

02/16/09 DATE IN	SUSPENSE	R. Ezeanyim ENGINEER	02/20/09 LOGGED IN	SWD TYPE	pKAA0905159317 APP NO.
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



API: 30-025-21497
 WELL NAME: Eunice SWD #1
 CO: Geolex, Inc./ TARGA
 MIDSTREAM SERVICES LIMITED
 PARTNERSHIP
 OGRID: 24650

ADMINISTRATIVE APPLICATION CHECKLIST.

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS
 WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☒ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
 [B] ☐ Offset Operators, Leaseholders or Surface Owner
 [C] ☐ Application is One Which Requires Published Legal Notice
 [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative 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.

Print or Type Name	Signature	Title	Date
		e-mail Address	

259-4283

RECEIVED
2005 FEB 16 AM 11 37

Alberto A. Gutiérrez, C.P.G.

February 13, 2005

Mr. Richard Ezeanyim
NM Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

VIA FEDERAL EXPRESS

RE: REQUEST FOR AMENDMENT TO ORDER NOS. R-12809, R-12809A

Dear Mr. Ezeanyim:

Pursuant to our meeting last Thursday, February 5th, I am writing to formally request an amendment to Order Nos. R-12809 and R-12809A authorizing the recompletion of the existing Eunice SWD#1 (API 3002521497) rather than the already-approved Versado AGI Well No. 1 (API 3002539254) for the injection of the same combined waste water and acid gas stream permitted under the existing orders referenced above. As we discussed, this proposed modification will result in several significant environmental and economic benefits, including quicker initiation of injection resulting in increased CO₂ sequestration, elimination of potential drilling risk, and greater protection of overlying formations.

The existing SWD well will be under reamed to extend the open borehole to the full depth of the San Andres at about 4950-5000'. This is the same depth and injection interval approved in the existing order. Since the well will be then sleeved with 5" casing inside the current 7" casing, it will result in effectively greater protection of any fresh water resources and zones above the injection zone since the 7" casing, which is cemented to surface, will now act as surface casing extending to 4010' vs. the surface casing in the currently approved order which only extended to 1150'. The comparison of the existing SWD, the well permitted under R-12809 and the proposed recompletion of the existing SWD (which is the subject of this request) is shown schematically in the attached Figure 1. A more detailed diagram of the proposed recompletion is included as Figure 2 and shows the details on the recompletion including cementation, casing details, packer location etc.

Currently, the Eunice SWD #1 has 10 3/4" surface casing running to a depth of 288 feet that is cemented to the surface and 7" casing running to a depth of 4010 feet cemented to the surface. The well is open hole below 4000 feet down to TD at 4550 feet. After removal of existing tubing, we will under ream the well with a 6 1/4" open hole to about 5000' (base of San Andres). We then propose to use the existing 7" casing to protect the fresh water aquifer (in place of the proposed 9 5/8" casing to 1150 feet). We will supply cement bond log for the 7" string and then we will insert a new 5" production casing down to about 4450' (below the San Andres anhydrite beds located at approximately 4300 feet) and cement to the surface. We will provide a cement bond log for this 5" string as well. Two joints of corrosion resistant alloy (CRA) will be installed at the base of the 5" casing (~4450 feet), into which the packer will be set. 2 7/8" plastic-coated tubing equipped with a subsurface pressure choke (subsurface safety valve) will then be inserted into the packer.

Mr. Richard Ezeanyim
February 13, 2009
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The safety of the well will be ensured by the following steps:

1. An integrity test and cement bond log will be run on the existing 7" casing. Cement will be squeezed as needed based on the CBL.
2. The hole will then be drilled to the new TD at 5000 feet and logs will be run on the open hole portion of the well to determine the exact location of the San Andres anhydrite.
3. The 5" casing and CRA joints will be installed and cemented to the surface.
4. Integrity tests and cement bond log will be performed on the 5" casing
5. The packer will be set, the tubing and subsurface pressure choke (safety valve) will be lowered down hole, the tubing-casing annulus will be filled with an inert brine fluid, and then the tubing will be landed in the packer.
6. Pressure gauges and topside facilities will be installed as described in the original C-108 and approved R-12809.

As we discussed the existing SWD is located only 330' north of the approved Versado AGI#1 location. The relative location of the wells is shown on Figure 3. We have examined all the operators, wells and surface owners in the revised area of review and have determined that no new operators or surface owners fall into the two areas of review (½ mile for wells above and below the target zone, 1 mile for wells in the target zone and 1 mile for surface owners). The revised areas of review compared with the originals areas are shown on Figure 4.

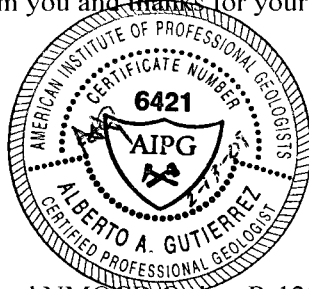
For the reasons described above, and because any parties that could have had interest were individually notified in the original application and a hearing was held with no opposition we would request that this modification be completed administratively. Towards that end we prepared a legal notice in English and Spanish which was approved by you on February 11, 2009. This notice is attached as Figure 5 and is set for publication on Saturday, February 14, 2009 in the *Hobbs Daily News-Sun*. I will send you an affidavit of publication as soon as I receive it next week from the newspaper.

I trust that this is all you will require to complete the administrative approval of this modification request. I have attached a copy of the approved order and revision A for your convenience. If you have any questions or require further information, please call me at 505-842-8000 or email me at aag@geolex.com. I look forward to hearing from you and thanks for your prompt attention to this matter.

Kind Regards,
Geolex, Inc.



