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State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 Revised July 18, 2013

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO. 30-025-48081
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> ACID GAS INJECTION		5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
2. Name of Operator Piñon Midstream, LLC		6. State Oil & Gas Lease No.
3. Address of Operator 465 W NM Highway 128; Jal, NM 88252		7. Lease Name or Unit Agreement Name INDEPENDENCE AGI
4. Well Location Unit Letter C : 829 feet from the NORTH line and 1,443 feet from the EAST line Section 20 Township 25S Range 36E NMPM County LEA		8. Well Number 1
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3,103' (GR)		9. OGRID Number 330718
		10. Pool name or Wildcat AGI: Devonian/Fusselman

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:	SUBSEQUENT REPORT OF:
PERFORM REMEDIAL WORK <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>
DOWNHOLE COMMINGLE <input type="checkbox"/>	P AND A <input type="checkbox"/>
CLOSED-LOOP SYSTEM <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>
OTHER: <input type="checkbox"/>	OTHER: 2021 Annual Summary Injection Data Report <input checked="" type="checkbox"/>

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

INDEPENDENCE AGI #1 - Initial Annual Report (2021) from September 1, 2021 through December 31, 2021 (MAOP 4,779 psig, NMOCC Order R-21455-A)

The Piñon Midstream, LLC Independence AGI #1 (API: 30-025-48081) was initially put into service on August 21, 2021, pursuant to NMOCC Order R-21455-A. The well went through a commissioning phase during which numerous systems in the Dark Horse Facility had to be optimized resulting in a somewhat variable operation at the Independence AGI#1. This commissioning period included the remaining month of Q3 and part of Q4 of 2021. The quarterly reports for each of these periods were submitted timely at the end of the two respective quarters.

Consistent with the reporting requirements of NMOCC Order R-21455-A, this annual report includes the data and analysis of surface injection pressure, TAG injection temperature, casing annular pressure, as well as bottom-hole injection pressure and temperature (the "injection parameters") for the partial period of 2021 in which Independence AGI #1 operation occurred (partial Q3 through all of Q4 2021). By the end of 2021, injection parameters are generally stable and have yielded the following average results, which are described and shown in detail in the attached report, Table 1, and Figures 1 and 2:

Surface Measurements: Average TAG Injection Pressure - 1,802 psig, Average TAG Injection Temperature - 110 °F, Average TAG Injection Rate - 1,218 bbls (approx. 2,617 MSCD), Average Annular Pressure - 208 psig, Average Differential Pressure - 1,593 psig.

Down-hole Measurements: Average Bottom-Hole Pressure - 7,439 psig, Average Bottom-Hole Temperature - 192 °F.

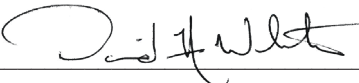
Data collected and representative of calendar year 2021 exhibit the anticipated correlative behavior of the annular pressure with the injection rate, injection pressure and temperature, which demonstrate the operational behavior of a nominally functioning AGI well. Furthermore, excellent mechanical integrity is demonstrated over this period, as shown in the relationship between surface injection pressure and surface annular pressure, which has maintained differential pressure indicative of isolation between the two subsurface

environments. Since commissioning of the AGI well, TAG injection rates have generally increased as inlet volume to the Dark Horse Facility has increased (Ranging from approx. 1.8 to 5.4 MMSCFD), and increased rates of injection occur coincident with expected increases to surface- and bottom-hole injection pressure. This additional volume has resulted in a significant increase in the permanent sequestration of CO₂ associated with this well.

For a brief period of operation, communication failure occurred between the facility control room and the Halliburton surface control panel for the bottom-hole P/T gauge (from Sep. 2 through Sep. 17, 2021). All data were accurately recorded and stored on the surface panel on-board backup memory and only the communication to the facility control room was impacted. The data included in this report have been sourced from the accurate on-board memory and a replacement panel was installed on September 17, 2021.

