

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Tony Delfin
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



April 1, 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); Guidance on Schedule for Repair of Bottomhole Monitoring Equipment

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: 400' FSL & 2100' 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 a schedule for replacement of equipment that acquires bottomhole (BH) measurements should this equipment fail.

The Operator proposed the continuous monitoring of BH temperature and pressure measurements in Findings Paragraph (22) of Commission Order No. 13443-B. Since the order did not provide specific conditions for the operation of the BH monitoring system, the Operator requested that Division provide guidance concerning the replacement of this equipment should it fail.

The Operator noted that the failure of the BH monitoring equipment in either acid gas injection (AGI) well would require a workover that would include a significant cost typically associated with failure of the mechanical integrity. The workover would suspend the disposal operation at one of the AGI wells which may impair processing at the gas plant should a sudden increase in gas stock feed occur.

As a result, the Operator and Division developed two schedules for repair of BH equipment that are summarized in Table 1.

TABLE 1: SCHEDULE FOR REPAIR OF BOTTOMHOLE MONITORING EQUIPMENT

Repair Scheduling Plans	Alternative Plan One Repair System; <u>no</u> Additional Downhole Monitoring	Alternative Plan Two Repair System <u>with</u> Additional Downhole Monitoring
Initial Date of Failure	If the BH monitoring system fails with <u>no mechanical integrity issues</u> involving the well, the Operator files a Sundry Notice with District and Santa Fe notifying Division of the wells status and the plan selected for repairs; reported date of system failure becomes anniversary date for task completions.	
Year One (1)	No action required.	No action required.
Year Two (2)	Operator files NOI Sundry to repair system prior to anniversary date.	Operator completes alternate method of data collection.
Year Three (3)	Operator completes repairs and files Subsequent Sundry prior to anniversary date; BH monitoring system operational.	No action required.
Year Four (4)		Operator completes alternate method of data collection.
Year Five (5)		Operator files NOI Sundry to repair system prior to anniversary date.
Year Six (6)		Operator completes repairs and files Subsequent Sundry prior to anniversary date; BH monitoring system operational.

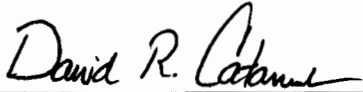
Alternate method of data collection: the Operator shall collect BH measurements using temporary monitoring equipment for a minimum period of two weeks. The Operator shall ensure the data obtained by using the temporary equipment is equal in quality to the data obtained by the permanently installed BH monitoring system.

The Operator shall have the discretion to select the repair scheduling plan with the approval of District. The Director retains the authority to modify the schedule should either well conditions

indicate mechanical integrity issues or significant irregularities are identified during the review of the surface pressure and temperature measurements.

The Division finds that granting this guidance in support 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
Well File API 30-025-40420
Well File API 30-025-42628
Case File No. 15193