Alberto A. Gutierrez, RG
President



Enclosures: Figures 1-5 and NMOCD Orders R-12809 and R-12809A

cc: Clark White, TARGA w/ attachments

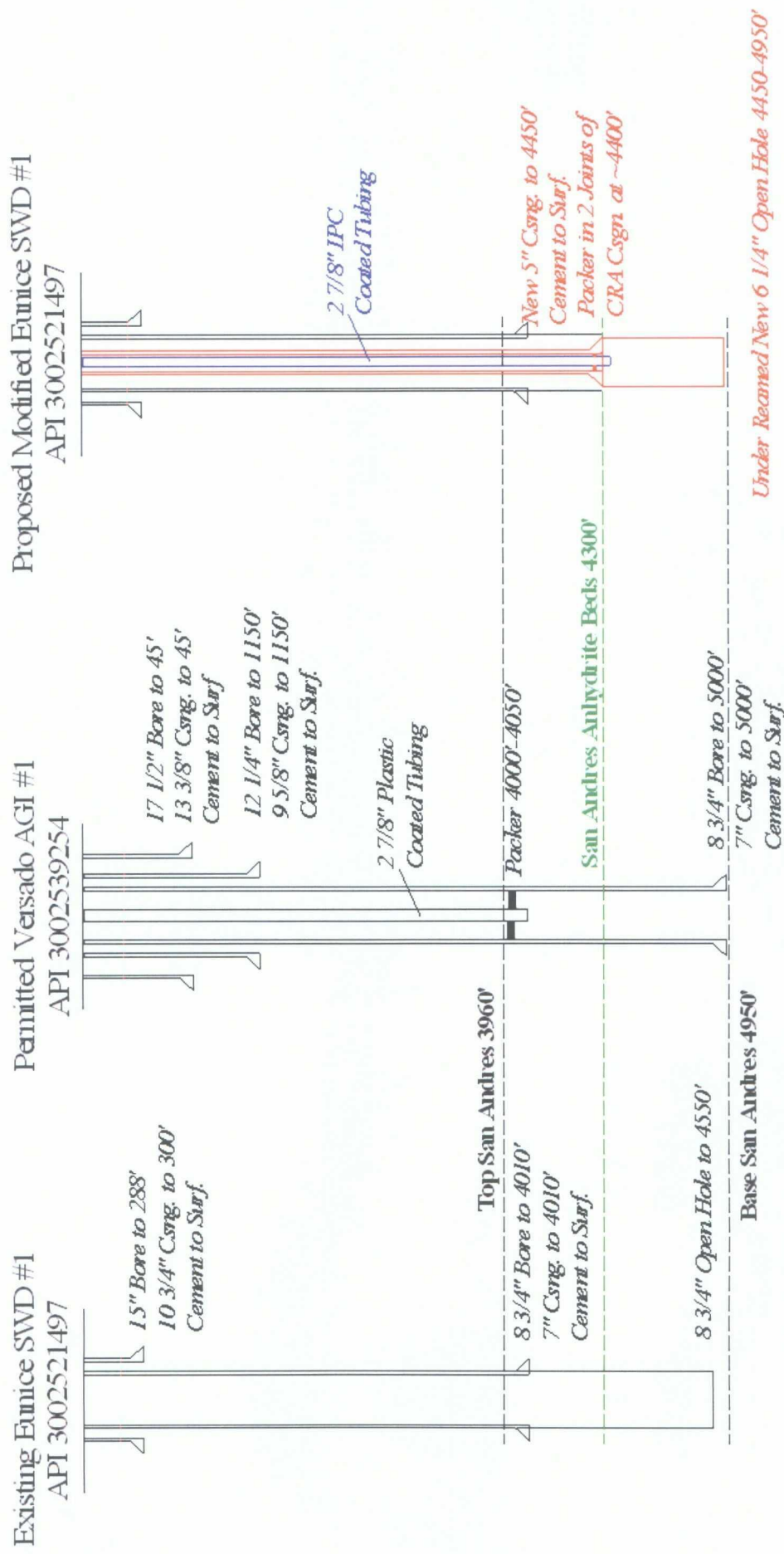


Figure 1: Comparison of Existing SWD, Approved AGI and Proposed Recompletion of SWD to AGI, Targa South Eunice Plant

Well: **Targa Eunice Gas Plant SWD #1**

Reservoir: **San Andres**

Location:

2580' FSL & 1200' FWL
Section: 27 Unit Letter: L
Township: 22S
Range: 37E
County: Lea State: NM

Elevations:

GL:
KB:
DF: 3345

Wellbore Diagram

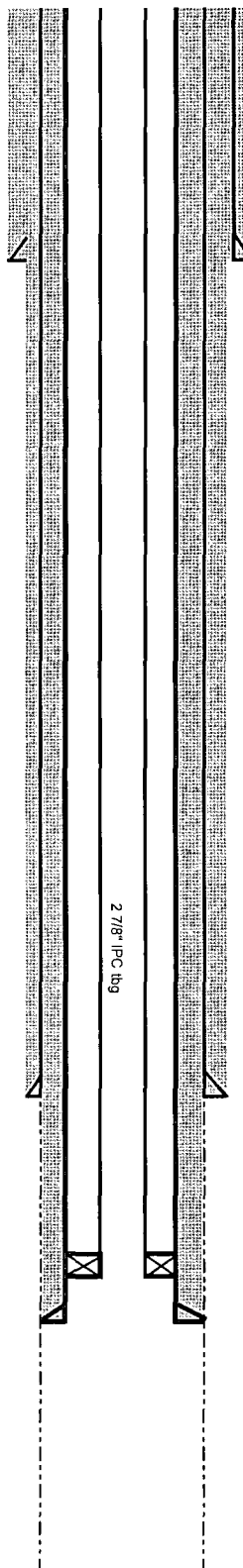
Well ID Info:

Refno:
API No: 30-025-21497
L5/L6:
Spud Date: 10/26/1961
Compl. Date:

Surf. Csg: 10 3/4", 32.7#, SSH 40 RT&C
Set: @ 300' w/ 300sks
Hole Size: 15"
Circ: Yes **TOC:** Surface
TOC By: Circulated

Tubing Detail

#Jts:	Size:	Footage
	KB Correction	
	Jts. 2 7/8" IPC Tbg	
	Pkr (Nickel EXT & IPC)	
0	Bottom Of Pkr >>	0.00



Prod. Csg: 7", 20#, SS J55 RT&C
Set: @ 4010' w/ 1750 sks
Hole Size: 8 3/4"
Circ: Yes **TOC:** Surface
TOC By: Circulated

