

**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 RAZ OIL AND GAS LLC
FOR APPROVAL OF A SALT WATER
DISPOSAL WELL, LEA COUNTY, NEW
MEXICO.**

**CASE NO. 25081
ORDER NO. R-23908**

ORDER OF THE DIVISION

This case came in for hearing before the Oil Conservation Division (“OCD”) at 9:00 a.m. on January 23, 2025, 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. Raz Oil and Gas, LLC (“Applicant” or “Raz”) seeks approval to plugback the YO State SWD No. 1 (API No. 30-025-38162; “Well”) to inject into the Bell Canyon and Cherry Canyon formations of the Delaware Mountain Group (“DMG”). The surface location of the Well is 660 feet from the North line and 840 feet from the West line (Unit Letter D) in Section 15 of Township 21 South, Range 35 East, NMPM, Lea County, New Mexico. Raz seeks authority to operate a commercial disposal well to inject UIC Class II fluid (produced water) into the DMG at a depth of approximately 5,540 feet to 6,930 feet.
3. Applicant submitted a Form C-108 application (application no. pMSG2334936293) for administrative approval for disposal of produced water on November 1, 2023, and was assigned a designated UIC permit number SWD-2585.

4. Subsequently on December 10, 2024, Applicant filed an application for a Division hearing for approval of injection in the DMG.

5. On January 3, 2025, Mewbourne Oil Company (“Mewbourne”) filed an entry of appearance and an objection to the case being presented by affidavit.

6. Subsequently on February 13, 2025, Mewbourne withdrew its objection to the case being presented by affidavit but retained its right to appearance.

7. At hearing Raz, through counsel, provided geologic and engineering exhibits and testimony at the hearing in support of the approval of the injection authority for the Well.

a. Applicant proposed to plug back the Well from the Siluro-Devonian injection interval to allow disposal into the Bell Canyon and Cherry Canyon formations. Pressure in the current injection interval has increased to the maximum allowable limit causing the continued operation in the Devonian formation uneconomic.

b. The proposed injection interval includes the Bell Canyon and Cherry Canyon formations from 5,540 feet to 6,930 feet. The formations consist of fine-grained Permian age sandstones with interbedded siltstones and several thick intervals of permeable sandstones capable of receiving disposal fluids.

c. Applicant stated that there is containment through multiple confining zones above the DMG and underground sources of drinking water (“USDW”) with over 4,690 feet of vertical separation between the base of the USDW and the top of the proposed injection interval.

d. The Lamar Limestone and the Brushy Canyon formation will not be used for injection and are not part of the proposed injection interval.

e. Applicant stated that for injected fluids to impact the nearest DMG producer, they would need to horizontally traverse approximately 12.5 miles from the Well. The closest active producing oil well is located 12.5 miles southwest. The Well is also outside of the designated area where production in the Avalon Shale is reported.

f. The Well is currently constructed with the following casing strings set into the Devonian formation: 13³/₈-inch surface casing set at 850 feet; 9⁵/₈-inch intermediate casing set at 5,420 feet; 7-inch production casing set at 12,536 feet; 5-inch liner set at 12,273 feet to a depth of 13,962 feet.

g. Applicant testified that all casing strings will have cement circulated to the surface

h. Applicant identified one well within ½-mile AOR which penetrates in the injection zone. The Well has been properly cased, cemented and plugged to isolate the injection zone.

i. Based on records from the New Mexico Office of the State Engineer, one groundwater well is located within one mile of the proposed Well location. This water well was sampled on June 7, 2015.

j. The primary source of the produced water will be from production wells completed in the Yates, Bone Spring, and Morrow formations.

k. The analyses of produced water samples provided by Applicant showed the compatibility of the injection fluids with formation fluids in the proposed disposal interval.

l. There are no production or disposal wells that penetrate the injection interval within half-mile area of review ("AOR") of the surface location and the bottom-hole location for the subject Well.

