

State of New Mexico  
Energy, Minerals and Natural Resources Department

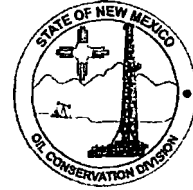
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**Susana Martinez**  
Governor

**Ken McQueen**  
Cabinet Secretary

**Matthias Sayer**  
Deputy Cabinet Secretary

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



March 29 2017

John D. Thomas  
Robert L. Bayless Producer LLC  
PO Box 168  
Farmington NM 87499

**RE     Gas Storage Approval within the East Horseshoe Gallup Unit**  
**Division Order R 14305 issued February 24, 2017, in Case No 15622**  
**East Horseshoe Gallup Unit 18 Well No 8H     API No 30 045 35373**  
**East Horseshoe Gallup Unit 18 Well No 16H     API No 30 045 35300**  
**East Horseshoe Gallup Unit 19 Well No 8H     API No 30 045 35376**

Dear Mr. Thomas

Reference is made to your request on behalf of Robert L. Bayless Producer LLC (OGRID 150182) to allow temporary gas storage into the subject three wells on an alternating basis.

Reference is made to Finding Paragraph (17) and to Ordering Paragraph (20) of the subject Division Order allowing administrative consideration of application(s) to reinject produced gas for storage purposes into this Unit.

As per 42 U.S.C.A. Section 300h(d)(1)(B) the underground injection of natural gas for purposes of storage is excluded from the Underground Injection Control program.

You have made application by administrative application pMAM1630556943 logged in on October 24, 2016, to utilize these three wells for reinjection of produced gas on an alternating basis. Two wells would continue to produce while the third well would be used for low pressure gas storage of produced gas from the two producers.

Proper notice has been provided and in addition the Unit has been given preliminary approval as a Resource Development Unit by the Bureau of Land Management with all lands in the Unit to participate from the initial date of unitization. The Unitized interval is restricted to the Mancos Formation and gas storage would be confined to the Unitized interval.

There has been no objection to this proposal. Reference is made to the testimony presented in the subject case concerning the lack of a gas pipeline, the abundance of natural fracturing, and the expected low injection pressures.

Your application is hereby granted to conduct gas reinjection storage operations as proposed.

This permit shall expire May 1, 2018, unless the operator has made administrative application to the Division for extension of gas storage operations accompanied by notice of the proposed extension, allowing 20 days for protest to the Bureau of Land Management and to all working interest owners in the Unit.

**Approval is subject to all applicable Division Rules, including the following provisions**

The operator shall take all steps necessary to ensure that the injected gas enters only the Mancos formation storage intervals remains within the Unit and the Unitized interval and is not permitted to escape to other formations or onto the surface from injection production or plugged and abandoned wells

As per the application injection of gas is permitted down the tubing casing annulus. Such injection shall only commence after the operator shows adequate proof of casing integrity from surface to the top of the Mancos formation to the satisfaction of the Aztec District office of the Division. Casing integrity may include records of casing pressure tests casing pressure records during fracture treatments casing inspection logs or other tests or methods at the discretion of the Division's district office.

The gas injection line shall be equipped with a pressure control device or acceptable substitute that will limit the surface injection pressure to no more than 1000 pounds per square inch as was advertised. The injection pressure shall be continually recorded on a pressure chart or a SCADA system and be available for review by Division inspectors or engineers.

Applications to exceed this 1000psi maximum limit shall be considered administratively after Division concerns are addressed and after notice is provided with 20 days given for protest to the Bureau of Land Management and to all working interest owners within this Unit.

Gas produced outside this Unit or from non Unit wells shall not be injected into this Unit or Unitized Interval.

This Gas Storage Project shall be governed by Division Rule 19-15-26 NMAC et seq notwithstanding limitations within this or other existing orders and shall include reporting of gas storage volumes.

The injection authority granted under this order is not transferable except upon division approval. The division may require the operator to demonstrate mechanical integrity of any injection well that will be transferred prior to approving transfer of authority to inject.

The division may revoke this permit after notice and hearing if the operator is in violation of Division Rule 19-15-5-9 NMAC.

Compliance with this order does not relieve the operator of the obligation to comply with other applicable federal state or local laws or rules or to exercise due care for the protection of fresh water public health and safety and the environment.

Gas Storage into East Horseshoe Gallup Unit  
Robert L. Bayless Producer LLC  
March 29, 2017  
Page 3 of 2

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Jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh or protectable waters or (2) consistent with the requirements in this order whereupon the Division may after notice and hearing (or without prior notice and hearing in case of emergency) terminate the injection authority granted herein

Sincerely



DAVID R. CATANACH  
Director

DRC/wvj

cc Oil Conservation Division – Aztec District Office  
Bureau of Land Management – Farmington Field Office  
Case No. 15622