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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 2, 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-1610
NGL Water Solutions Permian, LLC
Gnome East SWD Well No. 1
API No. 30-015-43801
220' FNL & 305' FWL, Unit D
Section 35, T-23S, R-30E, NMPM,
Eddy County, New Mexico

Dear Ms. Sandoval,

By Administrative Order SWD-1610 dated January 13, 2016, the Division authorized R360 Permian Basin, LLC to utilize its Gnome East SWD Well No. 1 as a produced water disposal well, with injection to occur within the Devonian formation through the open-hole interval from approximately 15,550 feet to 16,550 feet. The order further stipulated that the injection authority approved by Order SWD-1610 would terminate on January 13, 2018, 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-1610 for good cause.

Mesquite SWD, Inc. ("Mesquite"), became the new operator of the subject well effective September 7, 2016.

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

By letter dated March 15, 2018 the Division granted a one-year extension to Order SWD-1610, thereby directing that injection was to commence by January 13, 2019.

By letter dated January 15, 2019 the Division granted an additional one-year extension to Order SWD-1610, thereby directing that injection was to commence by January 13, 2020.

As the new operator of record for this order, NGL respectfully requests that Order SWD-1610 be extended for a period of one year until January 13, 2021. This extension is necessary due to the fact that drilling resources were prioritized to high produced water disposal demand areas, and, as previously noted, the sale of Mesquite's assets to NGL. NGL is in process of laying the groundwork to drill the subject well within the next year.

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

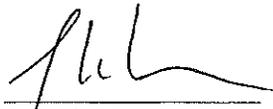
- a) Copy of Order SWD-1610;
- b) Form C-145: R360 Permian Basin, LLC to Mesquite SWD, Inc.;
- c) Form C-145: Mesquite SWD, Inc., to NGL Water Solutions Permian, LLC;
- d) OCD Extension letter dated March 15, 2018;
- e) OCD Extension letter dated January 15, 2019; and
- f) Current 1/2-Mile Area of Review Well Map.

An examination of Division records indicate that no additional wells have been drilled or permitted within the original 1/2-mile Area of Review ("AOR") since the issuance of Order SWD-1610. There remain four active wells within the AOR that are currently producing from the Delaware or Bone Spring formations. None of these wells penetrate the Devonian formation.

Division records further indicate that there are no additional new operators within the original 1/2-mile notice area. In addition, it is NGL's belief that the operator and/or lease ownership provided in the original application has not changed. Consequently, no additional notice is required.

Hopefully all the necessary information to approve this request is included. Should any additional information be 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-Artesia
Bureau of Land Management-Carlsbad Field Office

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



Administrative Order SWD-1610
January 13, 2016

ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION

Pursuant to the provisions of Division Rule 19.15.26.8B, NMAC, R360 Permian Basin, LLC (the "operator") seeks an administrative order to authorize the Gnome East SWD Well No. 1 located 220 feet from the North line and 305 feet from the West line, Unit D of Section 35, Township 23 South, Range 30 East, NMPM, Eddy County, New Mexico, for the commercial disposal of produced water.

THE DIVISION DIRECTOR FINDS THAT:

The application has been duly filed under the provisions of Division Rules 19.15.26.8B, NMAC and satisfactory information has been provided that affected parties as defined in said rule have been notified and no objection was received within the required suspense period. The applicant has presented satisfactory evidence that all requirements prescribed in Rule 19.15.26.8 NMAC have been met and the operator is in compliance with Rule 19.15.5.9 NMAC.

IT IS THEREFORE ORDERED THAT:

The applicant, R360 Permian Basin, LLC (OGRID 289936), is hereby authorized to utilize its Gnome East SWD Well No. 1 (API 30-015-pending) located 220 feet from the North line and 305 feet from the West line, Unit D of Section 35, Township 23 South, Range 30 East, NMPM, Eddy County, for commercial disposal of oil field produced water (UIC Class II only) in the Devonian formation, through an open-hole interval from **15550 to 16550 feet**. Injection will occur through internally-coated, 4½-inch or smaller tubing and a packer set within 100 feet of the open-hole injection interval.

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 proposed in the application, and as modified by this Order.

This permit is limited as advertised to only the Devonian aged rocks and to the depths listed above. It does not permit disposal into deeper formations including the Ellenburger formation (lower Ordovician) or lost circulation intervals directly on top and obviously connected to that formation.

Prior to commencing disposal, the operator shall submit mudlog and geophysical logs information, to the Division's District geologist and Santa Fe Bureau Engineering office, 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.

Every casing string shall be cemented and circulated to the surface.

The operator shall run a CBL (or equivalent) across the 7-inch casing to surface to ensure good cement across the casing.

Within two years after commencing disposal, the operator shall conduct an injection survey, consisting of a temperature log or equivalent, over the entire injection interval using representative disposal rates. Copies of the survey results shall be provided to the Division's District II office and Santa Fe Engineering Bureau office.

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 19.15.26.11A. NMAC. The Division Director retains the right to require at any time wireline verification of completion and packer setting depths in this well.

The wellhead injection pressure on the well shall be limited to **no more than 3100 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 formation. 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 II 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 office. The operator shall submit monthly reports of the disposal operations on Division Form C-115, in accordance with Division Rules 19.15.26.13 and 19.15.7.24 NMAC.