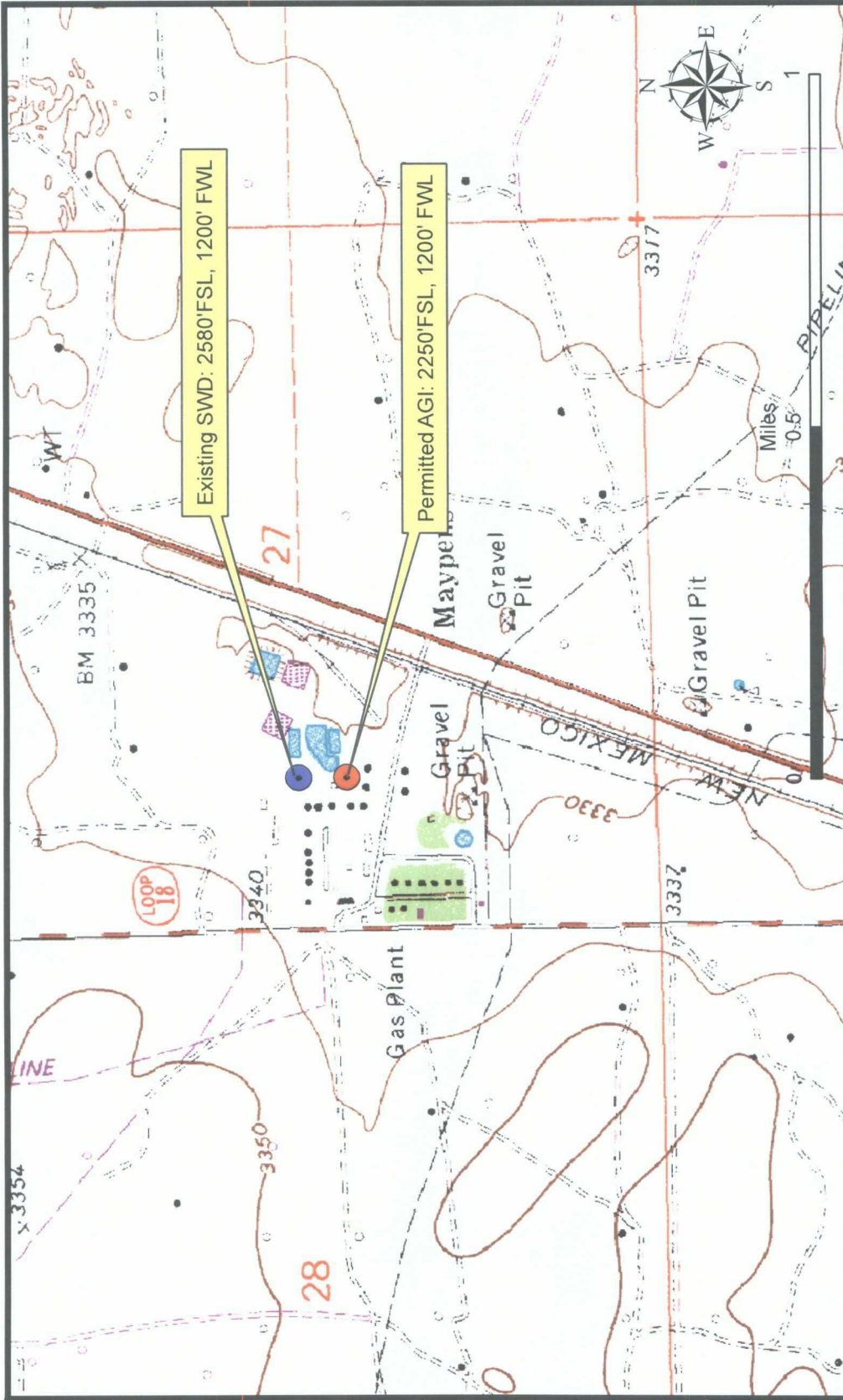
Liner: 5" 15# FL4S K55
Set: @ 4450' w/ xx sks
Hole Size: 6 1/4"
Circ: Yes **TOC:** Surface
TOC By: Circulated

6 1/4" Open-Hole 4450'-4950'
Injection Interval
4450'-4950' (San Andres)

PBTD:
TD: 4950'-5000'

TD 4950' -5000'

Figure 2 Proposed Recompletion of Existing Eunice SWD #1 API 3002521497



**Figure 3: Locations of Existing SWD and Permitted AGI Wells
Targe Eunice South Gas Plant**



San Andres Injection Wells

**FIGURE 5 LEGAL NOTICE TO BE PUBLISHED IN HOBBS DAILY NEWS-SUN ON
FEBRUARY 14,2009**

Application of Versado Gas Processors, LLC operated by Targa Resources, LLC for modification to NMOCD Order No. R-12809 previously-approving an acid gas injection well, Lea County, New Mexico. Applicant seeks a modification of Order R-12809 to allow for a recompletion of its existing Eunice Gas Plant SWD Well No. 1 (API No. 30-025-21497), located at 1200 feet from the West line and 2580 feet from the South line of Section 27, Township 22 South, Range 37 East, NMPM, to serve as the combined acid gas and wastewater injection well approved by NMOCD order R-12809. This recompletion will replace the approved Versado AGI Well No.1 (API No. 3002539254) located 330 feet south of this location. The revised area of review for the well does not include any operators or surface owners that were not previously notified in the original application and hearing notice. The well will be recompleted to an approximate maximum depth of 5000 feet and will serve to inject up to 2500 barrels of acid gas per day, mixed with wastewater at a maximum pressure of 900 psi, into the San Andres Formation, through 27/8 coated tubing, at an approximate depth of 4400 feet to 5000 feet. The Eunice Gas Plant SWD Well No. 1 as recompleted will have 7" surface casing extending 4000 feet cemented to surface and new 5" casing also cemented to surface extending to depth of approximately 4400 feet. All of the requirements for design and operation of the proposed recompletion will be comparable to those incorporated into the already approved Versado AGI Well No. 1, (API No. 3002539254), located 2250FSL, 1200FWL of Section 27, Township 22 South, Range 37 East, NMPM. Versado may be contacted through its representative, Mr. Alberto Gutierrez, 500 Marquette Ave NW, Suite 1350, Albuquerque, New Mexico 87102 or (505) 842-8000. Interested parties must file objections or requests for hearing with the Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, New Mexico 87505, within 15 days.

