

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL
CONSERVATION COMMISSION**

**SECOND APPLICATION OF
SALT CREEK MIDSTREAM, LLC
TO AMEND ORDER NO. R-20913-C**

**CASE NOS. 23464 and 23294
ORDER NO. R-20913-F**

ORDER OF THE COMMISSION

THIS MATTER comes before the New Mexico Oil Conservation Commission (“Commission”) on Salt Creek Midstream, LLC’s (“Salt Creek”) *Second Application to Amend Order No. R-20913-D* (“Second Application”) pursuant to Sections 70-2-6(B) and 70-2-13 NMSA 1978 of the Oil and Gas Act and 19.15.4.20 NMAC. The Commission, having considered the Second Application, enters the following findings of fact, conclusions of law, and order.

FINDINGS OF FACT

1. On August 5, 2019, Salt Creek filed an application seeking authority to inject treated acid gas (“TAG”) from the Ameredev South Gas Processing Plant into the proposed Salt Creek Midstream AGI No. 1 Well (“Well”). The application was assigned Case No. 20780.
2. The Well is an Underground Injection Control Class II well subject to the requirements of 19.15.26 NMAC.
3. The Well is vertical with an approximate surface and bottomhole location at 594 feet from the West line and 2,370 feet from the South line of Section 21, Township 26 South, Range 36 East, Lea County.
4. The target injection zone for the Well is located in the Bell Canyon and Cherry Canyon formations of the Delaware Mountain Group (“DMG”) at depths approximately 5,410 feet to 7,000 feet.
5. The New Mexico State Land Office (“SLO”) and the Oil Conservation Division (“OCD”) entered appearances in Case No. 20780.
6. Salt Creek, OCD, and SLO (“the Parties”) negotiated a set of permit conditions. The permit conditions required Salt Creek to, within a specific timeframe, construct a second well in the Devonian formation that would become the primary disposal well.
7. The Commission heard Case No. 20780 on December 11, 2019.

8. On January 16, 2020, the Commission issued Order No. R-20913-C approving Salt Creek's application with the conditions agreed upon by the Parties.
9. Pursuant to Order No. R-20913-C, the deadline for Salt Creek to file the application for the Devonian Well was July 16, 2020, but no application was filed.
10. On September 17, 2020, Salt Creek filed an application in Case No. 21476 requesting that the Commission amend Order No. R-20913-C to: (1) reinstate Salt Creek's authorization to commence injection of TAG into the DMG Well; (2) require Salt Creek to commence injection of TAG into the DMG Well within two years of issuance of a new order; and (3) require Salt Creek to submit a C-108 for the Devonian Well within six months after Salt Creek Spuds the DMG Well.
11. The Commission heard Case No. 21476 on December 9, 2020.
12. The SLO and OCD entered appearances in Case No. 21476 and neither party opposed the request.
13. On December 28, 2020, the Commission issued Order No. R-20913-D approving Salt Creek's application with the conditions agreed upon by the Parties.
14. Salt Creek spudded the Well (API: 30-25-46746) on October 19, 2022, and commenced drilling on October 24, 2022. However, Salt Creek encountered technical complications which ultimately caused Salt Creek to plug the Well.
15. On December 6, 2022, Salt Creek filed an application, designated as Case No. 23294, seeking to amend Order No. R-20913-D to extend the deadline to commence injection of TAG into the DMG Well until six months from the date of the amended order.
16. On December 12, 2022, Salt Creek filed a second application, designated as Case No. 23464, to amend Order No. R-20913-D to: (1) approve a new well design and location for the Salt Creek Midstream AGI No. 1 Well; and (2) extend the deadline for Salt Creek to commence injection into the Well until twenty-four months from the date of the amended order.
17. According to the second application, the target injection zone for the Well will remain in the Bell Canyon and Cherry Canyon formations of the DMG, and the Well will have an injection interval of approximately 5,580 feet to 7,040 feet, which reflects the requirement of Order No. R-20912-C (Condition 6c) that the uppermost perforation of the injection interval will be at least 500 feet below the base of the Capitan Reef aquifer or stratigraphic equivalent.
18. Salt Creek has submitted an Amended C-108 outlining the proposed revisions to the Well design, including the addition of two casing strings and a new drill location 277 feet from the West line and 2,350 feet from the South line of Section 21, Township 26 South, Range 36 East, resulting in an as-drilled location approximately 120 feet from the original

location.