Overall, the Independence AGI #1 well displays excellent mechanical integrity and is functioning appropriately within the requirements of the NMOCC Order. Furthermore, the geologic reservoir has exhibited adequate response to injection operations and has easily accommodated the injection needs of the Dark Horse Facility. Based on this report, Piñon requests that the immediate notification parameters approved for 2021 for the facility remain the same for calendar year 2022.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE  TITLE Consultant to Piñon DATE 01/26/2022

Type or print name David A. White, P.G. E-mail address: dwhite@geolex.com PHONE: 505-842-8000

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APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any): _____

ANALYSIS OF ANNUAL INJECTION TRENDS AND REQUEST TO CONTINUE OPERATION UNDER THE CURRENT IMMEDIATE NOTIFICATION PARAMETERS

PIÑON MIDSTREAM, LLC
Independence AGI #1 (API: 30-025-48081)
NMOCC Order: R-21455-A

This document presents the results from the analyses of injection parameter data, which reflect the operation of the Independence AGI #1 well during the 2021 calendar year. The AGI well serves the Piñon Midstream, LLC (Piñon) Dark Horse Treatment Facility in Lea County, NM, and was put into service on August 21, 2021. Since commissioning the AGI well, injection parameter data have been continuously monitored, recorded, and have been analyzed by Geolex, Inc. (Geolex) on a monthly basis. Pursuant to the requirements of NMOCC Order R-21455-A, injection data reports based on the analysis of injection parameter data have been prepared and submitted to NMOCD by Geolex.

The Independence AGI #1 well was drilled as a vertical well and completed to inject via an open-hole completion over the interval of Devonian through Fusselman Formation geologic strata. The well serves as the primary disposal method for acid gas (H₂S and CO₂) at the Dark Horse Gas Treatment Facility. In accordance with the requirements of the approved NMOCC Order (Order R-21455-A), Piñon has filed with the NMOCD an application for a redundant AGI well, the proposed Independence AGI #2. Following issuance of the redundant AGI well injection permit, the second AGI well will be drilled and completed and is intended to be put into service by the NMOCC deadline of November 2022.

Operations at the Piñon Dark Horse Treatment Facility will continue to utilize the Independence AGI #1 as the primary method for disposing of waste acid gas until a redundant AGI well can be constructed. To monitor the impact injection operations at the Dark Horse Facility have on the injection reservoir, Independence AGI #1 was completed with bottom-hole sensors, which provide the ability to monitor real-time reservoir conditions in the deeper Devonian by providing reliable bottom-hole pressure and temperature data. Additionally, surface injection data from the well is continuously monitored and collected relative to the following parameters:

- Treated Acid Gas (TAG) Surface Injection Pressure
- TAG Surface Injection Temperature
- Surface Annular Pressure
- Bottom-Hole Pressure and Temperature
- TAG Injection Rate from Compressors
- Differential Pressure (between injection tubing and casing annulus)

The above are the key parameters which are currently being recorded in the well in order to monitor the operations, prevent hydrate formation, and minimize corrosion potential. Since these parameters are useful indicators and predictors of potential operational or mechanical problems in the well, various levels of alarms have been established for each of these parameters. Surface injection parameters include three direct measurements (TAG injection pressure, TAG injection temperature, and surface annular pressure) and one (differential pressure) value calculated as the difference between measured injection pressure and measured annular pressure. The analyses of these parameters are useful in identifying long-term trends and in the development of appropriate alarm ranges for each parameter. Independence AGI #1 surface injection parameter data for the partial period of operation during calendar year 2021 are included in Table 1 of this report.

In addition to surface monitoring, the AGI well at the Piñon Dark Horse Facility is also equipped with bottom-hole pressure/temperature sensors, which monitor the injection tubing conditions and have been

installed on a mandrel immediately overlying the injection packer. The monitoring of these additional parameters aids significantly in determining appropriate Immediate Notification Parameters, which are required by NMOCC Order R-21455-A. As the Independence AGI #1 well was recently constructed, the current Immediate Notification Parameters are based on operational experience with other AGI systems, and the associated injection parameter data have demonstrated that these notification conditions have been appropriate for the Independence AGI throughout the partial period of 2021 operation. As additional operating data is recorded for the Independence AGI #1 well, long-term trends and analyses of these data will be utilized to further refine the Immediate Notification Parameters, as needed.

To assure that successful and safe operation of the AGI well is maintained, Geolex reviews and analyzes Independence AGI #1 injection parameter data on a monthly basis, and provides a quarterly injection report to NMOCD, in accordance with the requirements of NMOCC Order R-21445-A. Observed trends in the injection parameter data for the 2021 operational period from September through December can be seen in the Table 1 and Figures 1 and 2 of this report.