Aplicación de Versado Gas Processors, LLC operado por Targa Resources, LLC para la modificación de la orden de NMOCD. R-12809 que anterior aprobó un pozo para inyectar gas ácido, Lea County, New México. El aspirante intenta obtener aprobación de una modificación de la orden R-12809 para permitir la reconstrucción del Eunice Gas Plant SWD Well No. 1. (API 30-025-21497), localizado 1200 pies de la línea del oeste y 2580 pies de la línea del sur de la sección 27, Township 22 Sur, Range 37 Este, NMPM, al servicio como el pozo de inyección gas ácido combinado con las aguas residuales aprobado por la orden R-12809 de NMOCD. Esta reconstrucción substituirá el Versado AGI Well No. 1 (API. 3002539254) aprobado por NMOCD localizado 330 pies de sur de esta localización. La área nueva de revise para el pozo no incluye a ningunos operadores o dueños superficial que no fueron notificados previamente en el aviso de la aplicación original. El pozo será reconstruido a una profundidad máxima aproximada de 5000 pies y servirá para inyectar hasta 2500 barriles de gas ácido por día, mezclados con aguas residuales en una presión máxima de 900 psi, en la formación del San Andrés, a través de tubería de 27/8", a una profundidad aproximada de 4400 pies a 5000 pies. El Eunice Gas Plant SWD Well No. 1 como reconstruido tendrá tubería de superficie de 7" la hasta una profundidad de 4000 pies cementados a la superficie y tubería nueva de 5" cementado a la superficial desde una profundidad de aproximadamente 4400

pies. Todos los requisitos para el diseño y la operación del pozo reconstruido propuesto serán comparables a éstos incorporados en el Versado AGI No. 1 (API. 3002539254), previamente aprobado y localizado 2250FSL, 1200FWL de la sección 27, Township 22 Sur, Range 37 Este, NMPM. Se puede entrar en contacto con Versado a través de su representante, Sr. Alberto Gutierrez, 500 Marquette Ave NW, Suite 1350, Albuquerque, New Mexico 87102 or (505) 842-8000. Partidos interesados deben archivar objeciones o las peticiones para una audiencia con Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, New Mexico 87505, a más tardar en 15 días.

**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:**

**CASE NO. 13865
ORDER NO. R-12809**

**APPLICATION OF VERSADO GAS PROCESSORS, LLC, OPERATED BY
TARGA RESOURCES, LLC, FOR APPROVAL OF AN ACID GAS INJECTION
WELL, LEA COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came before the Oil Conservation Division for hearing at 8:15 a.m. on February 1, 2007 and again on July 26, 2007, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 14th day of September, 2007, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Versado Gas Processors, LLC as operated by Targa Resources, LLC (hereinafter collectively referred to as "Targa"), seeks authority to inject waste water and acid gas (hydrogen sulfide and carbon dioxide) into the San Andres formation, at a depth interval approximately 4500 feet to 5000 feet below the surface, through its proposed Versado AGI Well No. 1 (API No. 30-045-NA) which it proposes to drill at a location 2250 feet from the South line and 1200 feet from the West line (Unit L) of Section 27, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico. The purpose of the injection is to dispose of natural gas processing wastes from Versado's South Eunice Gas Plant. This well will replace the Eunice Gas Plant SWD Well No. 1 (API No. 30-025-21497) which is located 2580 feet from the South line and 1200 feet from the West line of said Section 27.

(3) Targa filed its application (Division Form C-108) on December 20, 2006, and at the direction of the Director of the Division, the application was set for hearing before a Division Examiner pursuant to the provisions of Division Rule 701.D.

(4) This case was first heard on February 1 2007. At that time, no operator or other party appeared in the case in opposition to the application.

(5) Targa produced one witness at this hearing, Alberto Gutierrez, a hydrogeologist from Geolex, Inc. who testified as follows:

(a) Targa had engaged Geolex Inc. to locate a suitable subsurface reservoir into which it could inject the waste water and acid gas from its Eunice Gas Plants. Mr. Gutierrez reviewed the study conducted on behalf of Targa to find a suitable location for acid gas injection and concluded that the proposed injection site met the requisite reservoir criteria. Based on his stratigraphic studies of the formations in this area, Mr. Gutierrez concluded that the San Andres formation has excellent porosity development to the south of the Plant and other reservoir development characteristics that will enable Targa to successfully inject waste water and acid gas into this reservoir.

(b) Targa intends to abandon the existing open-hole San Andres UIC Class II injection well due to the age of the well and possible mechanical problems and drill a new well specifically to inject non-hazardous wastewater as well as both hydrogen sulfide and carbon dioxide from Targa's plants through perforations from approximately 4500 to 5000 feet into the San Andres formation. These waste streams would all be continuously mixed and kept under pressure so as to inject in a "liquid" phase.

(c) Targa owns the surface and minerals at the proposed injection site in fee, and Targa has obtained all necessary easements and other rights for its surface facilities.

(d) Targa has furnished notice to all surface owners and all "affected parties" in the San Andres formation within a one-mile radius of the wellbore, and from the surface to the top of the San Andres and below the base of the San Andres to all "affected parties" within one-half mile of the proposed location as required by the Division.

(e) Targa will prepare a hydrogen sulfide contingency plan that complies with OCD Rule 118 prior to activating the system.

(6) Subsequent to the February 1, 2007 hearing, the case was re-opened for more testimony. Prior to the date of the new hearing, the Division entered appearances from the Environmental Bureau and from the Hobbs District Office. No other parties appeared or otherwise opposed this application.

(7) At the Division hearing on July 26, 2007, the Applicant produced one witness, Cal Wrangham, a senior environmental safety and health specialist employed by Targa Midstream Services, LP. Mr. Wrangham testified as follows:

(a) The proposed well is located in Versado's South Eunice Compressor Station. The land is deeded and owned by Versado Gas Processors, LLC, and Targa is the lessee of oil and gas rights under this tract.

