

Additional Information

Consent to updated
order with special
conditions and
correspondence



February 16, 2023

Dylan et al,

Thank you for the opportunity on Monday (2/13/23) to discuss with the Division the proposed conditions related to the continued operation of the Scott B SWD. We appreciated the Division's willingness to dialogue and to explain its position expressed in the letter, dated 1/23/23, specifically that the Scott B SWD can continue to operate upon the condition, amongst the others articulated in the letter, that an annual MIT at <500 PSI shall be conducted on the well, and in the event that test returns a result similar to that returned in 2022 (marginal pressure gain), the well will be allowed to continue operating upon demonstrating integrity via a second MIT at a pressure >500 PSI.

Additionally, as discussed, NGL will contact the Division prior to conducting the required annual Scott B MIT and will also engage with the Division should NGL identify an addition well(s) that may be experiencing similar marginal gas intrusion / pressure gain circumstances.

Sincerely,

Matthias Sayer
Matthias Sayer

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

Dylan M. Fuge, Division Director (Acting)
Oil Conservation Division



BY ELECTRONIC MAIL ONLY

Matthias Sayer
Regulatory Affairs
NGL Water Solutions Permian, LLC
Email: Matthias.Sayer@nglep.com

**RE: SUBSEQUENT MECHANICAL INTEGRITY TESTING AND FUTURE
OPERATION OF THE SCOTT B SWD WELL NO. 1 (API NO. 30-015-44061)**

Dear Mr. Sayer:

The Oil Conservation Division (“OCD”) has reviewed the submission of NGL Water Solutions Permian, LLC (“NGL”; OGRID 372338) dated October 31, 2022, regarding a failed mechanical integrity test (“MIT”) conducted as part of the conditions stipulated in SWD Order 1642-A. The OCD has also reviewed the results of the subsequent MIT conducted on January 17, 2023.

As a result of the well passing the subsequent MIT, the OCD has determined that the well satisfies the requirement to recommence injection operations. However, as a result of the prior reported gas accumulation along with the failed MIT, OCD will need to address the well’s integrity with continued operation and ensure that this reoccurring issue is addressed. Therefore, OCD is requesting that NGL consent to issuance of a new UIC permit which will include operational conditions that can be address the current well situation.

On December 18, 2020, OCD adopted a new form of order granting injection authority for UIC wells to ensure the prevention of waste and the protection of correlative rights, public health, and the environment as required by the Oil and Gas Act and OCD’s delegation of authority from the U.S. Environmental Protection Agency. A copy of the new form of order is attached for your review. If NGL consents to the new form of order, it may continue injection in the interim. If not, OCD requests that NGL continue not to inject until the appropriate operational conditions can be agreed to.

The items the OCD would address in the new order as Special Conditions of Approval are:

- An increase in frequency of MIT from a five-year period to annual.
 - Based on prior results, at least one MIT will need to be conducted at less than

500 PSI max.

- The operator can elect to perform a higher-pressure MIT separately from the first MIT.
- Requirement for all casing annuluses to be consistently (hourly) monitored for pressure with this information retained as to be made available to the OCD upon request. The operator shall also summarize this data every six months and submit attached to a Form C-103.
- If any pressure abnormality is observed, a gas analysis shall be taken from the annulus with the pressure increase and the analytical results along with a description of the event shall be reported using a Form C-103.
- Requirement for NGL to prepare a remedial plan for the well when the tubing is serviced or replaced.

Please advise whether you concur in the granting of injection authority using the new form of order as set forth.


Dylan M. Fuge
Director (Acting)

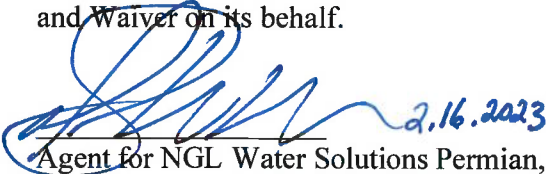
Date: 1/23/2023

DMF/drc

cc: OCD Engineering Bureau
Well File (30-015-44061)
Admin Order SWD-1642-A file

**CONSENT TO ISSUANCE OF PERMIT USING NEW TEMPLATE
AND WAIVER OF RIGHT OF APPEAL**

NGL Water Solutions Permian, LLC, having reviewed the new form of order for injection authority for UIC wells, consents to issuance of an order based thereon, and waives its right of appeal of such order or any condition in such order to any forum or tribunal. NGL Water Solutions Permian, LLC, understands that OCD may determine that additional conditions are necessary and appropriate to prevent waste and protect correlative rights, public health, and the environment, and retains its right of appeal with respect to such additional conditions. NGL Water Solutions Permian, LLC further warrants that the undersigned person is authorized to execute this Consent and Waiver on its behalf.


Agent for NGL Water Solutions Permian, LLC

Rose-Coss, Dylan, EMNRD

From: Matthias Sayer <Matthias.Sayer@nglep.com>
Sent: Thursday, February 16, 2023 10:59 AM
To: Rose-Coss, Dylan, EMNRD; Goetze, Phillip, EMNRD; Gebremichael, Million, EMNRD
Cc: neel.duncan@iptwell.com; Powell, Brandon, EMNRD; Wrinkle, Justin, EMNRD; Cordero, Gilbert, EMNRD
Subject: RE: [EXTERNAL] MIT and deep SWDs
Attachments: Scott B consent to conditions .pdf

Follow Up Flag: Follow up
Flag Status: Flagged

Categories: Red Category

Dylan et al,

Thank you once again for the group's time and discussion on Monday.

Attached you will find the executed letter of consent. Let me know if anything additional is required.

