



CASE NO. 20779

OCD Exhibit 1

OCD's Recommended Conditions of Approval

OCD recommends these conditions of approval for acid gas injection (AGI) wells, in addition to the general requirements for all UIC Class II wells issued under Rule 15.19.26 NMAC - *Injection*.

1. Operator shall conduct an annual mechanical integrity test (MIT) on the proposed well.
2. Operator shall conduct continuous monitoring of surface treated acid gas (TAG) injection pressure, temperature, rate, surface annular pressure, and bottom-hole (or “end of tubing”) temperatures and pressures in the tubing and annulus.
3. Operator shall conduct step-rate and fall-off tests on the completed well before commencing injection. Operator may adjust the maximum surface injection pressure for the well after these tests with OCD’s written approval.
4. Operator shall maintain a maintenance log, including the volume of annular fluid (diesel) replaced in the annulus of the well.
5. Operator shall establish temperature parameters for injected fluid, install and maintain temperature-activated controls to govern the temperature of injected fluid, and install and maintain an alarm system for the controls to indicate exceedance of the parameters.
6. Operator shall report to OCD on a quarterly basis the summary data for injection parameters monitored under the permit, and upon request by OCD, shall submit annual reports after each year of operation.
7. Operator shall equip the well with a pressure-limiting device and a one-way safety valve (with the appropriate interior drift diameter) on the tubing approximately 250 feet below the surface.
8. Operator shall use a corrosion-inhibiting diesel with a biocide component as the annular fluid of the well.
9. Operator shall circulate cement for all casing to the surface.
10. Well construction shall be designed for exposure to corrosive environment including the casing, casing cement, tubing, and packer in proximity of injection interval.



State of New Mexico
Energy, Minerals and Natural Resources Department
State of New Mexico Oil Conservation Division

11. Prior to commencing injection, Operator shall obtain OCD's approval a hydrogen-sulfide contingency plan that complies with Rule 19.15.11.9 NMAC, and that includes a contingency plan for and a GIS mapping layer showing the gathering lines associated with the natural gas processing plant(s) served by the well.
12. No later than thirty (30) days prior to commencing injection, Operator shall obtain OCD's approval of immediate notification parameters for annulus pressure and tubing and casing differential pressure at a set injection temperature.
13. No later than forty-five (45) days after Operator completes the drilling the well, Operator shall submit to OCD's district office the well drilling logs including mudlogs, electric logs, daily reports, and static bottom-hole pressure measured at completion of drilling the well.
14. No later than forty-five (45) days after completion of the well, Operator shall submit to OCD the final reservoir evaluation and confirm that the open-hole portion of the well does not intersect the fault plane of any identified fault that occurs within the approved injection interval.
15. No later than ninety (90) days after commencing injection, and no less frequently than annually thereafter, Operator shall consult with OCD regarding the immediate notification parameters. If OCD determines that the immediate notification parameters should be modified, Operator shall provide modified parameters within thirty (30) days of notification for review by OCD.
16. No later than thirty (30) days after the fifth (5th) year of injection, Operator shall submit to OCD a report summarizing the well's performance, including injected volumes by fluid type, change in reservoir pressures, the models used in the Application calibrated using that information, and seismic modeling. Operator shall provide an in-person presentation of the report to the Commission at its request.
17. Operator shall construct the well in accordance with the specifications stated in the C-108 application, including the use of corrosion-resistant casing or cement in the proposed injection interval in the Silurian-Devonian formations and the existing injection interval for the Red Hills AGI No. 1 well in the Delaware Mountain Group.
18. Operator shall install, operate, and monitor for the life of the permit a seismic monitoring station. OCD shall be responsible for coordinating with the state semiologist at the New Mexico Bureau of Geology and Mineral Resources for appropriate specifications for the equipment and the required reporting procedure for the monitoring data.