

BW-38

**CLOSURE
PLAN**

Chavez, Carl J, EMNRD

From: Chavez, Carl J, EMNRD
Sent: Wednesday, April 11, 2018 4:52 PM
To: 'danny@pwllc.net'; Griswold, Jim, EMNRD; Kautz, Paul, EMNRD
Cc: 'Marvin Burrows'; Marks, Allison, EMNRD
Subject: RE: Llano Disposal, LLC (BW-38) Proposed State 27 BSW #1 (30-025-20592) WQCC Class III Brine Well Closure Plan and Third Party Financial Assurance Cost Estimate

Also, Llano will need to submit proper OCD Forms with the OCD Hobbs District Office with copy to OCD Santa Fe to take possession of the well.

Thank you.

From: Chavez, Carl J, EMNRD
Sent: Wednesday, April 11, 2018 4:46 PM
To: 'danny@pwllc.net' <danny@pwllc.net>; Griswold, Jim, EMNRD <Jim.Griswold@state.nm.us>; Kautz, Paul, EMNRD <paul.kautz@state.nm.us>
Cc: Marvin Burrows <burrowsmarvin@gmail.com>; Marks, Allison, EMNRD <AllisonR.Marks@state.nm.us>
Subject: Llano Disposal, LLC (BW-38) Proposed State 27 BSW #1 (30-025-20592) WQCC Class III Brine Well Closure Plan and Third Party Financial Assurance Cost Estimate

Marvin, et al.:

The New Mexico Oil Conservation Division (OCD) is in receipt of the above subject WQCC UIC Class III Brine Well Closure Plan and Financial Assurance Cost Estimate.

The OCD hereby **approves** the Closure Plan and Cost Estimate in the amount of \$108,000 to allow Llano Disposal, LLC (Llano) access and/or ownership of the plugged well for various geophysical log testing to assess well construction and competency for use as a Brine Well. Llano will need to receive an approval letter on the financial instrument from OCD before any work may begin. OCD will determine if the well meets OCD requirements, and Llano Disposal, LLC will decide whether to proceed with the WQCC UIC Class III Brine Well Application Process.

Llano may submit its Letter of Credit to Ms. Allison Marks, Deputy Director, in the Santa Fe Office. You may contact Allison at (505) 476-3206 or via E-mail at AllisonR.Marks@state.nm.us.

Please contact me if you have questions. Thank you.

Mr. Carl J. Chavez, CHMM (#13099)
New Mexico Oil Conservation Division
Energy Minerals and Natural Resources Department
1220 South St Francis Drive
Santa Fe, New Mexico 87505
Ph. (505) 476-3490
E-mail: CarlJ.Chavez@state.nm.us

“Why not prevent pollution, minimize waste to reduce operating costs, reuse or recycle, and move forward with the rest of the Nation?” (To see how, go to: <http://www.emnrd.state.nm.us/OCD> and see “Publications”)

From: danny@pwillc.net <danny@pwillc.net>

Sent: Wednesday, April 11, 2018 2:28 PM

To: Chavez, Carl J, EMNRD <CarlJ.Chavez@state.nm.us>; Griswold, Jim, EMNRD <Jim.Griswold@state.nm.us>; Kautz, Paul, EMNRD <paul.kautz@state.nm.us>

Cc: Marvin Burrows <burrowsmarvin@gmail.com>

Subject: Proposed State 27 BSW #1 (30-025-20592)

Carl/Jim,

Thank you for meeting with Marvin and me this morning via telcon concerning a proposed new brine well at L-27-16S-33E in Lea County. Marvin plans to meet with Paul tomorrow concerning the proposed well and its offsets. If all does well there, we will begin work to bond the well. In preparation for the WQCC bond, attached is Llano's proposed Closure Plan and Financial Assurance Plan for your approval. As we discussed today, Llano plans to obtain a single ILC covering both well plugging, surface restoration and subsidence monitoring.