(b) Gauge, density, and sonar surveys have been run on the closest of four nearby Liquified Petroleum Gas ("LPG") storage wells which were drilled to store "product" in the Salado ("salt") formation at depths from approximately 1200 to 2400 feet. The Skelly Gasoline Plant Well No. 4 (API No. 30-025-23853) was drilled to a depth of 2075 feet, according to Division records, and is located 2471 feet from the South line and 1658 feet from the West line of Section 27, or 509 feet from the proposed acid gas injection well. The surveys on this well show the well has no remaining LPG "product" in the well and the well's enlarged radius (begun just below the 7-inch casing shoe at 1857 feet) extends a maximum of 60 feet in the direction of the proposed acid gas injection well.

(c) None of the four LPG wells identified as being within ½ mile of this proposed injection well is being used anymore. All of these wells are planned to be plugged, but the nearest well would be plugged first.

(d) The proposed operator for the new injection well will be Targa Midstream Services LP, who is also the operator of the existing injection well and of the nearby LPG wells. The bond with the Division is under the name of Targa Midstream Services LP.

(e) Targa is willing to set surface casing as deep as is needed to protect fresh water.

(f) The wellhead will be equipped with a back pressure valve designed to maintain pressure on the waste stream in order to keep the wastes in a liquid phase. The maximum surface injection pressure will be 750 psi or as permitted by the Division.

(g) Targa has never injected acid gas into the Eunice Gas Plant SWD Well No. 1.

(h) Targa operates an acid gas injection well in Crane County, Texas, which also injects water, hydrogen sulfide, and carbon dioxide.

(i) The source of the H₂S to be injected into this proposed well is approximately 5 miles away. The pipeline will be permitted separately from this injection permit.

(j) The proposed acid gas injection well will enable Targa to shut down the sulfur recovery unit at its main Eunice gas processing plant. The sulfur recovery unit is an air emission source and is costly to maintain.

(k) The proposed acid gas injection well will enable Targa to discontinue releasing into the atmosphere approximately 1226 tons per year of sulfur dioxide and 200 tons per year of carbon dioxide. Instead these gases will be injected back underground where they originated.

(8) The Environmental Bureau (the "Bureau") of the Division and the Hobbs District office (the "District") each presented one witness at this hearing who testified as follows:

(a) The Bureau is charged with regulating LPG wells in New Mexico and was at first concerned about deep acid gas injection and its effect on these LPG wells, or its effect on the fresh water. The Bureau determined that the J.V. Baker Wells No. 1, 2, and 3 were drilled in 1952 and the Skelly Gasoline Plant Well No. 4 in 1971.

(b) The Bureau asked Targa prior to this hearing for the sonar survey on the Skelly Gasoline Plant Well No. 4 in lieu of a simple calculation of borehole volume. The Bureau wants Targa to test the mechanical integrity ("MIT" test) and then plug these wells prior to injecting acid gas into the proposed injection well.

(c) The Bureau will be working with Targa on the pipeline permitting and H2S surface safety issues.

(d) The Bureau does not otherwise oppose the granting of a permit to inject acid gas into the proposed injection well.

(e) The supervisor of the Division's Hobbs district office also supports the granting of this injection permit as long as the well is drilled, cased, cemented, and equipped in a manner which will isolate injection into the intended injection interval, prevent corrosion from the salt interval, and protect fresh water, public health and safety.

(f) After investigation into reported depths of "protectable" waters encountered in adjacent lands during drilling operations, the supervisor of the Division's Hobbs district has determined that Targa should set surface pipe into the top of the Rustler anhydrite and cement this pipe completely to surface. Setting pipe to this depth will ensure the protection of all possible Ogallala and Santa Rosa water intervals.

(g) The District will require the cement job on the injection casing to be designed with the intention to circulate to surface, and injection tubing to be

lined with a material designed to withstand both types of acid which will be generated from water combining with carbon dioxide and with hydrogen sulfide.

(h) The District recommends the LPG wells be plugged prior to drilling the proposed well in order to ensure the drilling operations do not cause "fingering" into the LPG wells and migration upward of pressurized waters.

(i) The District recommends a cement bond log be run after cementing the injection casing even if cement has visually circulated to surface.

(j) The District recommends an MIT test be run more often than the normal five year interval.

(9) Division records show the Eunice Gas Plant SWD Well No. 1 (API No. 30-025-21497) was drilled for the purpose of injection and was permitted (prior to the well completion) on September 21, 1961, for injection into an open-hole interval within the upper San Andres formation from approximately 3935 to 4000 feet (SWD-29). The well was actually completed as an open-hole injection well from 4010 to 4550 feet. Injection records indicate the well has very high capability of taking water, and the operator was still reporting substantial injection volumes as of June of 2007. In 1983, a pump-in injection test reached a rate of 10 barrels per minute at a bottomhole pressure of 3000 psi without showing any apparent evidence of fracturing.

(10) The Eunice Gas Plant SWD Well No. 1 should be plugged and abandoned under supervision of the Hobbs district office prior to any injection into the proposed injection well.

(11) Prior to drilling the proposed new injection well, the Skelly Gasoline Plant Well No. 4 LPG storage well should be MIT tested under the direction of the Division's Environmental Bureau and then plugged and abandoned with a procedure acceptable to the District office and the Environmental Bureau.

(12) With the exception of the Eunice Gas Plant SWD Well No. 1, there are no wells within ½ mile of the proposed well which penetrate the top of the proposed injection interval.

(13) There are approximately nine wells producing from the Penrose sand within ½ mile of the proposed injection well. The most common total depths of these Penrose wells are 3700 feet deep with the deepest at 4075 feet.

(14) The proposed well should be cased and cemented with a program in accordance with the requirements of the Hobbs district office and allowing for possible cement thief zones in the San Andres injection interval, and protection of the Penrose sands, the Salado salt interval, and all water sands down to the Rustler anhydrite.

