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Water Solutions

3773 Cherry Creek N. Drive • Suite 1000 • Denver • CO • 80209  
Phone (303) 815-1010 • Fax (303) 815-1011

October 15, 2019

Energy, Minerals and Natural Resources Department  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Attention: Ms. Adrienne Sandoval  
Division Director

Re: Request to Extend Order SWD-1765  
NGL Water Solutions Permian, LLC  
Mel SWD Federal Well No. 1  
API No. 30-025-45670  
880' FNL & 210' FWL, Unit D  
Section 23, T-25S, R-32E, NMPM,  
Lea County, New Mexico

Dear Ms. Sandoval,

By Administrative Order SWD-1765 dated March 5, 2019 the Division authorized Mesquite SWD, Inc. ("Mesquite") to utilize its Mel SWD Federal Well No. 1 as a produced water disposal well, injection to occur into the Devonian formation through the open-hole interval from approximately 17,300 feet to 18,500 feet. The order also stipulated that the injection authority approved by Order SWD-1765 would terminate on March 5, 2020 in the event the operator has not commenced injection operations into the well by that time, however, the Division did retain the authority to grant an extension to Order SWD-1765 for good cause.

The Mel SWD Federal Well No. 1 has not yet been drilled.

NGL Water Solutions Permian, LLC ("NGL") became the new operator of the subject well effective July 10, 2019.

NGL respectfully requests that Order SWD-1765 be extended for a period of one year until March 5, 2021. This extension is necessary due to the fact that drilling resources were prioritized to high produced water disposal demand areas, and due to the sale of Mesquite's assets to NGL. NGL plans to drill the subject well during the second half of 2021.

An examination of Division records indicate that several new wells have been permitted within the original 1-mile Area of Review ("AOR") since the issuance of Order SWD-1765. These additional permitted wells are summarized in the "Supplemental Area of Review Well List" contained herein. It should be noted that none of the additional permitted wells will penetrate the Devonian formation.

Division records further indicate that Chevron USA, Inc., has permitted new wells in Sections 15 and 22, Township 25 South, Range 32 East, NMPM. At the time the

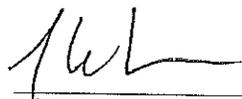
original SWD application was filed, Chevron USA, Inc., was not an operator or interest owner of record within the 1-mile notice area. Consequently, Chevron USA, Inc. did not receive notice of the original application. NGL is providing notice of this request to Chevron USA, Inc. by certified mail.

In support of this request, NGL submits the following documents:

- a) Copy of Order SWD-1765;
- b) Form C-145: Mesquite SWD, Inc., to NGL Water Solutions Permian, LLC;
- c) Current 1-Mile Area of Review Well Map;
- d) Supplemental Area of Review Well List; and
- e) Proof of Notice.

I believe all the information necessary to approve this request is attached. If additional information is necessary, please advise.

Sincerely,



Joseph Vargo  
Director of Regulatory Affairs  
NGL Water Solutions Permian, LLC  
3773 Cherry Creek North Drive  
Denver, Colorado 80209

Xc: OCD-Hobbs  
Bureau of Land Management-Carlsbad Field Office

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

Gabriel Wade, Acting Director  
Oil Conservation Division



Administrative Order SWD-1765  
March 5, 2019

ADMINISTRATIVE ORDER  
OF THE OIL CONSERVATION DIVISION

Pursuant to the provisions of Division Rule 19.15.26.8(B) NMAC, Mesquite SWD, Inc. (the "operator") seeks an administrative order for its Mel SWD Well No. 1 (the "proposed well") with a location of 880 feet from the North line and 210 feet from the West line, (Unit letter D) of Section 23, Township 25 South, Range 32 East, NMPM, Lea County, New Mexico, for the purpose of commercial disposal of produced water.

THE DIVISION DIRECTOR FINDS THAT:

The application has been duly filed under the provisions of Division Rule 19.15.26.8(B) NMAC and satisfactory information has been provided that affected parties have been notified and no objections have been received within the prescribed waiting period. The applicant has presented satisfactory evidence that all requirements prescribed in Division Rule 19.15.26.8 NMAC have been met and the operator is in compliance with Division Rule 19.15.5.9 NMAC.

Application for Disposal in Devonian and Silurian Formations: Due to the potential for the projected injection volume of the proposed well to impact an area greater than the one-half mile radius applied in Division Form C-108 and Division rule, the applicant has provided the following supplementary information:

1. Notification following Division Rule 19.15.26.8(B) NMAC for a radius of one mile from the surface location of the proposed well; and
2. An expanded Area of Review for wells penetrating the disposal interval for a radius of one mile from the surface location of the proposed well.

