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1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
Revised July 18, 2013

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO. 30-025-49974
5. Indicate Type of Lease STATE [] FEE [x]
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name INDEPENDENCE AGI
8. Well Number 2
9. OGRID Number 330718
10. Pool name or Wildcat AGI: Devonian/Fusselman
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3,102' (GR)

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)
1. Type of Well: Oil Well [] Gas Well [] Other [x] ACID GAS INJECTION
2. Name of Operator Piñon Midstream, LLC
3. Address of Operator 465 W NM Highway 128; Jal, NM 88252
4. Well Location
Unit Letter C : 1,110 feet from the NORTH line and 1,443 feet from the WEST line
Section 20 Township 25S Range 36E NMPM County LEA

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:
PERFORM REMEDIAL WORK [] PLUG AND ABANDON []
TEMPORARILY ABANDON [] CHANGE PLANS []
PULL OR ALTER CASING [] MULTIPLE COMPL []
DOWNHOLE COMMINGLE []
CLOSED-LOOP SYSTEM []
OTHER: []
SUBSEQUENT REPORT OF:
REMEDIAL WORK [] ALTERING CASING []
COMMENCE DRILLING OPNS. [] P AND A []
CASING/CEMENT JOB []
OTHER: Verification of No Recoverable Hydrocarbons [x]

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Pursuant to the requirements of NMOCC Order 21455-A, and NMOCD Recommended General Conditions of Approval, we are providing, as an attachment to this submittal, a written evaluation of the hydrocarbon resource potential for the Pinon Midstream, LLC (OGRID #330718), Independence AGI #2 (API: 30-025-49974) approved injection interval.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE [Signature] TITLE Consultant to Piñon DATE 01/23/2022

Type or print name David A. White, P.G. E-mail address: dwhite@geolex.com PHONE: 505-842-8000

For State Use Only

APPROVED BY: TITLE DATE

ECONOMICALLY RECOVERABLE HYDROCARBON, INJECTION POTENTIAL AND PROTECTION OF CORRELATIVE RIGHTS EVALUATION

**PINON MIDSTREAM, LLC
INDEPENDENCE AGI #2
API: 30-025-49974
SE/SW Section 20, Twp. 25S-36E
Lea County, New Mexico**

Prepared for
Pinon Midstream, LLC
Houston, Texas

by
Geolex, Inc.
500 Marquette, NW, Suite 1350
Albuquerque, NM 87102

January 23, 2023

I, Alberto A. Gutierrez, RG, as a professional geologist have examined and analyzed the available data in the vicinity of Pinion Midstream Independence AGI #2 (API: 30-025-49974). The results of this analysis are presented in this report prepared by me and under my direct supervision.

Based on the results of the analyses presented below, it is my professional opinion that there are no economically recoverable hydrocarbons in the permitted injection zone. Furthermore, I hereby certify that the operation of this well, as permitted for injection, will not adversely affect the correlative rights of adjacent mineral owners or lessees.