Analyses of the 2021 Independence AGI #1 injection parameter data demonstrate that the Siluro-Devonian injection reservoir is responding satisfactorily to injection operations with operating pressures observed to be within an acceptable and anticipated range. Throughout the period of 2021, TAG injection rates have generally increased as the Dark Horse Facility treatment volume has increased. As expected, any increase in the TAG injection rate produces a corresponding increase in surface- and bottom-hole injection pressure, and there are no indications that current reservoir conditions are impeding Piñon's ability to inject, nor are they exhibiting indication of unexpected pressure increase. For the partial period of 2021 operation, Independence AGI #1 injection rates have ranged from approximately 1.5 to 5.4 million standard cubic feet per day (MMSCFD).

Given the observations of the injection parameter trends, it is clear that the AGI well has demonstrated excellent mechanical integrity over the 2021 operational period, as shown in the relationship between surface injection pressure and surface annular pressure. These data trends show that an adequate pressure differential has been maintained between these two subsurface environments, thus, confirming the mechanical integrity of the system.

For a brief period in 2021 (September 2 through September 17, 2021), a communication failure occurred within the Halliburton surface control panel which monitors and controls the down-hole pressure and temperature gauge. Upon inspection of the panel, it was found that data were still being accurately recorded and stored in the on-board backup memory of the panel and only the communication capability to report to the facility control room had been impacted. Backup data from the panel were utilized to fill in periods of error within the facility records, and a replacement surface control panel was installed on September 17, 2021.

REVIEW OF STATISTICAL ANALYSIS OF INJECTION PARAMETERS, DEVELOPMENT OF AND REQUEST TO CONTINUE WITH APPROVED IMMEDIATE NOTIFICATION PARAMETERS FOR INDEPENDENCE AGI #1 (API: 30-025-48081) UNDER NMOCC ORDER R-21455-A

The statistical analyses of the injection parameter data of other AGI well projects were initially utilized for the purpose of identifying and establishing normal operating levels for the Independence AGI #1, which are continuously and automatically monitored via the facility control system. As Independence AGI #1 continues to be operated, collected injection parameter data have and will continue to be utilized to further refine the understanding of normal operating conditions and the determination of appropriate alarm ranges.

Since commissioning of the Independence AGI #1 well, all injection parameters have been continuously monitored, recorded, and analyzed by Geolex. Table 1 includes a summary of average injection parameter data for the Independence AGI #1 well for the period from startup through December 2021.

Based on the analysis of these trends, the original Immediate Notification Parameters remain appropriate for the future operation of the AGI well through calendar year 2022.

The current Immediate Notification Parameters for the Independence AGI #1 well are summarized below:

1. Exceedance of the approved maximum allowable operating pressure (MAOP) of 4,779 psig (surface) for a period greater than two hours
2. Failure of a mechanical integrity test (MIT)
3. Confirmation of any condition that indicates a tubing, packer, or casing leak
4. Consistent increase of the annular pressure to a value greater than 80% of the injection pressure
5. Any release of H₂S which results in an activation of the facility's Rule 11 H₂S Contingency Plan
6. Any workover or maintenance activity that requires intrusive work in the well

Based on the analysis of operating conditions for the 2021 calendar year, Piñon requests the current Immediate Notification Parameters remain in effect for the 2022 calendar year.

TABLE 1. INDEPENDENCE AGI #1 ANNUAL SUMMARY OF INJECTION PARAMETER DATA (September 2021 through December 2021)

Reporting Period	TAG Injection Temperature (Avg. °F)	Surface TAG Inj. Pressure (psig)	Surface Casing Annulus Pressure (psig)	Pressure Differential (Inj. Tubing - Casing Annulus)	Flowrate (bpd)	Flowrate (MSCFD)	Bottom Hole Pressure (Avg. psig)	Bottom Hole Temperature (Avg. °F)	Notes
Monthly Average Operating Conditions									
Aug 2021 (Q3)	-	-	-	-	-	-	-	-	AGI well was put into service on Aug. 21, 2021, however, downtime and facility troubleshooting followed startup and quarterly reporting began on Sep. 1, 2021.
Sep 2021 (Q3)	105	1732	190	1542	808	1750	7366	202	
Oct 2021 (Q4)	109	1767	141	1626	1200	2545	7430	192	Communication failed between Halliburton Surface Control Panel for down-hole sensors and plant control room. Sensors continued to record accurately and data from 9/2 through 9/17 were recovered from panel on-board backup memory. Surface panel was replaced.
Nov 2021 (Q4)	110	1853	136	1717	1224	2626	7445	190	
Dec 2021 (Q4)	116	1855	365	1487	1628	3386	7515	186	
Average Operating Conditions & Standard Deviation									
Average (2021)	110	1802	208	1593	1215	2577	7439	193	
Standard Deviation (2021)	4	54	93	87	290	579	53	6	
Lifetime Average	110	1802	208	1593	1215	2577	7439	193	
Lifetime Standard Deviation	4	54	93	87	290	579	53	6	

