

State of New Mexico  
Energy, Minerals and Natural Resources Department

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**Susana Martinez**  
Governor

**David Martin**  
Cabinet Secretary

**Tony Delfin**  
Deputy Cabinet Secretary

**David R. Catanach, Division Director**  
Oil Conservation Division



June 27, 2016

Mr. Tyler Woodruff  
Alamo Permian Resources, LLC  
820 Gessner Road, Suite 1650  
Houston, TX 77024  
E-mail: twoodruff@alamoresources.com

**RE: Hearing Order No. R-13864; First Extension of Deadline to Commence Injection**

High Lonesome Queen Unit Waterflood Project

Order Date: July 22, 2014

Injection approved High Lonesome; Queen Pool (Pool Code 30780) for the following six wells located in Section 16, Township 16 South, Range 29 East, NMPM, Eddy County:

1. **High Lonesome Queen Unit Well No. 1**  
API No. 30-015-Pending; 1310' FNL & 10' FWL; Unit letter D
2. **High Lonesome Queen Unit Well No. 2**  
API No. 30-015-Pending; 1310' FNL & 1650' FEL; Unit letter B
3. **High Lonesome Queen Unit Well No. 7**  
API No. 30-015-Pending; 1980' FNL & 330' FEL; Unit letter H
4. **High Lonesome Queen Unit Well No. 8**  
API No. 30-015-Pending; 1980' FSL & 10' FWL; Unit letter L
5. **High Lonesome Queen Unit Well No. 14**  
API No. 30-015-Pending; 660' FSL & 1980' FWL; Unit letter N
6. **High Lonesome Queen Unit Well No. 16**  
API No. 30-015-Pending; 660' FSL & 660' FEL; Unit letter P

Mr. Woodruff:

Reference is made to your request, dated June 22, 2016, on behalf of Alamo Permian Resources, LLC for a two-year extension of the July 22, 2016, deadline to commence injection into the above six named wells for reasons outlined in the attached correspondence.

It is the Division's understanding from your request that there have been no significant changes in the information provided in the application submitted for review and approval of this Division order. These changes include the completion of new wells within the Area of Review (AOR) that penetrated the approved injection interval and any changes in ownership.

The Division finds that granting this request to extend this Division order for one year is in the interest of conservation, will prevent waste, and will protect the environment.

All requirements of the above referenced Division order and agreements subject to the order remain in full force and effect.

The deadline to commence injection for the existing order is hereby extended until July 22, 2017. If the Operator cannot commence injection by this deadline, the Operator may petition for an additional extension by submitting a written request (prior to the expiration of this extension's deadline date) that includes a determination for any new wells in the AOR and a statement on the current status of ownership.

If you have any questions regarding this matter, please contact Phillip Goetze by phone at 505.476.3466 or by e-mail: [phillip.goetze@state.nm.us](mailto:phillip.goetze@state.nm.us).

Sincerely,



DAVID R. CATANACH  
Director

DRC/prg

cc: Oil Conservation Division – Artesia District Office  
Oil, Gas and Minerals Division – State Land Office  
Case No. 15116



June 22, 2016

Energy, Minerals and Natural Resources Department  
Oil Conservation Division  
1220 South St. Francis drive  
Santa Fe, New Mexico 87505

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2016 JUN 24 P 3:00

Attention: Mr. David Catanach  
Division Director

Re: **High Lonesome Queen Unit Waterflood Project Extension**  
Alamo Permian Resources, LLC  
Order No. R-13864

Dear Mr. Catanach,

Alamo Permian Resources, LLC ("Alamo"; OGRID No. 274841), received approval for its High Lonesome Queen Unit, establishment of a waterflood project and certification of the waterflood project as an enhanced oil recovery project pursuant to the Enhanced Oil Recovery Act, on July 22, 2014 under Division Order R-13864.

Pursuant to Ordering Paragraph (23), the injection authority terminates two years after the effective date if the operator has not commenced injection operations; provided, however, the Division, upon written request by the Operator filed prior to the expiration of the two-year time period, may grant an extension for good cause.

As current operator of the High Lonesome Queen Unit Waterflood Project, encompassing all of Section 16, & the NW/4 SW/4 of Section 15, Township 16 South, Range 29 East, NMPM, Eddy County, New Mexico, Alamo Permian Resources, LLC, hereby requests a two year extension on the term to commence injection operations.

Since entry of Order R-13864, Alamo received final approval of the Unit Agreement from the New Mexico State Land Office. However, the planned drilling operations for the six approved injection wells have been delayed for the following reasons:

- The primary water source for the waterflood project, a 3rd party produced water gathering system, was irreparably damaged by a lightning strike and subsequent fire.
- Due to loss of the primary water source, the BLM produced water ROW application was canceled until a new water source is identified due to BLM requirements that the ROW application identify the entire route. Roughly 75% of the potential ROW route covers BLM surface
- Until a viable water source is identified and water line ROW approved, it is not feasible to schedule the drilling of the six approved injection wells.

- Adverse market conditions have also hindered Alamo's operational development. As you are aware, after receiving approval for the High Lonesome Queen Unit Waterflood Project, crude oil prices dropped roughly 75%.

Over the past year, Alamo has been working on identifying other potential water sources from 3<sup>rd</sup> party produced water gathering systems. One produced water system has been identified that, with the appropriate chemical treatment, may be a viable option as a replacement. Alamo is currently working on a Produced Water Transfer Agreement with the company that owns this system. Once the new primary water source has been identified, Alamo can resume the BLM ROW process. Historically, we have seen these processes take 6-9 months from application submittal to approval.

For these reasons, Alamo is requesting a two year extension of the injection authority granted by Order R-13864.

Please let me know if you have any questions. My office number is 713-224-2500.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tyler Woodruff', with a long horizontal flourish extending to the right.

Tyler Woodruff  
Senior Landman