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 II

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.

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 two (2) years 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.



DAVID R. CATANACH
Director

DRC/mam

cc: Oil Conservation Division – Artesia
Bureau of Land Management - Carlsbad
Application number - pMAM1536258742

District I
 1625 N. French Dr., Hobbs, NM 88240
 Phone:(575) 393-6161 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 87505
 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

		Effective Date	<u>Effective on the date of approval by the OCD</u>
OGRID	<u>161968</u>	OGRID:	<u>372338</u>
Name:	<u>MESQUITE SWD, INC</u>	Name	<u>NGL WATER SOLUTIONS PERMIAN, LLC</u>
Address:	<u>P.O. Box 1479</u>	Address:	<u>3773 Cherry Creek North Drive</u>
City, State, Zip	<u>Carlsbad, NM 88221</u>	City, State, Zip	<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(i) 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.

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

Heather Riley, Division Director
Oil Conservation Division



March 15, 2018

Ms. Melanie Wilson
Mesquite SWD, Inc.
P. O. Box 1479
Carlsbad, NM 88220

RE: Administrative Order SWD-1610; First Extension of Deadline to Commence Injection

Gnome East SWD Well No. 1 (API 30-015-43801)
Unit D, Sec 35, T23S, R30E, NMPM, Eddy County, New Mexico
[*220 feet from the North line and 305 feet from the West line of Section 35]
Order Date: January 13, 2016
Injection into Devonian formation; permitted interval: 15550 feet to 16550 feet

Dear Ms. Wilson:

Reference is made to your request on behalf of Mesquite SWD, Inc. (the "operator") to extend the deadline stipulated in order SWD-1610 based upon the approval date of January 13, 2016, to commence injection for the above referenced well for an additional one year for reasons outlined in the attached correspondence. The Division was provided written notification to extend this deadline prior to January 13, 2018, but issuance of an extension was suspended pending the final approval by the Bureau of Land Management of the surface location* for the well.

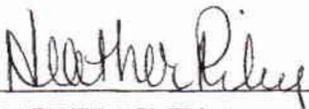
It is the Division's understanding from your request that there have been no significant changes in the information provided in the application submitted for review and approval of this order. The additional evaluation for the extension included a review for the completion of new wells within the Area of Review that penetrated the approved injection interval and any changes in ownership of affected persons notified for the original application.

The Division finds that granting this request to extend this administrative order is in the interest of conservation, will prevent waste, and will protect the environment.

SWD-1610: First Extension of Deadline to Commence Injection
Mesquite SWD, Inc.
March 15, 2018
Page 2 of 2

The deadline to commence injection for the existing order is hereby extended until January 13, 2019. All requirements of the above referenced administrative order and agreements in the application remain in full force and effect.

Sincerely,


HEATHER RILEY
Director

HR/prg

cc: Oil Conservation Division – Artesia District Office
Bureau of Land Management – Carlsbad Field Office
Well file 30-015-43801
SWD-1610

State of New Mexico
Energy, Minerals and Natural Resources Department

Michelle Lujan Grisham
Governor

Sarah Cottrell Propst
Cabinet Secretary Designate

Gabriel Wade, Acting Director
Oil Conservation Division



January 15, 2019

Ms. Stormi Davis
Mesquite SWD, Inc.
P. O. Box 1479
Carlsbad, NM 88220

RE: Administrative Order SWD-1610; Second Extension of Deadline to Commence Injection

Gnome East SWD Well No. 1 (API 30-015-43801)
Unit D, Sec 35, T23S, R30E, NMPM, Eddy County, New Mexico
Order Date: January 13, 2016
First extension to commence injection issued March 15, 2018.
Injection into Devonian formation; permitted interval: 15550 feet to 16550 feet

Dear Ms. Davis:

Reference is made to your request on behalf of Mesquite SWD, Inc. (the "operator") to extend the deadline stipulated in order SWD-1610 based upon the approval date of January 13, 2016, to commence injection for the above referenced well for an additional one year for reasons outlined in the attached correspondence. Previously, the order was approved for a one-year extension to a new deadline of January 13, 2019. The recent request for the additional extension was received by the Division on October 10, 2018, prior to the expiration of the first extension.

It is the Division's understanding from your request that there have been no significant changes in the information provided in the application submitted for review and approval of this order. These changes include the completion of new wells within the Area of Review that penetrated the approved injection interval and any changes in ownership.

The Division finds that granting this request to extend this administrative order is in the interest of conservation, will prevent waste, and will protect the environment.

The deadline to commence injection for the existing order is hereby extended until January 13, 2020. All requirements of the above referenced administrative order and agreements in the application

SWD-1610: Second Extension of Deadline to Commence Injection
Mesquite SWD, Inc.
January 15, 2019
Page 2 of 2

remain in full force and effect.

Sincerely,

A handwritten signature in black ink, appearing to read 'GABRIEL WADE', is written over a horizontal line. The signature is stylized and somewhat cursive.

GABRIEL WADE
Director

GW/prg

cc: Oil Conservation Division – Artesia District Office
Bureau of Land Management – Carlsbad Field Office
Well file 30-015-43801
SWD-1610