Paul, as soon as WQCC bonding is in place, we will submit a C-102 and C-103 (plug drillout and logging work to evaluate well candidate) to you for approval. We will likely submit a C-101 as well, but we understand that form will be held for approval until after the BW discharge permit is obtained. After the salt section is logged and casing tested, we will file a SN C-103 and meet with OCD concerning well viability as a BSW.

If I've misquoted anything, please provide corrections. Thank you for your assistance with this matter.

Danny J. Holcomb

Agent for Llano Disposal, LLC

Cell: 806-471-5628

Email: danny@pwillc.net

Llano Disposal, LLC
State 27 #1 and Hummingbird Brine Station
Proposed Closure Plan and Financial Assurance Plan

Closure Plan

Per OCD and WQCC regulations, upon cease of operations and after regulatory approval, Llano will plug and abandon the brine well, remove all surface equipment, restore the surface to original contour and reseed it with native grasses. In addition, Llano will continue surface subsidence monument surveys for a minimum of 5 years after well plugging.

1. Well Plug and Abandonment

The brine well will be plugged and abandoned per WQCC regulations section 5-209 and NMOCD rules in place at that time. The plugging plan includes swabbing approximately one foot of water out of the cavern, removing the tubing string, setting a cast iron bridge plug at 10 feet above the 9-5/8" casing window and filling the casing with a Class C high strength salt resistant cement. The wellhead will be cut off and a dry hole marker installed. Over time, large portions of the resulting salt cavern will re-solidify.

2. Surface Restoration

All surface equipment at the brine well location and brine station will be emptied, decommissioned and removed either through recycle, scrapping, sale or used by the owner elsewhere. The disturbed surface at the well location and brine station will be reclaimed and re-contoured to near original condition. The disturbed area will be reseeded with a BLM grass seed mixture to establish 70% minimum regrowth coverage.

3. Surface Subsidence Monitoring

The annual surface subsidence monitoring program (discussed in detail in the proposed discharge plan) will be continued for a minimum of 5 years following plugging and abandonment of the brine well.

**Llano Disposal, LLC
State 27 #1 and Hummingbird Brine Station
Proposed Closure Plan and Financial Assurance Plan**

Financial Assurance Plan

Llano currently has no well plugging bond for the proposed brine well. However, Llano proposes to provide financial assurance for the State '27' #1 Brine Well and Hummingbird Brine Station via a single surety bond in the amount of \$108,000 covering well plugging and abandonment, surface restoration and surface subsidence monitoring for 5 years after ceasing operations as detailed below.

1. Well Plugging - \$41,475

Based on recently obtained bids and experience in plugging wells, Llano proposes a well plugging bond amount of \$41,475. See cost breakdown below.

\$17,400	Well plugging contractor labor/equipment including cement
\$8,925	Equipment rental (workstring, flowback tanks, BOPE, porta-john, etc)
\$4,725	Transportation of equipment
\$3,150	Supervision
\$2,730	Purchase/transportation of brine and fresh water
\$2,100	Disposal of tank fluids
\$1,260	Excavate/cutoff wellhead and anchors; weld on flat plate and PxA marker
\$1,185	Miscellaneous

2. Surface Restoration - \$47,625

Based on recently obtained surface restoration cost quotes, these costs total \$47,625 as detailed below:

\$8,400	Equipment/Labor – washout tanks for disposal, haul fluids and solids to disposal
\$2,200	Backhoe/Labor - 2 days to crush fiberglass tanks and PVC components at brine station
\$2,520	35 Yd Roll-off Dumpsters - delivery, rental and hauling to landfill
\$551	Lea County Landfill Charges – 3 ea 35 yd dumpsters = 105 cy x 300 lbs = 15.75 tons @ \$35/ton
\$1,700	Onsite Supervision
\$20,059	Equipment/Labor – pull all fencing, remove all concrete, disassemble all metal components, re-contour land to original grade, rebuild barbed wire fence to original ranch configuration, remove underground piping, electrical conduit, wiring, high line poles, wiring and signage
\$2,300	Trucking/Disposal – of concrete to Lea County Landfill @ \$35/ton
\$3,700	Trucking – haul metal components to Hobbs Iron & Metal for recycle
\$4,725	Decommission buried polyethylene brine pipeline - costs include fresh water, trucking and pumping to wash pipeline clean and disposal of brine and wash water, then leave pipeline in place for ranching, fresh water sales use
\$1,470	Reseeding BLM mix grass on estimated 2 acres at well location and brine station