19. Salt Creek has provided notice of the Second Application to all affected parties who were notified of Salt Creek's second application in Case No. 23464.
20. The Commission heard Case No. 23464 on May 11, 2023.
21. OCD and Ameredev Operating, LLC entered appearances in Case No. 23464.
22. Ameredev Operating, LLC took no position on Salt Creek's second application.
23. OCD supports the approval of the second application subject to the inclusion of the permit conditions identified in OCD Exhibit 1 titled "OCD's Recommended Conditions of Approval for Gas Injection Wells."
24. The Well will facilitate the sequestration of CO₂ and TAG, which is in the public interest.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the Parties and the subject matter of this case.
2. Proper public notices of the Second Application were given.
3. The Second Application is complete.
4. Salt Creek's request to approve a new well design and new location for the Salt Creek Midstream AGI No. 1 Well and extend the deadline for Salt Creek to commence injection into the Well until twenty-four months from the date of this amended order will comply with the requirements of 19.15.26 NMAC and will not result in waste, impair correlative rights, or harm public health or the environment.
5. As a result of this Order, Salt Creek's application in Case No. 23294 is moot.

ORDER

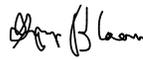
1. The Second Application is approved, affirming and amending Order No. R-20912-D pursuant to Sections 70-2-6(B) and 70-2-13 NMSA 1978 of the Oil and Gas Act and 19.15.4.20 NMAC as follows:
 - a. Salt Creek shall commence injection into the Well no later than twenty-four months from the date of this amended Order.
 - b. Ninety days prior to spudding the Well, Salt Creek shall submit to OCD's Engineering Bureau an updated Area of Review map that identifies new wells that penetrate the approved injection interval and new affected parties, if any, and shall provide to such affected parties copies of the Amended Form C-108 for the

approved Well and this Order. A new affected party may file an application for hearing pursuant to 19.15.4.8 NMAC.

- c. Salt Creek shall file a Sundry with OCD when it spuds the Well (“Spud Sundry”).
 - d. If Salt Creek fails to timely submit the Spud Sundry, or after receiving OCD approval, fails to construct the Well by the specified deadline, the permit shall terminate automatically and Salt Creek shall plug and abandon the Well pursuant to an OCD-approved plan.
 - e. The Second Application is hereby conditioned upon all other stipulated permit conditions identified by OCD in OCD’s Exhibit 1 titled “OCD’s Recommended Conditions of Approval for Gas Injection Wells,” a copy of which is attached to this order as Exhibit 1.
- 2. All other conditions set out in Order No. R-20913-D shall remain in full force and effect.
 - 3. Salt Creek’s application in Case No. 23294 is hereby denied because it is superseded by this Order.

DONE at Santa Fe, New Mexico on the 8th day of June 2023.

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**



Greg Bloom, Commissioner



William Ampomah, Commissioner



Dylan Fuge, Chair



CASE NO. 23463, OCD Exhibit 1

OCD's Recommended Conditions of Approval for Acid Gas Injection Wells:

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 the 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 the approval of the OCD.
4. Operator shall maintain a maintenance log, including the volume of annular fluid (diesel) with corrosion inhibiting and biocide additives 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 on a quarterly basis the summary data for injection parameters monitored under the permit, subject to OCD approval of annual reports after one year of operation upon request by Operator.
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 100 feet to 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, but not limited to, casing, casing cement, tubing, and the packer in proximity of injection interval.



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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.
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 drilling the well, Operator shall submit to OCD's district office the well drilling logs including mudlogs, electric logs, daily reports, and the 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, reservoir pressures, the models calibrated using that information and seismic modeling.