IT IS THEREFORE ORDERED THAT:

The applicant, Mesquite SWD, Inc. (OGRID 161968), is hereby authorized to utilize its Mel SWD Well No. 1 (API 30-025-45670) with a location of 880 feet from the North line and 210 feet from the West line, (Unit letter D) of Section 23, Township 25 South, Range 32 East, NMPM, Lea County, for disposal of oil field produced water (UIC Class II only) through open-hole completion into an interval consisting of the Devonian and Silurian formations from approximately 17300 feet to approximately 18500 feet. Injection will occur through either an internally-coated, 7-inch or smaller tubing inside the surface and intermediate casings, and a 5-<sup>1/2</sup>-inch or smaller tubing inside the liner (39 pound or less). **Further, a packer shall be set within**

**100 feet of the disposal interval.** This permit does not allow disposal into:

1. The Woodford Shale and formations above the lower contact of the Woodford Shale;
2. Formations below the Silurian formations including the Montoya formation and the Ellenburger formation (lower Ordovician); and
3. Any lost circulation intervals directly on top and obviously connected to these formations.

*Prior to commencing disposal, the operator shall submit mudlog and geophysical logs information, to the Division's District geologist and Santa Fe Engineering Bureau, showing evidence agreeable that only the permitted formation is open for disposal including a summary of depths (picks) for contacts of the formations which the Division shall use to amend this order for a final description of the depth for the injection interval. If significant hydrocarbon shows occur while drilling, the operator shall notify the Division's District I and the operator shall be required to receive written permission prior to commencing disposal.*

*The operator shall circulate to surface the cement for the surface and intermediate casings.*

*If cement does not circulate on any casing string, the operator shall run a cement bond log (CBL) or other log to determine top of cement and shall notify the Hobbs District Office with the top of cement on the emergency phone number prior to continuing with any further cement activity with the proposed well. If cement did not tie back in to next higher casing shoe, the operator shall perform remedial cement action to bring cement, at a minimum, 200 feet above the next higher casing shoe.*

*The operator shall run a CBL (or equivalent) for the 7<sup>5/8</sup>-inch liner to demonstrate placement cement and the cement bond with the tie-in with 9<sup>3/8</sup>-inch casing string. The operator shall provide a copy of the CBL to the Division's District I prior to commencing disposal.*

*Prior to commencing disposal, the operator shall obtain a bottom-hole pressure measurement representative of the open-hole completion. This information shall be provided with the written notice of the date of commencement of disposal.*

**IT IS FURTHER ORDERED THAT:**

The operator shall take all steps necessary to ensure that the disposed water enters only the approved disposal interval and is not permitted to escape to other formations or onto the surface. This includes the completion and construction of the well as described in the application and, if necessary, as modified by the District Supervisor.

After installing tubing, the casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge or an approved leak detection device in order to determine leakage in the casing, tubing, or packer. The casing shall be pressure tested from the surface to the packer setting depth to assure casing integrity.

The well shall pass an initial mechanical integrity test ("MIT") prior to initially commencing disposal and prior to resuming disposal each time the disposal packer is unseated. All MIT procedures and schedules shall follow the requirements in Division Rule 19.15.26.11(A) NMAC. The Division Director retains the right to require at any time wireline verification of completion and packer setting depths in this well.

Without limitation on the duties of the operator as provided in Division Rules 19.15.29 and 19.15.30 NMAC, or otherwise, the operator shall immediately notify the Division's District I office of any failure of the tubing, casing or packer in the well, or of any leakage or release of water, oil or gas from around any produced or plugged and abandoned well in the area, and shall take such measures as may be timely and necessary to correct such failure or leakage.

If the disposal well fails a MIT or if there is evidence that the mechanical integrity of said well is impacting correlative rights, the public health, any underground sources of fresh water, or the environment, the Division Director shall require the well to be shut-in within 24 hours of discovery and the operator shall redirect all disposal waters to another facility. The operator shall take the necessary actions to address the impacts resulting from the mechanical integrity issues in accordance with Division Rule 19.15.26.10 NMAC, and the well shall be tested pursuant to Rule 19.15.26.11 NMAC prior to returning to injection.

The wellhead injection pressure on the well shall be limited to **no more than 3460 psi**. In addition, the disposal well or system shall be equipped with a pressure limiting device in workable condition which shall, at all times, limit surface tubing pressure to the maximum allowable pressure for this well.