NOTE: Due to the minimal operating history for the Independence AGI #1 (Q3 through Q4 2021), data are summarized as monthly averages, rather than typical quarterly averages reported for AGI wells. Once additional operating data has been collected for calendar year 2022, lifetime operating data will be summarized based on quarterly average values.

FIGURE 1. INDEPENDENCE AGI #1 SUMMARY OF SURFACE INJECTION DATA

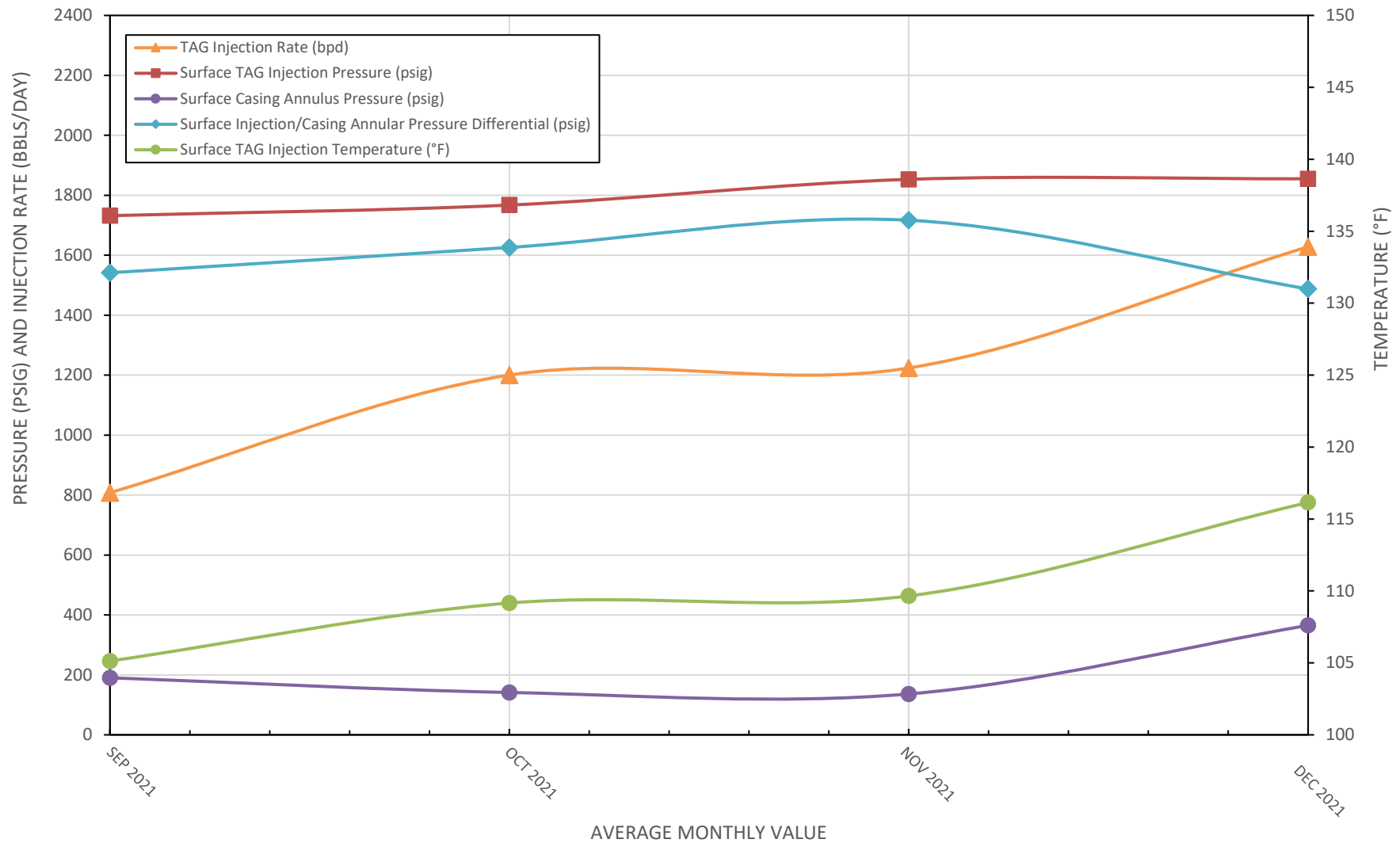
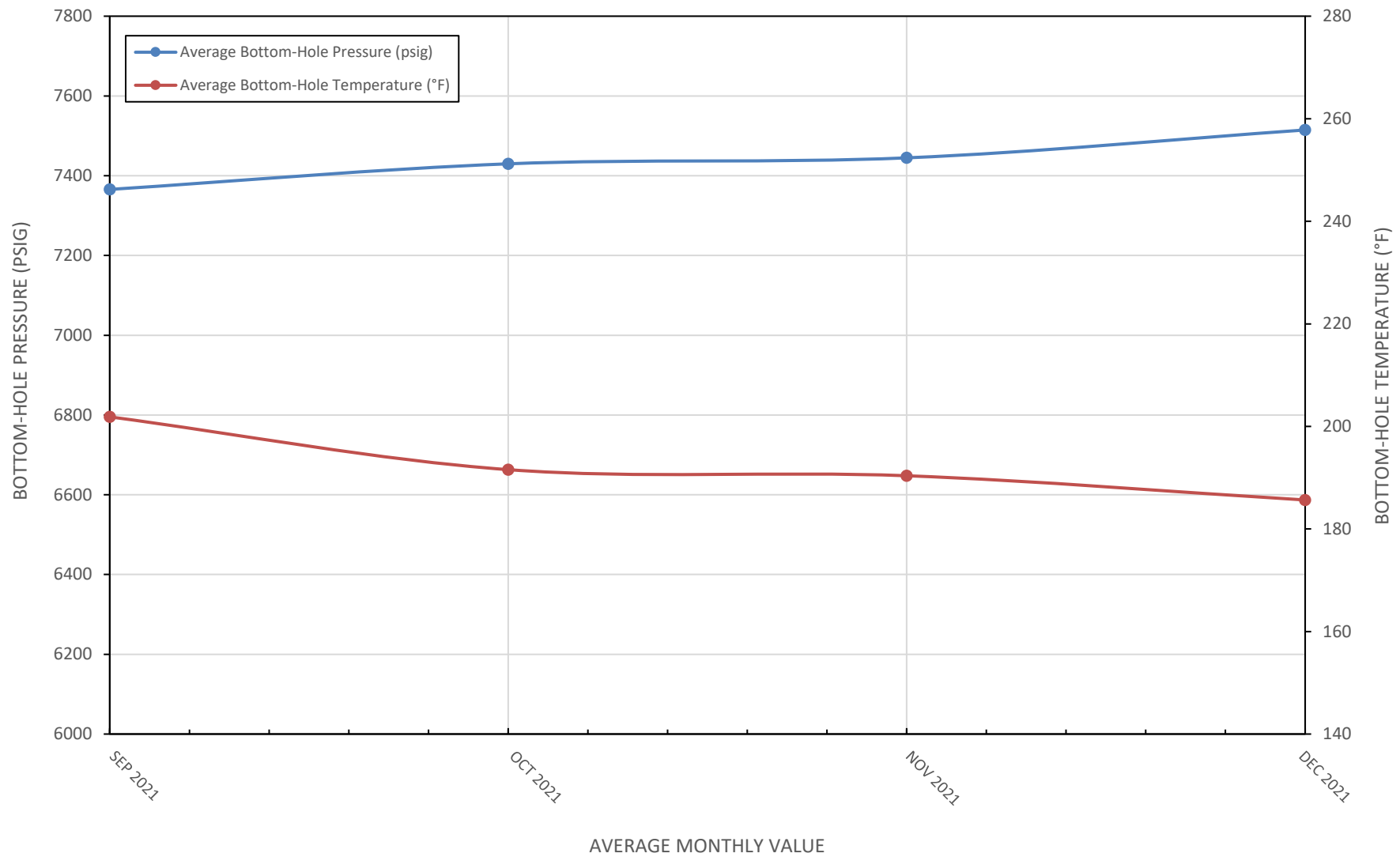