3. Surface Subsidence Monitoring - \$18,900

Based on recently obtained surface subsidence survey cost quotes, these costs total \$18,900 for 5 years of follow-on subsidence monument monitoring. Cost estimate is \$1260 per year per monument surveyed. Annual cost to survey three monuments is \$3780 per year or \$18,900 for 5 years.

**Llano Disposal, LLC
Hummingbird State BSW #1 and Brine Station
Proposed Closure Plan and Financial Assurance Plan**

Financial Assurance Plan

Llano currently has no well plugging bond for the proposed brine well. However, Llano proposes to provide financial assurance for the Hummingbird State BSW #1 Brine Well and Hummingbird State Brine Station via a single surety bond in the amount of \$108,000 covering well plugging and abandonment, surface restoration and surface subsidence monitoring for 5 years after ceasing operations as detailed below.

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Chavez, Carl J, EMNRD

From: Marks, Allison, EMNRD
Sent: Wednesday, April 18, 2018 9:40 AM
To: Chavez, Carl J, EMNRD; Griswold, Jim, EMNRD
Cc: danny@pwillc.net; Marvin Burrows
Subject: RE: Llano disposal

I received the LOC for the brine well and reviewed the location and amount with Carl. The LOC and financial assurance is approved as submitted.

Allison R. Marks
New Mexico Oil Conservation Division
1220 S. St. Francis Dr.
Santa Fe, NM 87505
Tel: (505) 476-3206
Fax: (505) 476-3462

From: Chavez, Carl J, EMNRD
Sent: Tuesday, April 17, 2018 2:27 PM
To: Marks, Allison, EMNRD <AllisonR.Marks@state.nm.us>; Griswold, Jim, EMNRD <Jim.Griswold@state.nm.us>
Cc: danny@pwillc.net; Marvin Burrows <burrowsmarvin@gmail.com>
Subject: RE: Llano disposal

Allison:

The WQCC Bond with OCD approved financial assurance amount is for a prospective brine well permit that has yet to be issued. The operator wants to access the plugged well to conduct logging to provide OCD for reuse of the existing well. If the well is permitted, it will be "BW-38."

The operator uses this approach on existing wells for conversion to brine wells. In order to obtain ownership of the plugged wells, the operator obtains bonding, and submits C-101, 102 and 103 Forms to the District for approval. Once approved, they complete the well work to evaluate the condition of the well and make a decision to proceed with a WQCC DP Application.

This well is an interesting one because Paul Kautz (DO1) has identified some PA'd wells within the AOR in need of corrective action to cement the Santa Rosa Fm, which would be a condition of approval for Llano if it proceeds with the application for a brine well.

Please contact me if you have questions. Thank you.

From: Marks, Allison, EMNRD
Sent: Tuesday, April 17, 2018 2:17 PM
To: Griswold, Jim, EMNRD <Jim.Griswold@state.nm.us>
Cc: Jones, Brad A., EMNRD <brad.a.jones@state.nm.us>; Chavez, Carl J, EMNRD <CarlJ.Chavez@state.nm.us>; Billings, Bradford, EMNRD <Bradford.Billings@state.nm.us>
Subject: Llano disposal

I received a bond for \$108k for the State 27 #1 for a discharge permit. Please advise if this is the correct amount and advise what the permit no. is.

Thanks..

Allison R. Marks
New Mexico Oil Conservation Division
1220 S. St. Francis Dr.
Santa Fe, NM 87505
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Fax: (505) 476-3462