Dated January 23, 2023

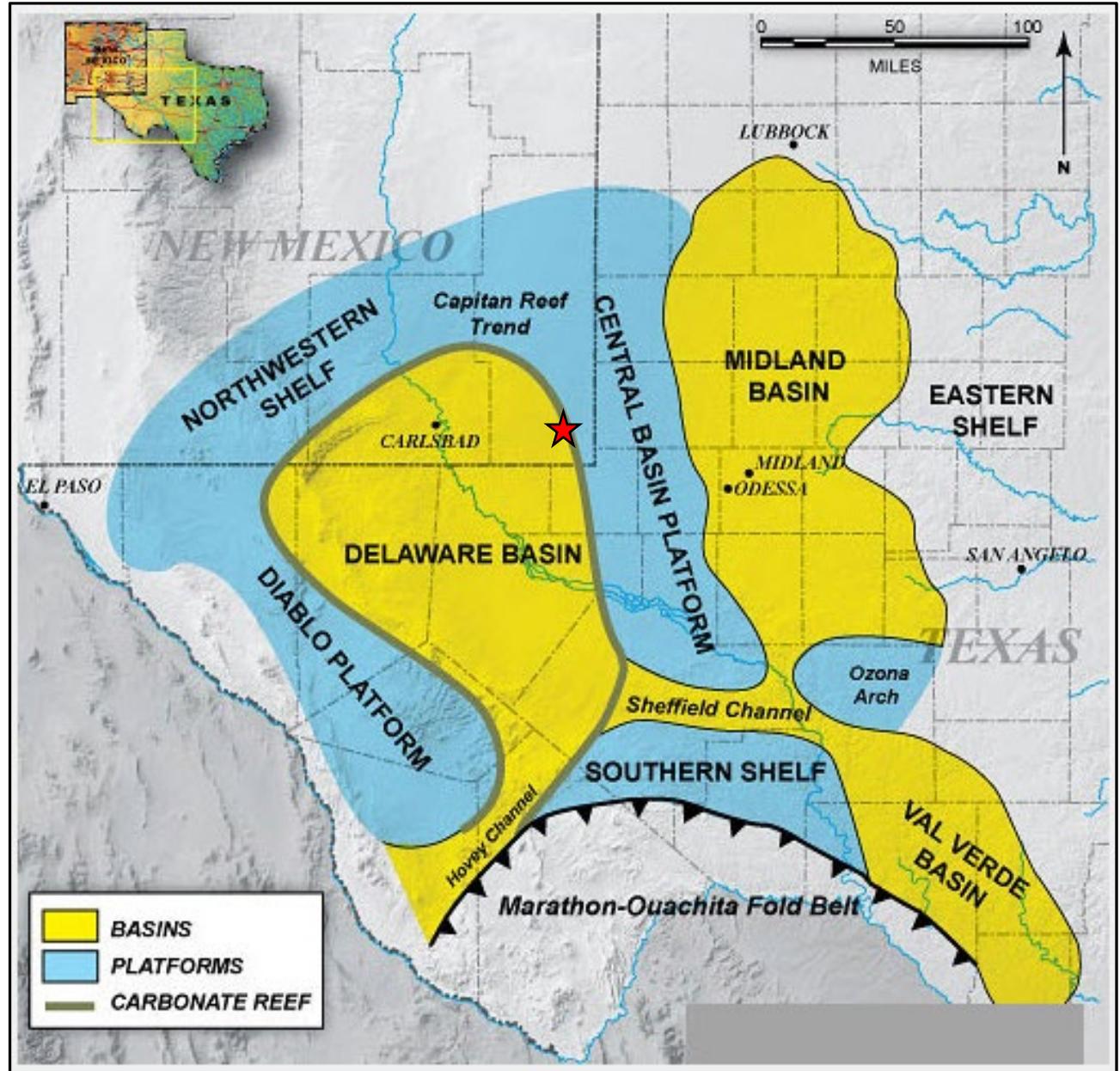
I, Louis J. Mazzullo, RG, as a Certified Petroleum Geologist, have examined and analyzed the available data in the vicinity of Pinion Midstream Independence AGI #2 (API: 30-025-49974). The results of this analysis are presented in this report prepared by me.

Based on the results of the analyses presented below, it is my professional opinion that there are no economically recoverable hydrocarbons in the permitted injection zone. Furthermore, I hereby certify that the operation of this well, as permitted for injection, will not adversely affect the correlative rights of adjacent mineral owners or lessees.