m. Applicant initially proposed a commercial operation with average and maximum injection rates of 13,000 barrels of water per day ("BWPD") and 20,000 BWPD, respectively. However, Applicant testified an agreement with Mewbourne had been obtained for the operation of the Well. Mewbourne would withdraw their opposition to the Well if the following conditions were included in the permit: (1) limit the maximum injection rate to 8,000 BWPD (using a maximum surface injection pressure of 1,108 pounds per square inch) and (2) contract the injection interval to the Bell Canyon formation between 5,540 feet and 6,104 feet.

n. The Applicant stated that the potential for the proposed Well to cause injection-induced seismicity is expected to be minimal. This is because the closest known shallow fault is located approximately 3.27 miles east of the proposed Well, and there is a significant vertical distance between the proposed injection interval, and this identified fault. Furthermore, the Well will be operated below formation parting pressure, and numerous confining layers are present above the proposed injection interval.

o. The Applicant affirmed that no faulting is present in the area that would provide a hydrologic connection between the injection interval and overlying USDWs. Furthermore, the casing program has been designed to ensure there will be no hydrologic connection between the injection interval and overlying USDWs.

p. The Applicant provided evidence of notification regarding this application to all affected persons within a half-mile radius of the surface location of the Well along with an affidavit of publication in a newspaper of general circulation in the county.

8. In cross examination of Applicant's witnesses, OCD Technical Examiners countered the claim that all casings were cemented to surface. Based on the CBL in the OCD well file, there is unknown quality of cement for the casing that penetrates the DMG and deeper formations (approximately 5,360 feet to 8,700 feet). The Examiners stated that, if approved, the permit would have a condition requiring a new CBL to determine the necessity for corrective action.

9. The Examiners also noted that the Well penetrated the Capitan Reef aquifer which is classified as a protectable USDW. Applicant stated that they were not aware that the Well was located within the lateral extent of the Capitan Reef aquifer but did state the intermediate casing within the vertical limits of the aquifer was properly sealed with cement.

10. No other party appeared at the hearing or otherwise opposed the granting of this application.

11. On March 10, 2025, Applicant filed a Revised Exhibit packet that included a revised Form C-108 application with a revised well completion diagram, sampling results for a ground water well, an economic analysis to support the abandonment of the deeper injection interval, and a revised geologic and seismic statement.

CONCLUSIONS

1. Applicant provided the information required by 19.15.26 NMAC and the Form C-108 for an application to inject produced water into a Class II UIC well.

2. Applicant complied with the notice requirements of 19.15.4 NMAC.

3. Protest of the application by Mewbourne Oil Company was withdrawn based on the inclusion of injection limitation and a contracted injection interval to be approved in the UIC permit.

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. Raz Oil and Gas LLC (OGRID No. 370507) is in compliance with 19.15.5.9 NMAC.

6. The current construction of the Well provided in the application is protective of the USDW at the location of the Well. However, any permit issued for the Well shall require additional assessment prior to recompletion for the new injection interval.

7. There is one plugged and abandoned well within ½-mile AOR which penetrates the injection zone. This penetrating well has been properly cased, cemented and plugged to isolate the injection zone.

8. Having considered the evidence, approval of disposal in the Well with specific conditions and restrictions will enable Applicant to support existing production and future exploration in this area, thereby preventing waste while not impairing correlative rights and protecting fresh water and USDW.

ORDER

1. Raz Oil and Gas, LLC is hereby authorized by **UIC Permit SWD-2664** to utilize its YO State SWD No. 1, with a surface location 660 feet from the North line and 840 feet from the West line of Section 15, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico, for the disposal of UIC Class II fluids into Bell Canyon formation.
2. UIC Permit SWD-1594-C that approved disposal in Siluro-Devonian formations and the associated Order IPI-512 are cancelled with the approval of UIC Permit SWD-2664.
3. 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 A.C. CHANG
DIVISION DIRECTOR**

Date: 7/11/2026

AC/prg

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

UIC CLASS II PERMIT SWD-2664

APPENDIX A – AUTHORIZED INJECTION

Permittee: Raz Oil and Gas LLC

OGRID No.: 370507

Well name: YO State SWD No. 1 (API No. 30-025-38162)

Surface location: 660 feet from the North line and 840 feet from the West line (Unit Letter D),
Section 15, Township 21 South, Range 35 East, NMPM, Lea County, New
Mexico

Bottom hole location (if different): NA

Type of completion: Perforations

Type of injection: Commercial

Injection fluid: Class II UIC (Produced Water)

Injection interval: Bell Canyon formation of the Delaware Mountain Group; 5540 ft. to 6104 ft.

