

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martínez
Governor

David Martin
Cabinet Secretary

Tony Delfin
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



June 27, 2016

Mr. Alberto Gutierrez, as agent for Frontier Field Services, LLC
Geolex, Inc.
500 Marquette Ave. NW, Suite 1350
Albuquerque, NM 87102

RE: Commission Order No. R-13443 (as amended); Immediate Notification Parameters

Maljamar AGI Well No. 1 (API 30-025-40420)

Surface Location: 130' FSL & 1813' FEL; Unit O, Sec 21, T17S, R32E, NMPM,
Lea County, New Mexico

Permitted disposal depths: 9579 feet to 10130 feet; Wolfcamp formation

Maljamar AGI Well No. 2 (API 30-025-42628)

Surface Location: 415' FSL & 2115' FEL; Unit O, Sec 21, T17S, R32E, NMPM,
Lea County, New Mexico

Permitted disposal depths: 9600 feet to 10220 feet; Wolfcamp formation

Dear Mr. Gutierrez:

Reference is made to your request on behalf of Frontier Field Services, LLC (OGRID 221115; "Operator") to establish the parameters for immediate notification as stipulated in Findings Paragraph (25)(j) of Commission Order No. R-13443-B. The request is detailed in a Geolex, Inc. correspondence dated May 23, 2016.

The Operator proposes the following parameters (for both AGI wells) that would require immediate notification:

1. Exceedance of the maximum surface injection pressure (or MAOP) of 3200 psig for a period greater than one hour.
2. Failure of a mechanical integrity test (MIT) of the well.
3. Confirmation of any condition that indicates a tubing, packer, or casing leak.
4. Any increase of the annular pressure to a valve that is more than 80 percent of the (surface) injection pressure.
5. Any release of hydrogen sulfide (H₂S) at the well which results in an activation of the facility's approved H₂S contingency plan required under Rule 19.15.11 NMAC.
6. Any workover or maintenance activity that requires intrusive work in well.

The Division concurs to the proposed parameters with the following change to parameter number six and the addition of one parameter.

6. Any unscheduled workover or maintenance activity that requires intrusive work in well.
7. Any notification by an adjacent operator(s) of possible impacts to their producing wells that may indicate communication with the fluids (treated acid gas) disposed in the permitted interval.

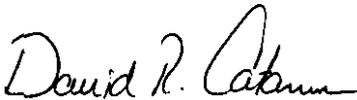
Additionally, the Operator shall contact the Division District I by telephone (within the four hour period following the event) utilizing the Emergency Number posted on the District's webpage (currently: (575) 370-3186). The Operator shall annually review the emergency contact information for the District to ensure a correct telephone number.

Following the verbal and e-mail notifications and within 30 days of the initial notification, the Operator will provide a written summary, on Division Form C-103, of the event that required immediate notification.

The approval of these parameters does not relieve the Operator of any mandatory notification requirements contained in Division Rules 19.15.11 NMAC and 19.15.29 NMAC.

The Division finds that approval of these notification parameters satisfies the requirements of the Order, is in the interest of conservation, will prevent waste, and will protect the environment.

Sincerely,



DAVID R. CATANACH
Director

DRC/prg

cc: Oil Conservation Division – Hobbs District Office
Bureau of Land Management – Carlsbad Field Office
Well File API 30-025-40420
Well File API 30-025-42628
Case File No. 15193

RECEIVED OGD
2016 MAY 25 P 1:14
Alberto A. Gutiérrez, C.P.G.

May 23, 2016

Mr. Phillip Goetze
Petroleum Engineer
NMOCD
1220 South St. Francis Drive
Santa Fe, NM 87501

Via Email and 1st Class Mail

RE: NMOCC ORDER # R-13443-B FRONTIER MALJAMAR AGI #1 AND AGI#2 IMMEDIATE NOTIFICATION PARAMETERS

Dear Mr. Goetze:

Pursuant to the requirement found on page 4 paragraph 25 j of the above-referenced order, Frontier Field Services (Frontier) has discussed the immediate notification parameters for the Maljamar AGI#2 with the Hobbs District NMOCD and with your office and has based our proposed immediate notification parameters on what we have already successfully implemented at the Maljamar AGI#1 well. These proposed parameters will be reviewed after the well is put into service and if changes are required, Frontier will propose a change to NMOCD within 90 days. If that review indicates that no change in the parameters is warranted then the parameters proposed below will become the final immediate notification parameters.

The intent of immediate notification parameters is to provide NMOCD with an immediate notification (within four hours of detection of variance or exceedance) of a condition that indicates that the integrity of the well is threatened or has resulted in a violation of the operating conditions approved under orders R-13443-B and R-13443-C. The monitoring of injection conditions required by the order provide the basis for determining if any of these parameters are outside of an acceptable or approved range that indicates further investigation is needed to ascertain the condition of the well.

The proposed immediate notification parameters are as follows:

1. Exceedance of the MAOP of 3200 psig surface for a period greater than one hour.
2. Failure of a mechanical integrity test (MIT) of the well.
3. Confirmation of any condition that indicates a tubing, packer or casing leak.
4. Any increase of the annular pressure to a value that is more than 80% of the injection pressure.
5. Any release of H₂S at the well which results in an activation of the facility's approved Rule 11 H₂S contingency plan.
6. Any workover or maintenance activity that requires intrusive work in the well.

Frontier proposes that if any of the immediate notification parameters is triggered, Frontier will notify the Hobbs District Office of the NMOCD by telephone within four hours followed by an email notification within 24 hours to both the District and Santa Fe offices of NMOCD. Depending on the nature of the situation, Frontier and NMOCD will jointly determine the appropriate steps to be undertaken to resolve the issue.

Frontier intends to begin commissioning the well (including injection of TAG into the well) in July 2016, followed by normal operations after completion and testing of all surface facilities. Frontier will begin its

Mr. Phillip Goetze
May 23, 2016
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required quarterly reporting of injection parameters as required by the above-referenced order after normal operations begin following the startup and commissioning of the new AGI#2 well.

Please advise if these proposed conditions which are fully consistent with the approved immediate notification parameters at Frontier's Maljamar AGI#1 are acceptable and approved so we may begin the commissioning and operation of Maljamar AGI#2. Thank you in advance for your prompt attention to this matter.

Sincerely,
Geolex, Inc.

A handwritten signature in black ink, appearing to read 'A. Gutierrez', with a long horizontal line extending to the right.

Alberto A. Gutierrez, RG
President
Consultant to Frontier Field Services and Aka Energy

cc: Maxey Brown, NMOCD Hobbs *via email*
Coy Bryant, Aka Energy Durango *via email*
John Prentiss, Frontier Field Services Maljamar *via email*
Julie Dossey, Aka Energy Durango *via email*