FIGURE 2. INDEPENDENCE AGI #1 SUMMARY OF BOTTOM-HOLE INJECTION DATA



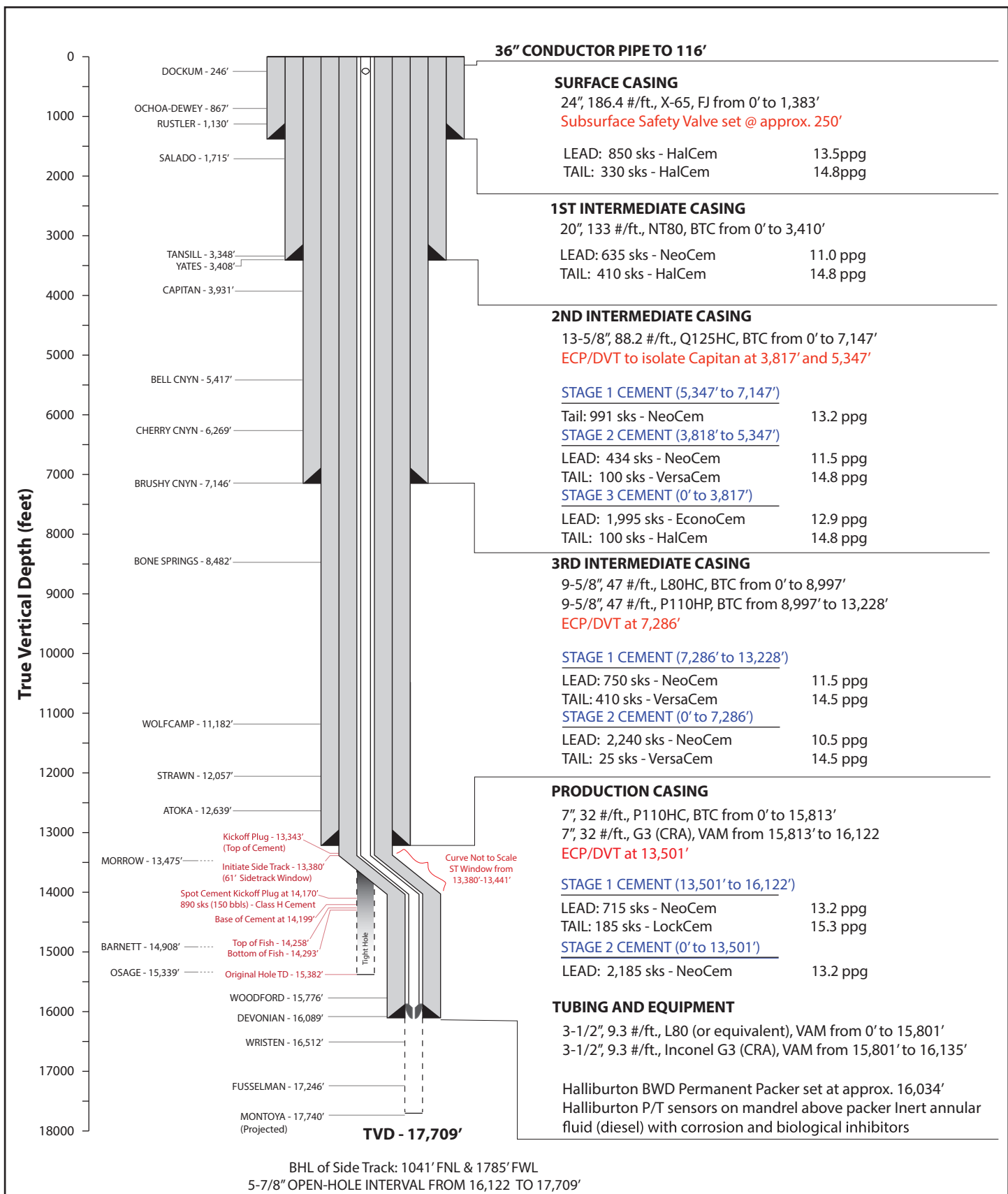


Figure 3. As-drilled well schematic consisting of a surface string of casing, three intermediate strings, and a production string with associating tubing/equipment and cement types. Original hole and sidetrack are shown.