Injection interval thickness (feet): 564

Confining layer(s): upper confining layer: base of the Lamar Limestone; lower confining layer:
interbeds in Cherry Canyon formations.

Prohibited injection interval(s): All formations or intervals not permitted including loss
circulation zones.

Liner, tubing, and packer set: 4.5-inch (or smaller) diameter tubing with a packer set within 100
feet of the top perforation in the injection interval; no liner used.

Maximum daily injection rate: 8000 barrels of water per day [see Special Condition No. 2]

Maximum surface injection pressure: 1108 pounds per square inch [see Special Condition No. 5]

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

UIC CLASS II PERMIT SWD-2664

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 Raz Oil and Gas LLC (“Permittee”) to authorize the construction and operation of a well to inject produced water 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 produced water 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 recompleting 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 twenty (20) 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 one (1) year after the date of issuance if Permittee has not commenced injection into the Well, provided, however, that OCD may grant a single extension of no longer than one (1) year for good cause shown. 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.

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.

b. Permittee shall circulate to surface the cement for all casings. If cement does not circulate on any casing string, Permittee shall run a cement bond log ("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 a minimum of two hundred (200) feet above the next higher casing shoe.

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 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. 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 no less than every five (5) years.

3. Mechanical Integrity. Permittee shall conduct a MIT prior to commencing injection, at least every five (5) years 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. MITs shall be conducted 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. **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.

II. SPECIAL CONDITIONS

Permittee shall comply with the following Special Conditions for UIC Class II disposal wells approved with injection intervals in the Delaware Mountain Group (“DMG”):

1. **Restrictions on Well Construction and Well Stimulation:** Subject to the results of any CBL, the location of the first (or top) perforation in the injection interval shall be:
 - a. below the base of the Lamar member (of the Bell Canyon formation); or
 - b. if the Lamar is not present, a minimum of 100 feet below the base of the Salado formation. If the CBL shows poor cement quality, the depth of the top perforation shall be increased to more than 100 feet to mitigate the potential for injected water to contact the Salado formation.

Any stimulation of the Well during completion or subsequent workovers shall not use proppants or other materials to keep fractures opens.

2. **Limit on Injection Rate:** Injection operations approved under this Permit shall be limited to a maximum daily rate of 8000 barrels of water. Exceedance of this limit shall be cause for immediate shut-in of the Well and the basis for loss of injection authority.

3. **Well Construction: Demonstration for Sealing Off of Strata:** Prior to the plugging back the Well in preparation to re-complete in the new injection interval, Permittee shall be required to complete a new CBL for the interval of the 7-inch casing from the shoe (at 12,536 feet) to 100 feet above the shoe of the 9 $\frac{5}{8}$ -inch casing (at 5,420 feet). Permittee shall submit the complete log using the Unnumbered Form for Electronic Well Log Submission. Permittee shall review the results and provide a summary report assessing the sealing of the casing with the formation through the DMG interval and any recommendations for remedial cementing to prevent any vertical migration of injection fluids. Permittee shall submit the report to the OCD using a Form C-103 Subsequent Report. If remedial action is required, Permittee shall be required to conduct a CBL following the remedial cementing.
4. **Well Construction: Plugging of Well Below the Injection Interval:** Permittee shall plug back the Well following the Notice: New Mexico Plug and Abandon Conditions effective January 1, 2024. The proposed cast-iron bridge plug (“CIBP”) at the base of the approved injection interval shall be set approximately at 6400 feet below surface and topped with 25 sacks of cement. At a minimum, the portion of the Well below the CIPB (set in the DMG) shall include the following plugs per the OCD Notice:
 - a. CIBP with cement cap within 50 feet of the top perforation of the Devonian within the five-inch liner;
 - b. Cement plug set at the shoe of the 7-inch casing to seal the casing to liner transition; and
 - c. Cement plugs to isolate Morrow, Strawn, Atoka, Wolfcamp and Bone Springs.