The Director of the Division may authorize an increase in tubing pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the disposed fluid from the target formations. Such proper showing shall be demonstrated by sufficient evidence including but not limited to an acceptable step-rate test.

The operator shall notify the supervisor of the Division's District I office of the date and time of the installation of disposal equipment and of any MIT so that the same may be inspected and witnessed. The operator shall provide written notice of the date of commencement of disposal to the Division's District I office. The operator shall submit monthly reports of the disposal operations that includes number of days of operation, injection volume, and injection pressure on Division Form C-115, in accordance with Division Rules 19.15.26.13 and 19.15.7.24 NMAC.

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 injection order after notice and hearing if the operator is in violation of Rule 19.15.5.9 NMAC.

The disposal authority granted herein shall terminate one (1) year after the effective date of this Order if the operator has not commenced injection operations into the subject well. One

year after the last date of reported disposal into this well, the Division shall consider the well abandoned, and the authority to dispose will terminate *ipso facto*. The Division, upon written request mailed by the operator prior to the termination date, may grant an extension thereof for good cause.

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.

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, terminate the disposal authority granted herein.



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**GABRIEL WADE**  
Acting Director

GW/mam

cc: Oil Conservation Division – Hobbs District Office  
Bureau of Land Management - Carlsbad  
Administrative Application pMAM1829252737

Attachment: C-108 well completion diagram

**District I**  
 1625 N. French Dr., Hobbs, NM 88240  
 Phone:(575) 393-8161 Fax:(575) 393-0720

**District II**  
 811 S. First St., Artesia, NM 88210  
 Phone (575) 748-1283 Fax:(575) 748-9720

**District III**  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 Phone (505) 334-6178 Fax:(505) 334-6170

**District IV**  
 1220 S. St Francis Dr., Santa Fe, NM 97505  
 Phone (505) 476-3470 Fax:(505) 476-3462

**State of New Mexico  
 Energy, Minerals and Natural  
 Resources  
 Oil Conservation Division  
 1220 S. St Francis Dr.  
 Santa Fe, NM 87505  
 Change of Operator**

Form C-145  
 Revised May 19, 2017  
 Permit 269083

**HOBBS OCD  
 JUL 03 2019  
 RECEIVED**

**Previous Operator Information**

**New Operator Information**

	<b>Effective Date:</b>	<u>Effective on the date of approval by the OCD</u>
<b>OGRID:</b>	<u>161958</u>	<b>OGRID:</b> <u>372338</u>
<b>Name:</b>	<u>MESQUITE SWD, INC</u>	<b>Name:</b> <u>NGL WATER SOLUTIONS PERMIAN, LLC</u>
<b>Address:</b>	<u>P.O. Box 1479</u>	<b>Address:</b> <u>3773 Cherry Creek North Drive</u>
<b>City, State, Zip:</b>	<u>Carlsbad, NM 88221</u>	<b>City, State, Zip:</b> <u>Denver, CO 80209</u>

I hereby certify that the rules of the Oil Conservation Division ("OCD") have been complied with and that the information on this form and the certified list of wells is true to the best of my knowledge and belief.

Additionally, by signing below, NGL WATER SOLUTIONS PERMIAN, LLC certifies that it has read and understands the following synopsis of applicable rules

PREVIOUS OPERATOR certifies that all below-grade tanks constructed and installed prior to June 16, 2008 associated with the selected wells being transferred are either (1) in compliance with 19.15.17 NMAC, (2) have been closed pursuant to 19.15.17.13 NMAC or (3) have been retrofitted to comply with Paragraphs 1 through 4 of 19.15.17.11(l) NMAC.

**NGL WATER SOLUTIONS PERMIAN, LLC understands that the OCD's approval of this operator change:**

1. constitutes approval of the transfer of the permit for any permitted pit, below-grade tank or closed-loop system associated with the selected wells; and
2. constitutes approval of the transfer of any below-grade tanks constructed and installed prior to June 16, 2008 associated with the selected wells, regardless of whether the transferor has disclosed the existence of those below-grade tanks to the transferee or to the OCD, and regardless of whether the below-grade tanks are in compliance with 19.15.17 NMAC.

