

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

**APPLICATION OF SALT CREEK
MIDSTREAM, LLC FOR AUTHORIZATION
TO DRILL, COMPLETE AND OPERATE
AN ACID GAS INJECTION (AGI) WELL AT THE
AMEREDEV SOUTH GAS PROCESSING
FACILITY IN LEA COUNTY, NEW MEXICO**

CASE NO. 20780

AMENDED PRE-HEARING STATEMENT

This amended pre-hearing statement is submitted by the New Mexico State Land Office as required by the Oil Conservation Division under 19.15.4.13 (A) NMAC.

APPEARANCES

APPLICANT

Salt Creek Midstream, LLC

APPLICANT'S ATTORNEY

Hinkle & Shanor LLP
Thomas M. Hnasko, Dana S. Hardy

OPPONENTS

New Mexico State Land Office

Oil Conservation Division

OPPONENT'S ATTORNEY

Andrea Antillon

Eric Ames

STATEMENT OF THE CASE

APPLICANT

CASE NO. 20780

Application of Salt Creek Midstream, LLC, for authorization to drill, complete and operate an acid gas injection well at the Ameredev South Gas Processing Facility in Lea County, New Mexico.

OPPONENT NEW MEXICO STATE LAND OFFICE

The State Land Office ("SLO") and the Applicant have resolved SLO's concerns regarding the proximity of the proposed AGI well site to State Trust Lands and Minerals, nearby hydrocarbon production in the requested injection zone, and potential communication with the Capitan Reef with agreement of additional special conditions for the permit. Salt Creek has agreed to compensate the SLO for incursion of acid gas into SLO pore space, in addition to agreeing to additional permit conditions. Therefore, SLO asks that the OCC grant Applicant's AGI permit subject to the parties' agreed to Special Conditions, attached hereto and incorporated by reference herein.

PROPOSED EVIDENCE

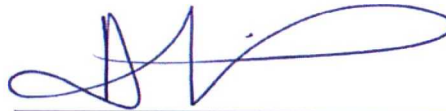
STATE LAND OFFICE

None.

PROCEDURAL MATTERS

No procedural matters have been identified that are to be resolved prior to the hearing.

Respectfully submitted,



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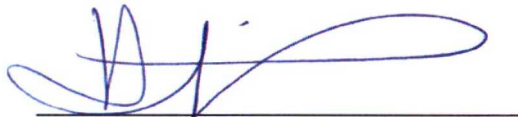
**ATTORNEY FOR THE COMMISSIONER OF
PUBLIC LANDS, NEW MEXICO STATE LAND
OFFICE**

CERTIFICATE OF SERVICE

I hereby certify that on this 4th day of December, 2019, a copy of the foregoing Amended Prehearing Statement was served via email upon the following:

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**SPECIAL CONDITIONS
FOR SALT CREEK MIDSTREAM CASE NO. 20780**

1. No later than 6 months after issuance of the Delaware Mountain Group ("DMG") permit, Salt Creek Midstream ("SCM") shall file a C-108 with the Oil Conservation Division ("OCD") for approval to construct a redundant AGI well in the Devonian-Silurian formations ("Devonian well"), and will complete the Devonian well no later than 15 months after the Oil Conservation Commission issues an order approving the Devonian well.
2. No later than 6 months after placing the Devonian well in service, SCM shall inject into the Devonian well and cease injection into the DMG well as the primary source for disposal.
3. Upon commencing injection into the Devonian well, SCM shall maintain the DMG well as a redundant well.
4. SCM may operate the DMG well as a primary source for disposal until it switches injection to the Devonian well as a primary source of disposal, and shall maintain the DMG well as a redundant well subject to OCD standard conditions and the following special conditions:
 - a. SCM shall not inject more than the proposed 8 MMSCFD (3,268 barrels per day at reservoir conditions) of TAG.
 - b. SCM shall construct the well to prevent migration of TAG into the Capitan Reef.
 - c. The upper perforation within the approved injection interval shall be at least 500 feet below the base of the Capitan Reef aquifer or the stratigraphic equivalent. SCM shall propose to OCD and SLO the depth for the upper perforation based on its evaluation of the geophysical logs obtained during the drilling of the well. OCD, SLO and SCM shall meet and confer regarding the depth for the upper perforation, and SCM shall not initiate the upper perforation until the OCD approves in writing.
5. SCM shall comply with the requirements of 19.15.26.10 NMAC in effect at the time of permit issuance regarding the migration of injectate outside the approved injection zone.
6. If SCM fails to timely submit or to diligently prosecute the application for the Devonian well, or after receiving OCD approval, fails to construct the Devonian well by the specified deadline, this permit shall terminate automatically and SCM shall plug and abandon the DMG well pursuant to an OCD-approved plan.

