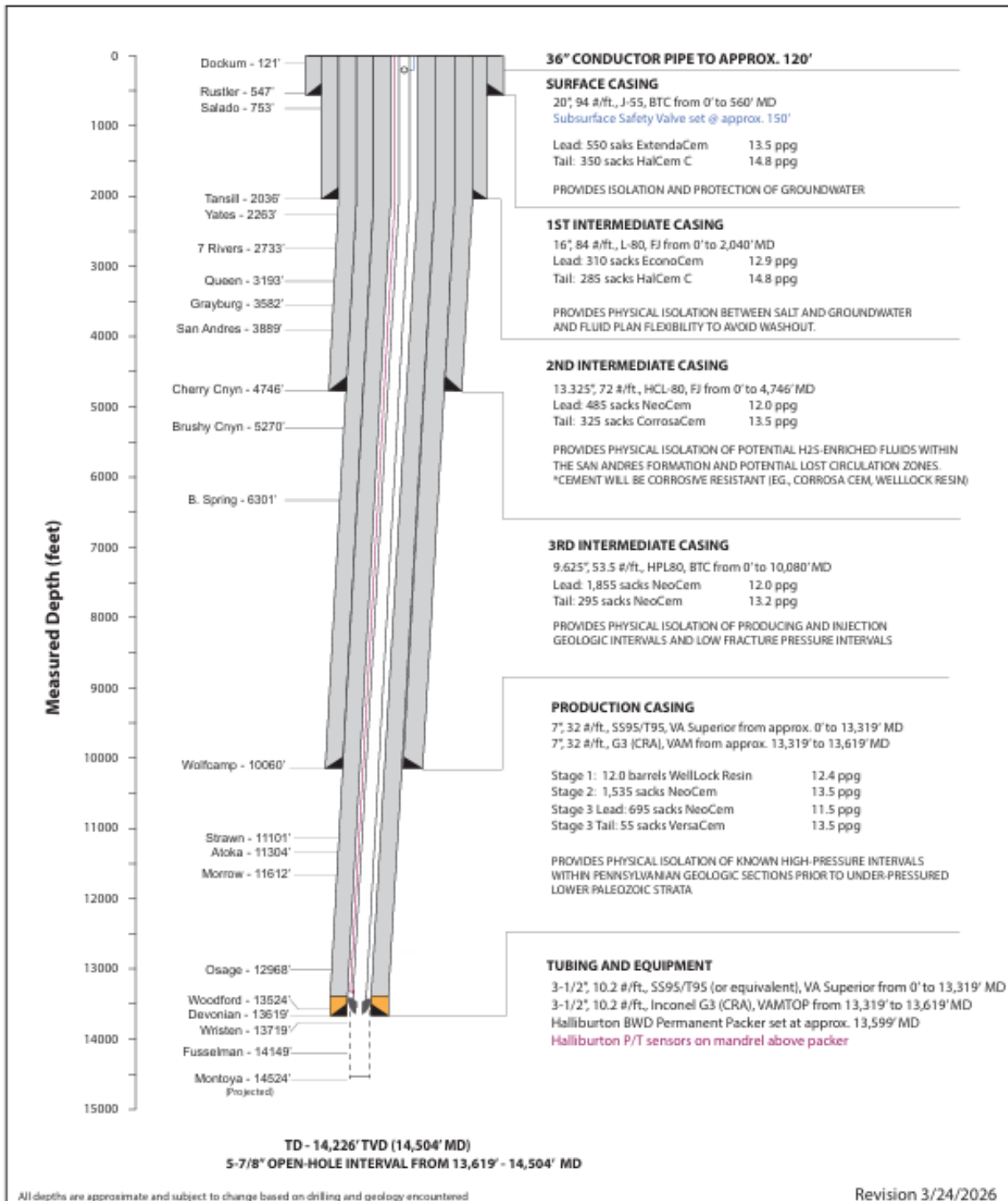
III. ATTACHMENTS

Well Completion Diagram as submitted in Applicant's Exhibit package in Case No. 26074
[Received April 29, 2026]

TRACE
MIDSTREAM

Hatch AGI #001 - Preliminary Well Schematic
Trace Delaware Treating Services, LLC
S31, Township 18S, Range 31E

GEOLEX
INCORPORATED



Sante Fe Main Office
Phone: (505) 476-3441

General Information
Phone: (505) 629-6116

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

CONDITIONS

Action 624090

CONDITIONS

Operator: NEW MEXICO ENERGY MINERALS & NATURAL RESOURCE 1220 S St Francis Dr Santa Fe , NM 87504	OGRID: 264235
	Action Number: 624090
	Action Type: [IM-SD] Admin Order Support Doc (ENG) (IM-AAO)

CONDITIONS

Created By	Condition	Condition Date
pgoetze	None	9/14/2026