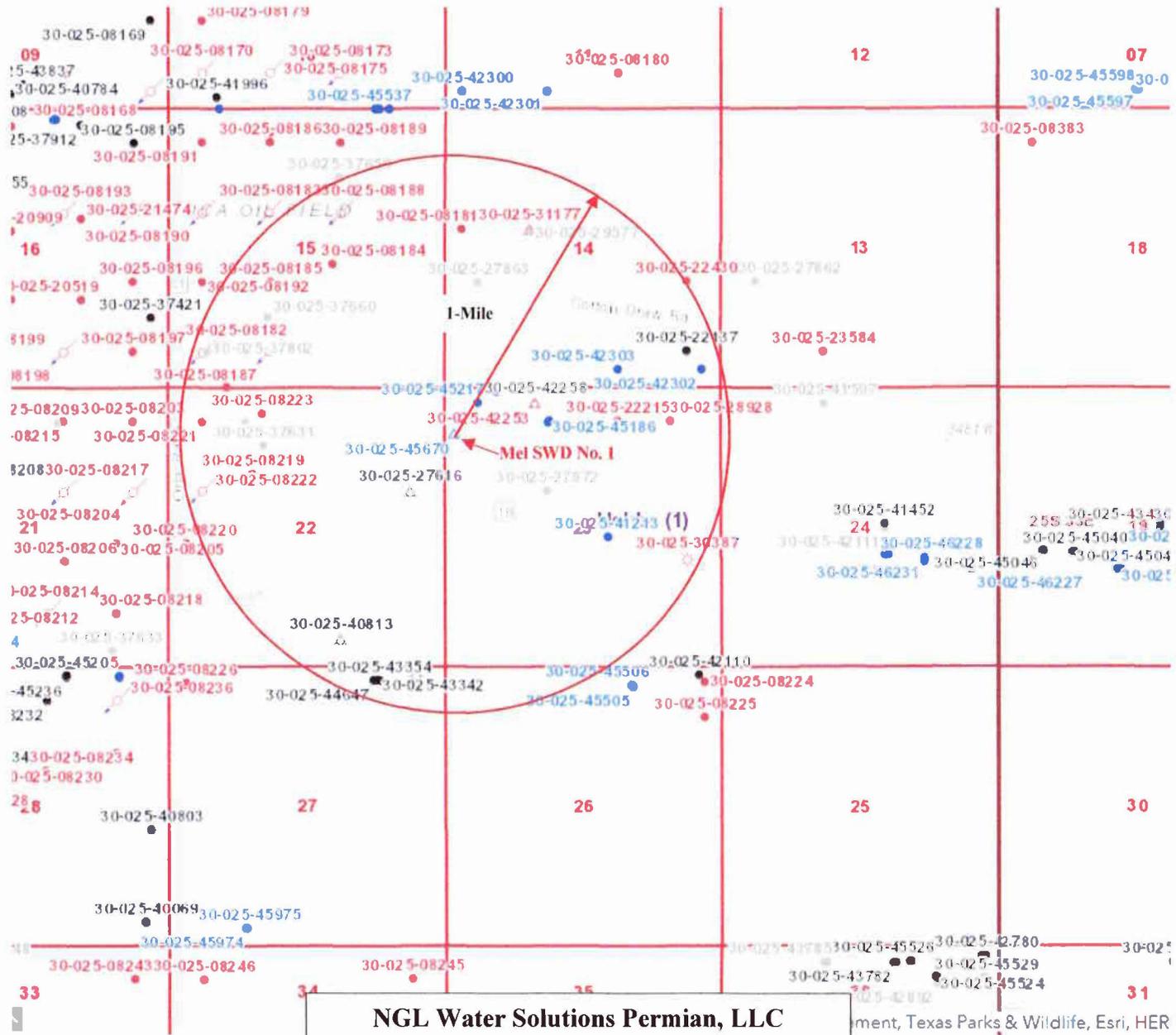
I hereby certify I understand the above. The statements I have made are true and correct and a condition precedent to the Oil Conservation Division accepting this Change of Operator.

**Previous Operator**  
Signature: *Clay Wilson*  
Printed Name: Clay Wilson  
Title: President  
Date: 7/1/19 Phone: 575-706-1840

**New Operator**  
Signature: *Heather Riffey*  
Printed Name: Heather Riffey  
Title: VP Regulatory Affairs  
Date: 7/1/19 Phone: 9707448747

Permit 259083

**NMOCD Approval**  
Electronic Signature: Paul F Kautz, District 1  
Date: July 10, 2019



**NGL Water Solutions Permian, LLC**  
**Application to Extend Order SWD-1765**  
**Mel SWD Federal No. 1**  
**1-Mile AOR and Lease Map**

ment, Texas Parks & Wildlife, Esri, HER

***NGL WATER SOLUTIONS PERMIAN, LLC  
MEL SWD FEDERAL WELL NO. 1(880' FNL & 210' FWL D-23-25S-32E)  
SUPPLEMENTAL AREA OF REVIEW WELL LIST***