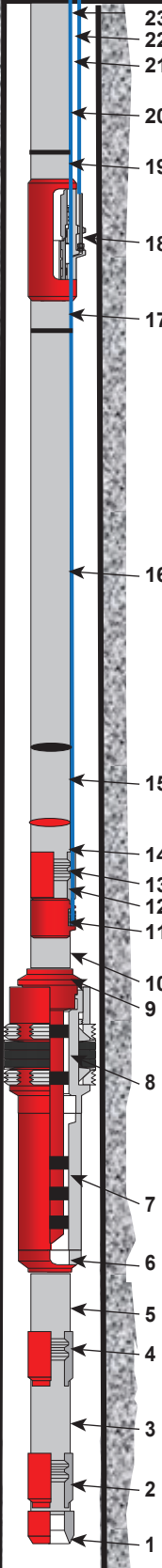
Installation		Lea County, NM 7/25/2021		Service Specialist Office		Carlos Chavez 830-308-9929	
Installation	Length	Depth	Jts.	Description	OD	ID	
	23	15.25	1	23) KB & Hanger (11' + 4.25')	3.500	2.959	
	22	29.60		22) Slick joint. 3 1/2" 9.2# L-80 Tubing			
	21	15.80		21) Space out pup joints (8', 6.15', 1.65') 3 1/2" 9.2# L-80 T.			
	20	204.95	265.60	7	20) 3 1/2" 9.2# L-80 Tubing	3.500	2.959
	19	6.68	272.28	19) 6' x 3 1/2" 12.7# L-80 VAMTOP Tubing Sub	3.500	2.707	
	18	7.27	279.55	18) 3 1/2" NE HES SSSV Nickel Alloy 925 w/Alloy 825 Control Line 3 1/2" 12.7# VAMTOP Box x Pin	5.620	2.562	
	17	11.42	290.97	17) 6' x 3 1/2" 12.7# L-80 VAMTOP Tubing Sub	3.500	2.707	
	16	15,462.82	15,753.79	528	16) 3 1/2" 9.2# L-80 Tubing	3.500	2.959
	15	328.66	16,082.45	8	15) 3 1/2" 9.2# VAMTOP G3 Tubing	3.540	2.959
	14	6.00	16,088.45	14) 6' x 3 1/2" 9.2# VAMTOP Box x Pin SM2550 25 Ch Sub	3.540	2.959	
	13	1.25	16,089.70	13) 2.562" R Nipple 3 1/2" 9.2# VAMTOP Box x Pin Ni Al. 925	4.073	2.562	
	12	6.00	16,095.70	12) 6' x 3 1/2" 9.2# VAMTOP Box x Pin SM2550 25 Ch Sub	3.540	2.959	
	11	8.00	16,103.70	11) ROC PT Sensor Mandrel 3 1/2" 9.2# VAMTOP Box x Pin	4.660	2.959	
	10	6.00	16,109.70	10) 6' x 3 1/2" 9.2# VAMTOP Box x Pin SM2550 25 Ch Sub	3.540	2.959	
	9	0.66	16,110.36	9) 4.00" Landed Seal Assembly 9.2# VAMTOP Nickel Alloy 925	4.470	2.959	
	8		16,113.56	8) 7" 26-32# x 4.00" BWS Packer Nickel Alloy 925	5.875	4.000	
	7	11.7	16,125.26	7) 4.00" x 12' PBR Nickel Alloy 925 4 3/4"-8 UN 2A Pin x Pin	5.032	4.000	
	6	0.6	16,125.86	6) 4.00 PBR Adapter x 2 7/8" 6.4# VAMTOP BxP Ni Alloy 925	5.750	2.409	
	5	8.14	16,134.00	5) 8' x 2 7/8" 6.4# VAMTOP BxP Tbg Sub CRA Alloy 925	2.875	2.409	
	4	1.39	16,135.39	4) 2.313" R Nipple 2 7/8" 6.4# VAMTOP Box x Pin Ni Alloy 925	3.241	2.313	
	3	8.2	16,143.59	3) 8' x 2 7/8" 6.4# VAMTOP BxP Tbg Sub CRA Alloy 925	2.875	2.409	
	2	1.71	16,145.30	2) 2.313" RN Nipple 2 7/8" 6.4# VAMTOP BxP Nickel Alloy 925	3.241	2.205	
	1	0.6	16,145.90	1) 2 7/8" 6.4# VAMTOP Stainless Steel Pump Out Plug	3.669	2.441	
				544	TOTAL JOINTS.		

Figure 4. Independence AGI #1 as-built injection tubing and equipment schematic