(15) Targa should conduct any reservoir tests, such as falloff or step-rate tests, on the newly drilled well prior to injecting acid gas into the well for the first time. The bottomhole injection pressure, allowing for density of injected fluids, should be restricted to a pressure which will not cause formation fracturing. Any future application to raise the permitted injection pressure into this well should include notice provided to surrounding operators in the overlying Penrose sands.

(16) The proposed well should be equipped with injection tubing coated to prevent corrosion from a mixture of hydrogen sulfide, wastewater, and carbon dioxide. The casing-tubing annulus should be filled with diesel or corrosion inhibited fluid – as directed by the District. The well should be equipped with a back pressure choke or valve designed to maintain pressure on the injection stream so the injection mixture stays primarily in a liquid phase. The well should have gauges installed to record pressures both before and after this tubing choke and on the annulus. A record should be maintained by the operator of these wellhead pressures and of injection rates and volumes of all components entering the well.

(17) Due to the probable complexity of this order and the possible need for small future changes, the Division should include a provision in this order allowing the operator to apply administratively, after proper notice, for amendments – except for amendments changing the depth of the injection interval or the injection formation.

(18) The Division concludes that Targa's proposed injection well should be approved, and the proposed injection operation can be conducted in a safe and responsible manner, without causing waste, impairing correlative rights or endangering fresh water, public health or the environment.

(19) The proposed operation is an environmentally superior means of disposing of wastes generated at the South Eunice Gas Plant because it will provide for the sequestration of the greenhouse gases: hydrogen sulfide and carbon dioxide.

IT IS THEREFORE ORDERED THAT:

(1) Targa Midstream Services LP ("Targa" or "operator") is hereby authorized to inject natural gas processing wastes such as waste water, hydrogen sulfide, and carbon dioxide for disposal purposes into its proposed Versado AGI Well No. 1 which will be drilled 2250 feet from the South line and 1200 feet from the West line (Unit L) of Section 27, Township 22 South, Range 37 East, NMPM, in Lea County, New Mexico. Injection is permitted into the San Andres formation through perforations from approximately 4500 feet to 5000 feet below the surface, through tubing set in a packer located within 100 feet of the top injection perforation.

(2) Prior to drilling the Versado AGI Well No. 1 for purposes of injection, the Skelly Gasoline Plant Well No. 4 LPG storage well shall be MIT tested under the direction of the Environmental Bureau and then plugged and abandoned with a procedure acceptable to the Hobbs district office and the Environmental Bureau.

(3) Targa shall obtain a permit to drill the Versado AGI Well No. 1 from the District. During drilling operations of the Versado AGI Well No. 1, Targa shall monitor the well for hydrocarbon shows, lost circulation zones, and water flows, and shall report any of these events to the District on sundry forms.

(4) The well shall be drilled, cased, and cemented using information gathered during drilling and according to the requirements of the District. The design shall effectively isolate the injection fluid into the intended injection formation, isolate the Penrose sand oil producing interval and the Salado salt with casing and cement, and cover all water sands to the top of the Rustler anhydrite with two casing strings and at least one cement sheath. A cement bond log shall be run from total depth to the surface on any casing which did not circulate cement and also after cementing the final casing, even if cement did visually circulate.

(5) The tubing and packer shall be coated with material rated to protect against corrosion due to a mixture of water, carbon dioxide, and hydrogen sulfide or as required by the District. The tubing shall be equipped with a back pressure choke in order to maintain pressure on the injection mixture and keep the mixture in a liquid phase. The well shall have gauges installed to record and control pressures both before and after this tubing choke.

(6) The casing-tubing annulus shall be loaded with an inert, corrosion-resistant fluid such as diesel or inhibited water [or as specified by the District] and equipped with a gauge and a leak detection device capable of determining any leakage in the casing, tubing, or packer.

(7) Mechanical integrity testing is required after installation of the injection tubing and prior to commencing injection operations, and at least once every two years thereafter.

(8) Gandy shall notify the District of the time of the setting of the tubing and packer and of any mechanical integrity test ("MIT") so such operations can be witnessed or inspected.

(9) Prior to any injection into the approved injection well, the Eunice Gas Plant SWD Well No. 1 (API No. 30-025-21497) shall be plugged and abandoned under supervision of the District and a final sundry report filed with the Division showing evidence of plugging.

(10) The surface injection pressure downstream of the installed choke shall be regulated such that bottomhole pressure at 4500 feet in the injection well does not exceed 2850 psi. This bottomhole pressure equates to maintaining a maximum of 900 psi on the surface of the well if injecting pure water – or a higher allowable surface pressure if injecting lighter weight fluid.

Case No. 13865
Order No. R-12809
Page 8 of 9

(11) The Director may administratively authorize an increase in the injection pressure if the operator shows that a higher pressure will not result in formation fracturing or migration of injected fluids from the permitted injection formation. As justification, the operator must submit results of an injection test such as a Step-Rate-Test to the Division and must provide notice thereof to affected persons, including offset operators in the overlying Penrose sands. ✓ (222)

(12) A daily record shall be maintained by the operator of these three wellhead pressures and of injection rates and volumes of all components entering the well. The operator shall report these readings annually to the Engineering Bureau in the Division's Santa Fe Office and to the District. Each such report shall include the well name, location, API Number and the number of this order.

(13) The operator of the well (Targa or any successor operator) shall take all steps necessary to insure that injected fluids enter the proposed injection interval and do not escape to other formations or onto the surface.

(14) Without limitation on the duties of the operator as provided in Division Rules 19 and 116, or otherwise; the operator shall immediately notify the District of any failure of the tubing, casing or packer in the well, or of any leakage or release of water, oil or gas from around any produced or plugged and abandoned well in the area, and shall take such measures as may be timely and necessary to correct such failure or leakage.

(15) Prior to commencing injection of acid gas, the operator shall prepare and secure approval by the Division's Environmental Bureau of a hydrogen sulfide contingency plan that complies with Division Rule 118. ✓

(16) The operator may commence injection of produced water prior to injection of acid gas and may inject either or both fluids pursuant to the limitations of this order, depending on operational considerations. The operator shall submit monthly reports of injection volumes of waste water and acid gas on Form C-115, in accordance with Division Rules 706 and 1115.