API NUMBER	OPERATOR	LEASE NAME	WELL NO.	WELL TYPE	STATUS	FTG. N/S	N/S	FTG. E/W	E/W	UNIT	SEC.	TSHP.	RNG.	TVD	MD	COMPLETION
30-025-45531	Chevron USA, Inc.	CO YETI 15 22 Federal Com	51H	Oil	Drilling	10'	N	1335'	E	B	15	25S	32E	10,623'	21,175'	Bone Spring
					BHL	25'	S	2310'	E	O	22	25S	32E	Proposed Depths		
30-025-45534	Chevron USA, Inc.	CO YETI 15 22 Federal Com	52H	Oil	Drilling	10'	N	1310'	E	A	15	25S	32E	12,056'	22,614'	Wolfcamp
					BHL	25'	S	2310'	E	O	22	25S	32E	Proposed Depths		
30-025-45533	Chevron USA, Inc.	CO YETI 15 22 Federal Com	53H	Oil	Drilling	10'	N	1285'	E	A	15	25S	32E	10,455'	20,945'	Bone Spring
					BHL	25'	S	1430'	E	O	22	25S	32E	Proposed Depths		
30-025-45537	Chevron USA, Inc.	CO YETI 15 22 Federal Com	54H	Oil	Drilling	10'	N	1260'	E	A	15	25S	32E	12,053'	22,541'	Wolfcamp
					BHL	25'	S	1210'	E	P	22	25S	32E	Proposed Depths		
30-025-45535	Chevron USA, Inc.	CO YETI 15 22 Federal Com	55H	Oil	Drilling	10'	N	1235'	E	A	15	25S	32E	10,623'	21,194'	Bone Spring
					BHL	25'	S	550'	E	P	22	25S	32E	Proposed Depths		
30-025-45536	Chevron USA, Inc.	CO YETI 15 22 Federal Com	56H	Oil	Drilling	10'	N	1210'	E	A	15	25S	32E	12,094'	22,660'	Wolfcamp
					BHL	25'	S	330'	E	P	22	25S	32E	Proposed Depths		
30-025-45974	Devon Energy Prod. Co., LP	Haflinger 27 22 Federal Com	231H	Oil	NYD	475'	S	1465'	W	N	27	25S	32E	10,670'	20,942'	Bone Spring
					BHL	20'	N	990'	W	D	22	25S	32E	Proposed Depths		
30-025-45975	Devon Energy Prod. Co., LP	Haflinger 27 22 Federal Com	232H	Oil	NYD	325'	S	1545'	W	N	27	25S	32E	10,670'	20,969'	Bone Spring
					BHL	20'	N	2310'	W	C	22	25S	32E	Proposed Depths		

October 15, 2019

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

TO: Chevron USA, Inc.  
6301 Deauville Blvd.  
Midland, Texas 79706

Re: NGL Water Solutions Permian, LLC  
Request to Extend Order SWD-1765  
Mel SWD Federal Well No. 1  
API No. (30-025-45670)  
880' FNL & 210' FWL, Unit D, Section 23, T-25S, R-32E, NMPM,  
Lea County, New Mexico

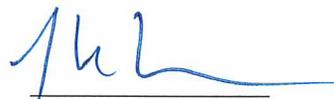
Ladies & Gentlemen:

Enclosed please find a copy of a request filed by NGL Water Solutions Permian, LLC ("NGL") with the Oil Conservation Division to extend Order SWD-1765. This order authorized Mesquite SWD, Inc. to utilize its Mel SWD Federal Well No. 1 as a produced water disposal well, injection to occur into the Devonian formation through the open-hole interval from 17,300 feet to 18,500 feet. This order is set to terminate on March 5, 2020 if injection operations have not commenced by that time. NGL, the successor operator of the well, is seeking a one-year extension of this order until March 5, 2021.

At the time of the filing of the original SWD application, Chevron USA, Inc., was not an operator and/or interest owner of record within the 1-mile notice area, and therefore did not receive notice of the original application. It now appears, however, that Chevron USA, Inc., has permitted numerous wells in Sections 15 and 22, Township 25 South, Range 32 East, NMPM. Consequently, NGL is providing notice of this request to your company.

Any concerns can be addressed to NGL or to the Oil Conservation Division.

Sincerely,



Joseph Vargo  
Director of Regulatory Affairs  
NGL Water Solutions Permian, LLC  
3773 Cherry Creek North Drive  
Denver, Colorado 80209