OCD STANDARD CONDITIONS FOR ACID GAS INJECTION WELLS

The following standard conditions for acid gas injection ("AGI") wells apply in addition to the general requirements for all UIC Class II wells issued under Rule 15.19.26 NMAC - *Injection*.

1. Operator shall conduct an annual mechanical integrity test ("MIT") on the proposed well.
2. Operator shall conduct continuous monitoring of surface treated acid gas ("TAG") injection pressure, temperature, rate, surface annular pressure, and bottom-hole (or "end of tubing") temperatures and pressures in the tubing.
3. Operator shall conduct step-rate and fall-off tests on the completed well before commencing injection. Operator may adjust the maximum surface injection pressure for the well after these tests with the approval of the OCD.
4. Operator shall maintain a maintenance log, including the volume of annular fluid (diesel) replaced in the annulus of the well.
5. Operator shall establish temperature parameters for the injected fluid, install and maintain temperature-activated controls to govern the temperature of the injected fluid, and install and maintain an alarm system for the controls to indicate exceedance of the parameters.
6. Operator shall report on a quarterly basis the summary data for injection parameters monitored under the permit, upon request by Operator and subject to OCD approval, shall submit annual reports after one year of operation.
7. Operator shall equip the well with a pressure-limiting device and a one-way safety valve (with the appropriate interior drift diameter) on the tubing approximately 250 feet below the surface.
8. Operator shall use a biocide component in the annular fluid (diesel) of the well.
9. Operator shall circulate cement for all casing to the surface.
10. Well construction should be designed for exposure to a corrosive environment, including the casing, casing cement, tubing and packer in proximity of the injection interval.
11. Prior to commencing injection, Operator shall obtain OCD approval of a hydrogen-sulfide contingency plan that complies with Rule 19.15.11.9 NMAC.

12. No later than thirty (30) days prior to commencing injection, Operator shall obtain OCD's approval of immediate notification parameters for annulus pressure and tubing and casing differential pressure at a set injection temperature.
13. No later than forty-five (45) days after Operator completes drilling the well, Operator shall submit to OCD the well drilling logs, including mudlogs, electric logs, daily reports and static bottom-hole pressure.
14. No later than forty-five (45) days after Operator completes the well, Operator shall submit to OCD the final reservoir evaluation, and confirm that the perforated portion of the well does not intersect the fault plane of any identified fault that occurs within the approved injection interval.
15. No later than ninety (90) days after Operator commences injection, and no less frequently than annually thereafter, Operator shall consult with OCD regarding the immediate notification parameters. If OCD determines that the immediate notification parameters should be modified, Operator shall provide modified parameters within thirty (30) days of notification for review by OCD.
16. No later than thirty (30) days after the tenth year of injection, Operator shall submit to OCD a report summarizing the well's performance including injected volumes by fluid type, changes in reservoir pressures and the models used in the permit application calibrated using that information.

Historical record: OCC and OCD have imposed similar conditions of approval in these orders:

- Commission Order No. R-14207 (September 6, 2016)
- Commission Order No. R-13443-B (November 19, 2014)
- OCD Order No. SWD-1671 (April 24, 2017)