(17) The injection authority herein granted shall terminate one year after the effective date of this order if the operator has not commenced injection operations pursuant hereto; provided however, the Division Director, upon written request of the operator received by the Division prior to the end of one year, may extend this time for good cause shown.

(18) 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.

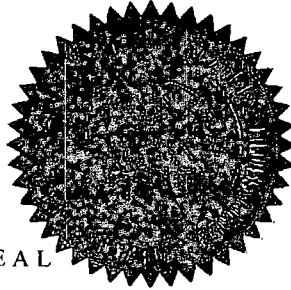
(19) At the discretion of the Division Director and after proper notice is provided, any proposed amendments or changes to this order may be granted administratively; provided however, proposed amendments to raise the depth of the ✓ ✓

Case No. 13865
Order No. R-12809
Page 9 of 9


injection interval or change the target injection formation may be granted only after notice and hearing.

(20) Jurisdiction is retained by the Division for the entry of 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 (i) to protect fresh water or (ii) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the injection authority granted herein.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


MARK E. FESMIRE, P.E.
Director

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:

CASE NO. 13865
ORDER NO. R-12809-A

APPLICATION OF VERSADO GAS PROCESSORS, LLC, OPERATED BY
TARGA RESOURCES, LLC, FOR APPROVAL OF AN ACID GAS INJECTION
WELL, LEA COUNTY, NEW MEXICO

NUNC PRO TUNC ORDER

BY THE DIVISION:

It appears to the Oil Conservation Division that Order No. R-12809, dated September 14, 2007, does not correctly state the intended order of the Division.

IT IS THEREFORE ORDERED:

(1) Finding Paragraph 2 of Order No. R-12809 is replaced with the following:

(2) The applicant, Versado Gas Processors, LLC as operated by Targa Resources, LLC (hereinafter collectively referred to as "Targa"), seeks authority to inject waste water and acid gas (hydrogen sulfide and carbon dioxide) into the San Andres formation, at a depth interval approximately 4500 feet to 5000 feet below the surface, through its proposed Versado AGI Well No. 1 (API No. 30-045-NA) which it proposes to drill at a location 2250 feet from the South line and 1200 feet from the West line (Unit L) of Section 27, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico. The purpose of the injection is to dispose of natural gas processing wastes from Versado's Eunice Gas Plant and South Eunice Compressor Station. This well will replace the South Eunice Compressor Station SWD Well No. 1 (API No. 30-025-21497) which is located 2580 feet from the South line and 1200 feet from the West line of said Section 27.

(2) Finding Paragraph 7(f) of Order No. R-12809 is replaced with the following:

(f) The wellhead will be equipped with a back pressure valve designed to maintain pressure on the waste stream in order to keep the wastes in a liquid phase.

(3) Finding Paragraph 19 of Order No. R-12809 is replaced with the following:

(19) The proposed operation is an environmentally superior means of disposing of wastes generated at the Eunice Gas Plant because it will provide for the sequestration of the greenhouse gases: hydrogen sulfide and carbon dioxide.

(4) Ordering Paragraph No. 8 of Order No. R-12809 is replaced with the following:

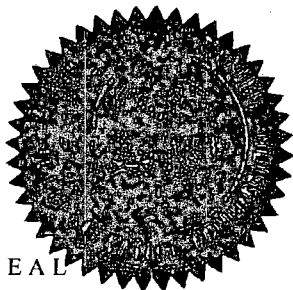
(8) Targa shall notify the District of the time of the setting of the tubing and packer and of any mechanical integrity test ("MIT") so such operations can be witnessed or inspected.

(5) The corrections set forth in this order shall be entered retroactively as of September 14, 2007.

(6) Except as modified hereby, Order No. R-12809 shall remain in full force and effect.

(7) Jurisdiction is retained for the entry of such further orders as may be necessary.

DONE at Santa Fe, New Mexico, on this 22nd day of October, 2007.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director

RECEIVED

Alberto A. Gutiérrez, C.P.G.

2009 FEB 24 PM 1 08

February 23, 2009

Mr. Richard Ezeanyim
NM Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

VIA FEDERAL EXPRESS

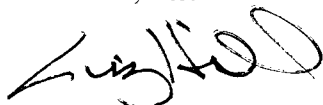
RE: ORIGINAL AFFIDAVITS OF PUBLICATION OF LEGAL NOTICE
OF REQUEST FOR AMENDMENT TO ORDER NOS. R-12809, R-12809A

Dear Mr. Ezeanyim:

As per your conversation last week with Alberto Gutierrez, enclosed please find affidavits of publication regarding the above-referenced matter. These are the originals of the affidavits Mr. Gutierrez e-mailed you on Wednesday, February 18, 2009.

If you have any questions or require further information, please call us at 505-842-8000 or email Mr. Gutierrez at aag@geolex.com.

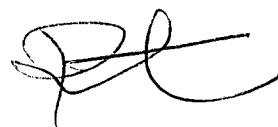
Sincerely,
Geolex, Inc.



Elizabeth A. Hill

cc: Clark White, TARGA w/ attachments

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2/24/09

Affidavit of Publication

State of New Mexico,
County of Lea.

I, KATHI BEARDEN
PUBLISHER

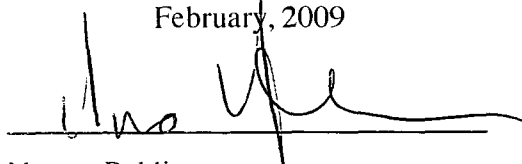
of the Hobbs News-Sun, a
newspaper published at Hobbs, New
Mexico, do solemnly swear that the
clipping attached hereto was
published in the regular and entire
issue of said newspaper, and not a
supplement thereof for a period

of 1 issue(s).

Beginning with the issue dated
February 14, 2009
and ending with the issue dated
February 14, 2009


PUBLISHER

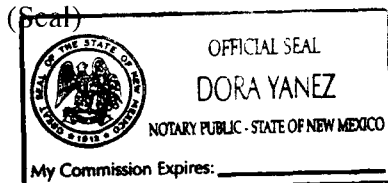
Sworn and subscribed to before me
this 17th day of
February, 2009



Notary Public

My commission expires
February 09, 2013

(Seal)



This newspaper is duly qualified to
publish legal notices or
advertisements within the meaning of
Section 3, Chapter 167, Laws of
1937 and payment of fees for said
publication has been made.

