

State of New Mexico
Energy, Minerals and Natural Resources Department

Michelle Lujan Grisham
Governor

Sarah Cottrell Propst
Cabinet Secretary

Todd E. Leahy, JD, PhD
Deputy Secretary

Adrienne Sandoval, Director
Oil Conservation Division



December 19, 2019

Solaris Water Midstream, LLC (OGRID 371643)
c/o Drew Dixon, Vice President
E-mail contact: drew.dixon@solarismidstream.com

RE: Administrative Order SWD-1707; Extension of Deadline to Inject
Well: Athena 28 SWD Well No. 1 (API 30-025-45324)
Located: Unit E, Sec 28, T20S, R34E, NMPM, Lea County, New Mexico
Order Date: November 27, 2017
Injection formations: Devonian and Silurian formations; 14,500 feet to 16,250 feet

Dear Mr. Dixon:

Reference is made to your November 21, 2019 request on behalf of Solaris Water Midstream, LLC (the "operator") to extend the deadline stipulated in the above titled order to commence injection for the above referenced well for reasons outlined in your correspondence. The current deadline date to commence injection under said order is two years after issuance of the order: November 27, 2019.

It is the Division's understanding from your correspondence that since the date of issuance of this permit, there have been no changes in affected parties and no additional wells that penetrate the approved injection interval drilled in the one-mile Area of Review.

The Division finds that for reasons you have stated, the granting of this request to extend this administrative order is in the interest of conservation, will prevent waste, and will protect the environment. Therefore, the deadline to commence injection for the existing order is hereby extended until November 27, 2020.

All requirements of the above referenced administrative order and agreements in the application remain in full force and effect.

Any additional extension of the deadline to commence injection for this administrative order will not be considered unless the operator has already commenced drilling of the subject well. Otherwise, the injection authority shall expire under the terms of the extended administrative order and the operator shall be required to submit a new application to obtain injection authority for the referenced well.

ADRIENNE SANDOVAL
Director

AS/prg

cc: Oil Conservation Division – Hobbs District Office
Order SWD-1707 and well file for 30-025-45324

NOV 22 2019 PM 01:15



November 21, 2019

New Mexico Oil Conservation Division
1220 S. St. Francis
Santa Fe, New Mexico 87504

Attn: Ms. Adrienne Sandoval, Director

Re: Request for Extension of Solaris Water Midstream, LLC Injection Permit- Athena 28 SWD #1
Administrative Order SWD-1707

Dear Ms. Sandoval:

Solaris Water Midstream, LLC ("Solaris") hereby requests approval from the Division for a one (1) year extension from the deadline stipulated in Order SWD-1707 to commence injection on the Athena 28 SWD #1 well.

Solaris previously constructed the well pad and access road to the well location, but the drilling of the well was delayed due to our continued recycling of produced water within the area surrounding this well. Because we expect our recycling program to continue for some time into the future, we have agreed to work with the Landowner to find a suitable operator to drill the well on behalf of the Landowner. Once extended, Solaris will work with the NMOCD to transfer the permit to the new Operator identified by the Landowner. We believe this to be in the best interest of conversation and to prevent waste.

The AOR does not include any wells that were not addressed in the original application. The surface owner remains the same as in the original application, and Solaris is copying them on this letter so that they are aware of the request for the extension.

If you or your staff have any questions or require additional information, please do not hesitate to contact me.

Best regards,

A handwritten signature in blue ink, appearing to read "Drew Dixon", is written over a faint, larger signature.

Drew Dixon
Solaris Water Midstream, LLC
Vice President, Land, Regulatory and Permitting

Cc: T over V Ranch Land, LLLP (via email)

(8) Unless the proposed well is drilled and completed within one-year commencement of drilling such well, then Ordering Paragraph (1) shall be of no further effect, and the Unit shall terminate unless operator requests in writing an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence and the Division issues written approval.

(9) Upon final plugging and abandonment of the proposed well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled unit created by this order shall terminate unless this order has been amended to authorize further operations.

(10) Infill wells within the Unit shall be subject to Division Rule 19.15.13.9 NMAC and to the terms and conditions of this order.

(11) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit separate itemized schedules of estimated costs of drilling, completing and equipping the proposed well ("well costs").

(12) Within 30 days from the date the schedule of estimated well costs for any well is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above for any well shall remain liable for operating costs but shall not be liable for risk charges to the extent computed based on costs of such well. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph for shall thereafter be referred to as "non-consenting working interest owners."

(13) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs of each well within 90 days following completion of the proposed well. If no objection to the actual well costs for any well is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule for such well, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs for such well after public notice and hearing.

(14) Within 60 days following determination of reasonable well costs for any well, any pooled working interest owner who has paid its share of estimated costs of such well in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the

EXHIBIT A

amount, if any, that the estimated well costs it has paid for such well exceed its share of reasonable well costs.

(15) The operator is hereby authorized to withhold the following costs and charges from each non-consenting working interest owner's share of production from each well:

- (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and
- (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

(16) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs for such well.

(17) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$8,000 per month, per well, while drilling and \$800 per month, per well, while producing, provided that these rates shall be adjusted annually pursuant to the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production from each well the proportionate share of both the supervision charges and the actual expenditures required for operating of such well, not more than what are reasonable, attributable to pooled working interest owners.

(18) Except as provided in the foregoing paragraphs, all proceeds from production from the well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A-31, as amended).

(19) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for allocating costs and charges under this order. Any costs that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(20) Should all the parties to this compulsory pooling order reach voluntary agreement after entry of this order, this order shall thereafter be of no further effect.

(21) The operator of the wells and Unit shall notify the Division in writing of the subsequent voluntary agreement of any party subject to the compulsory pooling provisions of this order.

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(22) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Heather Riley
HEATHER RILEY
Director

EXHIBIT A