In combination with the reporting requirements of Special Condition No. 3, Permittee shall provide a plugging program as part of a Form C-101 (Application for Permit to Drill) to be filed for recompletion of the Well.

5. **Formation Water and Hydrocarbon Testing:** The Permittee shall obtain a water sample of the injection interval for analysis of hydrocarbon content as well as general water chemistry (including major cations, major anions, and Total Dissolved Solids (“TDS”)). Analytical methods shall be from those methods approved by the United States Environmental Protection Agency and the analyses shall be conducted by a NELAP-accredited laboratory. In addition to the sampling event, the Permittee shall conduct a production test such as a swab test if the drilling of the Well indicates a show of hydrocarbon. Prior to commencing injection, the Permittee shall submit the entire laboratory report with results and production test along with a written summary of sampling/testing procedures and observations using a Form C-103 Subsequent Report (General). *If the analysis of the sample is found to contain a TDS concentration of 10000 mg/L or less or if the production test indicates produceable quantity of hydrocarbons, the injection authority under this Permit shall be suspended ipso facto.*

6. **Additional Testing: Requirement for Initial Step-Rate Test:** Permittee shall prepare and submit a separate Form C-103 Notice of Intent for a step-rate test ("SRT") to be completed prior to commencing injection. Injection shall commence only with the approval of a Form C-103 Subsequent Report that contains the results of the SRT. The OCD may reduce the maximum surface injection pressure of the UIC permit if the results of the SRT show that the permitted pressure (calculated using a gradient of 0.2 PSI per foot of depth to the top perforation) exceeds the formation parting pressure. If the SRT outcome demonstrates an injection rate greater than 8,000 BWPD (as stipulated by agreement with Mewbourne Oil Company) then 8,000 BWPD shall be the injection rate.
7. **Additional Reporting: Annual Injection Data Review:** In addition to the requirements under I. F. 1.; Permittee shall compile, from the parameters continuously monitored by the operator, sufficient data for a twelve (12) month period to construct a Hall's plot for the Well. This assessment shall be completed annually and submitted to the OCD using Form C-103 Subsequent Report. With the plot, Permittee shall note any result which may indicate anomalies in injection operation and permit restrictions.
8. **Additional Reporting: Bottomhole Pressure:** Permittee shall obtain a static bottomhole pressure every two years after commencement of injection. This information shall be provided using a Form C-103 Subsequent Report no later than January 31 of the calendar year following the year in which the data was collected.
9. **Additional Reporting: Five-Year Well Performance Report:** Permittee shall submit a report to OCD every fifth year following the date injection commenced. The report shall include a summary of a well performance based on injection volumes, injection pressure, and any additional data collected from the Well. This evaluation shall include a delineation of the injection pressure front and include the use of Hall's plot for each year of operation as detailed in Special Condition 7. Permittee and OCD shall coordinate regarding the information to be included in the five-year reports should there be changes in operation or injection performance. Permittee shall submit these reports to the OCD within sixty (60) days of the end date for the reporting period.
10. **Modification of Permit Terms and Conditions: I. General Conditions, C. Prior to Commencing Injection, 2. Tests and Reports, b. through d.:** The requirements for a mudlog, circulation of cement and testing of liner are waived. However, Permittee shall submit all logs (including geophysical and CBLs) obtained during the Well's construction and not previously submitted to the OCD. This modification of terms does not exclude requirements for corrective actions (such as remedial cementing of casing) as a Special Condition of this Permit.
11. **Resolution of General Permit Conditions with Special Conditions:** If any conditions contained in the general Permit conflict with the conditions set by the OCD 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. ATTACHMENT

Well Completion Diagram as Provided in the Revised Exhibit submitted March 10, 2025.