LEGAL
FEBRUARY 14, 2009

Aplicación de Versado Gas Processors, LLC operado
por Targa Resources, LLC para la modificación de la
orden de NMOCD. R-12809 que anterior aprobó un
pozo para inyectar gas ácido, Lea County, New México.

El aspirante intenta obtener aprobación de una modifica-
ción de la orden R-12809 para permitir la reconstrucción
del Eunice Gas Plant SWD Well No. 1. (API
30-025-21497), localizado 1200 pies de la línea del oeste
y 2580 pies de la línea del sur de la sección 27, Township
22 Sur, Range 37 Este, NMPM, al servicio como el pozo de
inyección gas ácido combinado con las aguas residuales
aprobado por la orden R-12809 de NMOCD. Esta recon-
strucción substituirá el Versado AGI Well No. 1 (API.
3002539254) aprobado por NMOCD localizado 330 pies
de sur de esta localización. La área nueva de revise para
el pozo no incluye a ningunos operadores o dueños superfi-
cial que no fueron notificados previamente en el aviso de
la aplicación original. El pozo será reconstruido a una pro-
fundidad máxima aproximada de 5000 pies y servirá para
inyectar hasta 2500 barriles de gas ácido por día, mezcla-
dos con aguas residuales en una presión máxima de 900
psi, en la formación del San Andrés, a través de tubería de
27/8", a una profundidad aproximada de 4400 pies a 5000
pies. El Eunice Gas Plant SWD Well No. 1 como reconstru-
ido tendrá tubería de superficie de 7" la hasta una profundi-
dad de 4000 pies cementados a la superficie y tubería
nueva de 5" cementado a la superficial desde una profundi-
dad de aproximadamente 4400 pies. Todos los requisitos
para el diseño y la operación del pozo reconstruido pro-
puesto serán comparables a esos incorporados en el Ver-
sado AGI No. 1 (API. 3002539254), previamente aprobado
y localizado 2250FSL, 1200FWL de la sección 27, Town-
ship 22 Sur, Range 37 Este, NMPM. Se puede entrar en
contacto con Versado a través de su representante, Sr. Al-
berto Gutierrez, 500 Marquette Ave NW, Suite 1350, Albu-
querque, New Mexico 87102 or (505) 842-8000. Partidos
interesados deben archivar objeciones o las peticiones
para una audiencia con Oil Conservation Division, 1220
South St. Francis Dr., Santa Fe, New Mexico 87505, a más
tardar en 15 días.

#24731

67101169

00025906

ALBERTO A. GUTIERREZ
GEOLEX, INC.
500 MARQUETTE AVE. NW, SUITE 1350
ALBUQUERQUE, NM 87102

Affidavit of Publication

State of New Mexico,
County of Lea.

I, KATHI BEARDEN
PUBLISHER

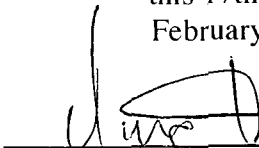
of the Hobbs News-Sun, a
newspaper published at Hobbs, New
Mexico, do solemnly swear that the
clipping attached hereto was
published in the regular and entire
issue of said newspaper, and not a
supplement thereof for a period

of 1 issue(s).

Beginning with the issue dated
February 14, 2009
and ending with the issue dated
February 14, 2009


PUBLISHER

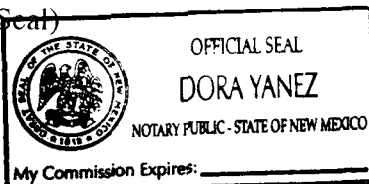
Sworn and subscribed to before me
this 17th day of
February, 2009



Notary Public

My commission expires
February 09, 2013

(Seal)



This newspaper is duly qualified to
publish legal notices or
advertisements within the meaning of
Section 3, Chapter 167, Laws of
1937 and payment of fees for said
publication has been made.

LEGAL
FEBRUARY 14, 2009

Application of Versado Gas Processors, LLC operated by Targa Resources, LLC for modification to NMOCD Order No. R-12809 previously approving an acid gas injection well, Lea County, New Mexico. Applicant seeks a modification of Order R-12809 to allow for a recompletion of its existing Eunice Gas Plant SWD Well No. 1 (API No. 30-025-21497), located at 1200 feet from the West line and 2580 feet from the South line of Section 27, Township 22 South, Range 37 East, NMPM, to serve as the combined acid gas and wastewater injection well approved by NMOCD order R-12809. This recompletion will replace the approved Versado AGI Well No.1 (API No. 3002539254) located 330 feet south of this location. The revised area of review for the well does not include any operators or surface owners that were not previously notified in the original application and hearing notice. The well will be recompleted to an approximate maximum depth of 5000 feet and will serve to inject up to 2500 barrels of acid gas per day, mixed with wastewater at a maximum pressure of 900 psi, into the San Andres Formation, through 27/8 coated tubing, at an approximate depth of 4400 feet to 5000 feet. The Eunice Gas Plant SWD Well No. 1 as recompleted will have 7" surface casing extending 4000 feet cemented to surface and new 5" casing also cemented to surface extending to depth of approximately 4400 feet. All of the requirements for design and operation of the proposed recompletion will be comparable to those incorporated into the already approved Versado AGI Well No. 1, (API No. 3002539254), located 2250FSL, 1200FWL of Section 27, Township 22 South, Range 37 East, NMPM. Versado may be contacted through its representative, Mr. Alberto Gutierrez, 500 Marquette Ave NW, Suite 1350, Albuquerque, New Mexico 87102 or (505) 842-8000. Interested parties must file objections or requests for hearing with the Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, New Mexico 87505, within 15 days.

#24730

67101169

00025903

ALBERTO A. GUTIERREZ
GEOLEX, INC.
500 MARQUETTE AVE. NW, SUITE 1350
ALBUQUERQUE, NM 87102