

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 Cabinet Secretary

Adrienne Sandoval, Division Director
Oil Conservation Division



**BY CERTIFIED MAIL – RETURN RECEIPT REQUESTED
AND ELECTRONIC MAIL**

February 21, 2022

Tiffany M. Yancey
Lead Production Analyst
XTO Permian Operating, LLC
6401 Holiday Hill Road
Building 5
Midland, TX 79707
Tiffany.Yancey@exxonmobil.com

NOTICE OF VIOLATION

Poker Lake Unit 2 TD State SWD Well No. 1 (API 30-015-45223)

The Director of the Oil Conservation Division (“OCD”) issues this Notice of Violation (“NOV”) pursuant to 19.15.5.10 NMAC.

(1) Alleged Violators: XTO Permian Operating, LLC, OGRID 373075 (“Operator”).

(2) Citation, Nature, and Factual and Legal Basis for Alleged Violation(s):

19.15.26.8 INJECTION OF FLUIDS INTO RESERVOIRS:

A. Permit for injection required

(1) *A permit is required under 19.15.26 NMAC for any injection wells that inject:*

(a) *produced water or other fluids that are brought to the surface in connection with natural gas storage operations or conventional oil or natural gas production....*

19.15.5.11 ENFORCEABILITY OF PERMITS AND ADMINISTRATIVE ORDERS: *A person who conducts an activity pursuant to a permit, administrative order or other written authorization or approval from the*

division shall comply with every term, condition and provision of the permit, administrative order, authorization or approval.

**19.15.7.16 WELL COMPLETION OR RECOMPLETION REPORT
AND LOG (Form C-105):**

A. *Within 45 days following the completion or recompletion of a well, the operator shall file form C-105....*

1. On June 20, 2019, OCD issued Administrative Order SWD-1974 (“SWD Permit”) authorizing Operator to dispose produced water into an interval consisting of the Devonian and Silurian formations from approximately 16,580 feet to 18,031 feet through the Poker Lake Unit 2 TD State SWD Well No. 1 (API 30-015-45223) (“Well”).

2. The SWD Permit established the following terms and conditions:

- a. Operator’s authority to dispose produced water into the Well terminated if Operator did not commence injection or submit a written request for an extension of such authority on or before June 20, 2020.
- b. Prior to commencing disposal of produced water into the Well, Operator must submit mudlog and geophysical logs and a summary of depths for contacts of the formations demonstrating that only the permitted formation is open to disposal.
- c. Prior to commencing disposal of produced water into the Well, Operator shall obtain a bottom-hole pressure measurement representative of the open-hole completion and provide a copy to OCD.
- d. Prior to commencing disposal of produced water into the Well, Operator shall notify OCD of the date and time of the initial mechanical integrity test (“MIT”).
- e. Prior to commencing disposal of produced water into the Well, the Well shall pass the initial MIT.
- f. Operator shall notify OCD in writing of the date of commencement of disposal of produced water into the Well.

3. Operator did not submit Form C-105 Completion Report for the Well.

4. Operator did not submit a written request for an extension of authority to dispose produced water into the Well before June 20, 2020.

5. Operator commenced injection into the Well on September 20, 2020.

6. Operator did not submit mudlog and geophysical logs and a summary of depths for contacts of the formations demonstrating that only the permitted formation is open to disposal prior to commencing disposal of produced water into the Well.

7. Operator did not obtain a bottom-hole pressure measurement representative of the open-hole completion prior to commencing disposal of produced water into the Well.

8. Operator did not provide a copy of the bottom-hole pressure measurement to OCD prior to commencing disposal of produced water into the Well.

9. Operator did not notify OCD of the date and time of the initial MIT prior to commencing disposal of produced water into the Well.

10. Operator did not conduct the initial MIT prior to commencing disposal of produced water into the Well.

11. Operator did not notify OCD in writing of the date of commencement of disposal of produced water into the Well.

(3) *Compliance*: No later than five (5) business days after issuance of this NOV, Operator shall cease disposal of produced water into the Well; (2) submit Form C-105 Completion Report for the Well; (3) submit the mudlog and geophysical logs and a summary of depths for contacts of the formations demonstrating that only the permitted formation was open to disposal; and (4) conduct and submit the results of a mechanical integrity test.

(4) *Sanction(s)*: OCD may impose one or more of the following sanctions:

- civil penalty
- modification, suspension, cancellation, or termination of a permit or authorization
- shutting in a well or wells
- plugging and abandonment of a well
- remediation and restoration of a well location and associated facilities, including the removal of surface and subsurface equipment and other materials
- remediation and restoration of a location affected by a spill or release
- forfeiture of financial assurance
- any other remedy authorized by law

For the alleged violations of 19.15.5.11 NMAC described above and consistent with applicable law, OCD proposes the following sanctions (one or more of which may ultimately be selected):

(a) Civil Penalty:

| | |
|--|---------------|
| Failure to Submit C-105 Completion Report | \$ 200,000.00 |
| Injection After Termination of Injection Authority | \$ 200,000.00 |
| Failure to Submit Mudlogs, Geophysical Logs & Depths | \$ 1,800.00 |
| Failure to Obtain Bottom-Hole Pressure Measurement | \$ 1,800.00 |
| Failure to Submit Bottom-Hole Pressure Measurement | \$ 1,800.00 |
| Failure to Submit Notification of Intent to Conduct MIT | \$ 2,500.00 |
| Failure to Conduct MIT | \$ 200,000.00 |
| Failure to Submit Notification of Injection Commencement | \$ 1,800.00 |

The civil penalty calculations are attached. OCD may recalculate the civil penalties for additional violations occurring on or after the date of issuance of this NOV and will take into consideration Operator's good faith effort to comply with the applicable requirements.

- (b) Operator shall shut-in the Well.
- (c) Operator shall plug and abandon the Well and remediate the wellsite and associated facilities.
- (d) If Operator fails to plug and abandon the Well or to remediate the wellsite and associated facilities, OCD shall be authorized to take such action, forfeit financial assurance for the Well, and compel Operator to reimburse OCD for its costs.

(5) Informal Review and Resolution: A process is available for the informal review and resolution of the alleged violations in the NOV. To initiate the informal review process, contact the OCD employee identified at the end of this letter. If OCD and the alleged violator agree to resolve the alleged violations in the NOV, the agreement will be incorporated into a stipulated final order signed by both parties and stating that the alleged violator admits OCD's jurisdiction to file the NOV, consents to the specified relief, including the civil penalty, if any, and waives the right of review by the Oil Conservation Commission.

(6) Hearing: If this Notice of Violation is not resolved within thirty (30) days of receipt of service, OCD will hold a hearing on May 18, 2022. Please see 19.15.5.10 NMAC for more information regarding the hearing. However, please note that the hearing does not prohibit OCD from negotiating with the alleged violator at any time to settle the NOV.

For more information regarding this NOV, contact Jesse Tremaine, Assistant General Counsel, (575) 231-9312 or JesseK.Tremaine@state.nm.us.

Regards,



Adrienne Sandoval
Director

cc: OCD Southern District
 EMNRD-OGC