Gracias,

Matthias



MATTHIAS SAYER
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From: Rose-Coss, Dylan, EMNRD <DylanH.Rose-Coss@emnrd.nm.gov>
Sent: Monday, January 23, 2023 9:39 AM
To: Matthias Sayer <Matthias.Sayer@nglep.com>; Goetze, Phillip, EMNRD <phillip.goetze@emnrd.nm.gov>; Gebremichael, Million, EMNRD <Million.Gebremichael@emnrd.nm.gov>
Cc: neel.duncan@iptwell.com; Powell, Brandon, EMNRD <Brandon.Powell@emnrd.nm.gov>; Wrinkle, Justin, EMNRD <Justin.Wrinkle@emnrd.nm.gov>; Cordero, Gilbert, EMNRD <Gilbert.Cordero@emnrd.nm.gov>
Subject: RE: [EXTERNAL] MIT and deep SWDs

CAUTION: This email came from outside NGL.

Matthias,

Here is an letter as signed by the acting director providing complete with a signature line for NGL to consent to an updated order. The letter also include a copy of the new order template for review.

Let us know if there are any questions.

Regards,

Dylan Rose-Coss

Petroleum Specialist
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

C: (505) 372-8687



From: Matthias Sayer <Matthias.Sayer@nglep.com>

Sent: Friday, January 20, 2023 10:46 AM

To: Rose-Coss, Dylan, EMNRD <DylanH.Rose-Coss@emnrd.nm.gov>; Goetze, Phillip, EMNRD <phillip.goetze@emnrd.nm.gov>; Gebremichael, Million, EMNRD <Million.Gebremichael@emnrd.nm.gov>

Cc: neel.duncan@iptwell.com; Powell, Brandon, EMNRD <Brandon.Powell@emnrd.nm.gov>; Wrinkle, Justin, EMNRD <Justin.Wrinkle@emnrd.nm.gov>; Cordero, Gilbert, EMNRD <Gilbert.Cordero@emnrd.nm.gov>

Subject: RE: [EXTERNAL] MIT and deep SWDs

Dylan,

Thank you for the update.

We will look for the letter and perhaps work to schedule a time to discuss with this group once it is received.

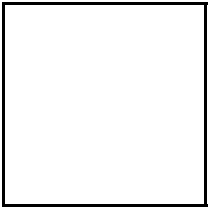
Thank you for your time and consideration,

Matthias

From: Rose-Coss, Dylan, EMNRD <DylanH.Rose-Coss@emnrd.nm.gov>

Sent: Thursday, January 19, 2023 3:18 PM

To: Matthias Sayer <Matthias.Sayer@nglep.com>; Goetze, Phillip, EMNRD <phillip.goetze@emnrd.nm.gov>; Gebremichael, Million, EMNRD <Million.Gebremichael@emnrd.nm.gov>
Cc: neel.duncan@iptwell.com; Powell, Brandon, EMNRD <Brandon.Powell@emnrd.nm.gov>; Wrinkle, Justin, EMNRD <Justin.Wrinkle@emnrd.nm.gov>; Cordero, Gilbert, EMNRD <Gilbert.Cordero@emnrd.nm.gov>
Subject: RE: [EXTERNAL] MIT and deep SWDs



Matthias and Neel,

After internal discussion of the results of the subsequent MIT, it was determined that the Scott B SWD [30-015-44061] satisfies the requirements to recommence injection.

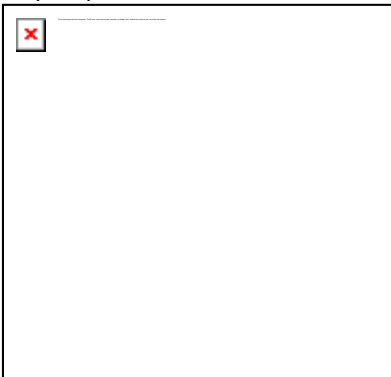
We will reach out shortly with the letter re: consenting to a new order with conditions to address the mechanical integrity.

Regards,

Dylan Rose-Coss

Petroleum Specialist
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

C: (505) 372-8687



From: Matthias Sayer <Matthias.Sayer@nglep.com>
Sent: Friday, November 18, 2022 3:25 PM
To: Rose-Coss, Dylan, EMNRD <DylanH.Rose-Coss@emnrd.nm.gov>; Goetze, Phillip, EMNRD <phillip.goetze@emnrd.nm.gov>; Tremaine, Jesse, EMNRD <JesseK.Tremaine@emnrd.nm.gov>; Gebremichael, Million, EMNRD <Million.Gebremichael@emnrd.nm.gov>
Subject: [EXTERNAL] MIT and deep SWDs

CAUTION: This email originated outside of our organization. Exercise caution prior to clicking on links or opening attachments.

All,

Thank you for your time earlier this week.

As I mentioned at the end of the call, is it possible to schedule a meeting with this group after Thanksgiving to discuss MIT issues as applied to deep disposal wells, e.g. issues being examined in the context of the NGL Scott B and other deep wells?

This issue is likely to continue arising and we are hoping to dialogue a bit in attempt to get ahead of it.

Thank you for your time and help!

Matthias

Note, I did not include Kaitlyn here because I do not have her email—please forward. Thank you.

From: Matthias Sayer

Sent: Monday, October 31, 2022 10:01 AM

To: Rose-Coss, Dylan H, EMNRD <DylanH.Rose-Coss@state.nm.us>

Subject: MIT for IPI

Dylan,

Regarding the IPI process, specifically the associated MIT. If an MIT has been recently completed (within the past few months—the well is new and MIT was done prior to commencement of initial injection), is an additional MIT necessary as part of the IPI or would SRT be sufficient?

Thank you,

Matthias