**Certified Petroleum Geologist #4693
American Association of Petroleum Geologists (AAPG)**

GEOLOGIC SETTING OF INDEPENDENCE AGI #2 (RED STAR)

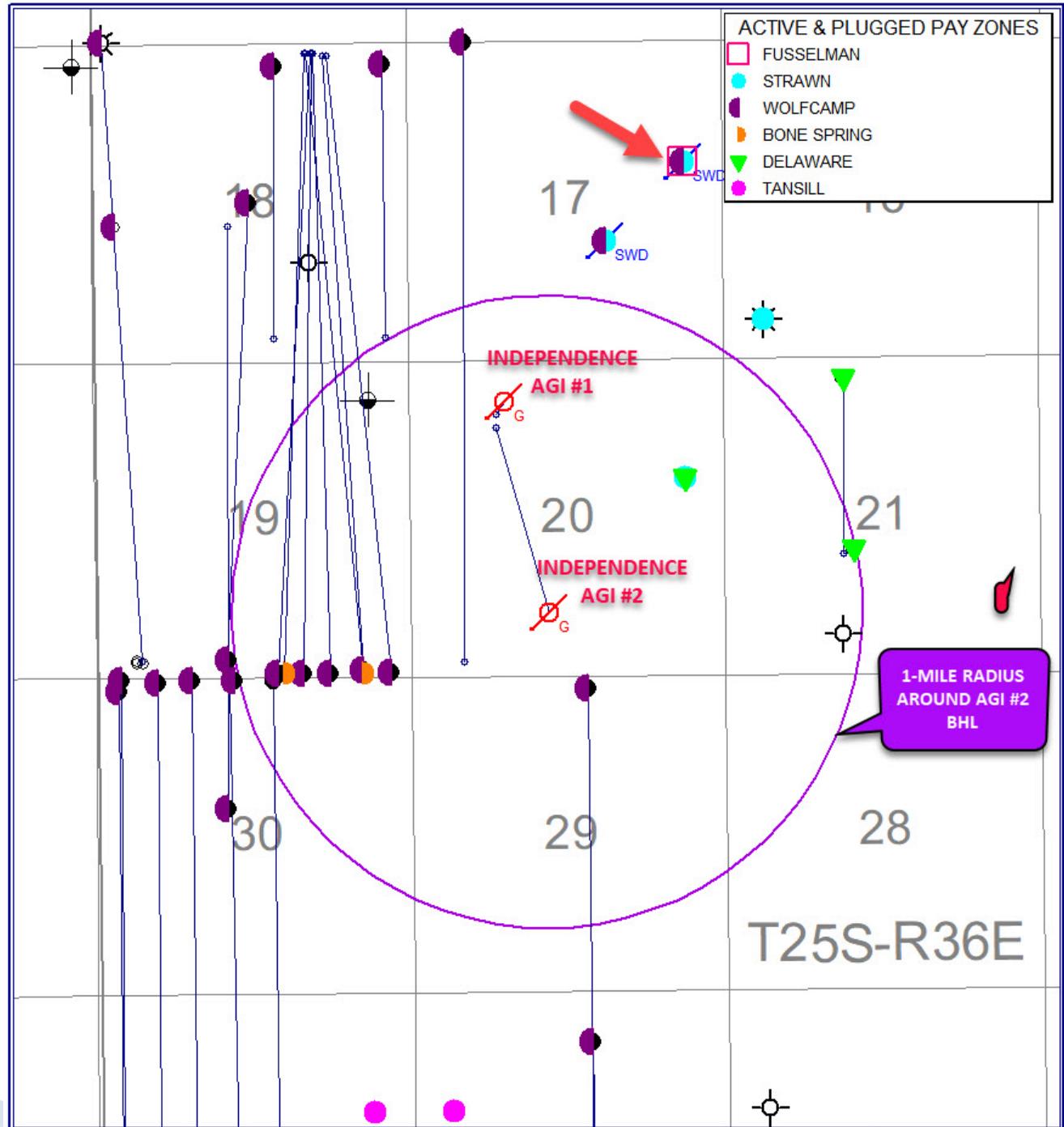
The Independence AGI #2 (API: 30-025-49974) is located in the Delaware Basin sub-province of the Permian Basin, at the western edge of the Central Basin Platform, just west of Jal, New Mexico.



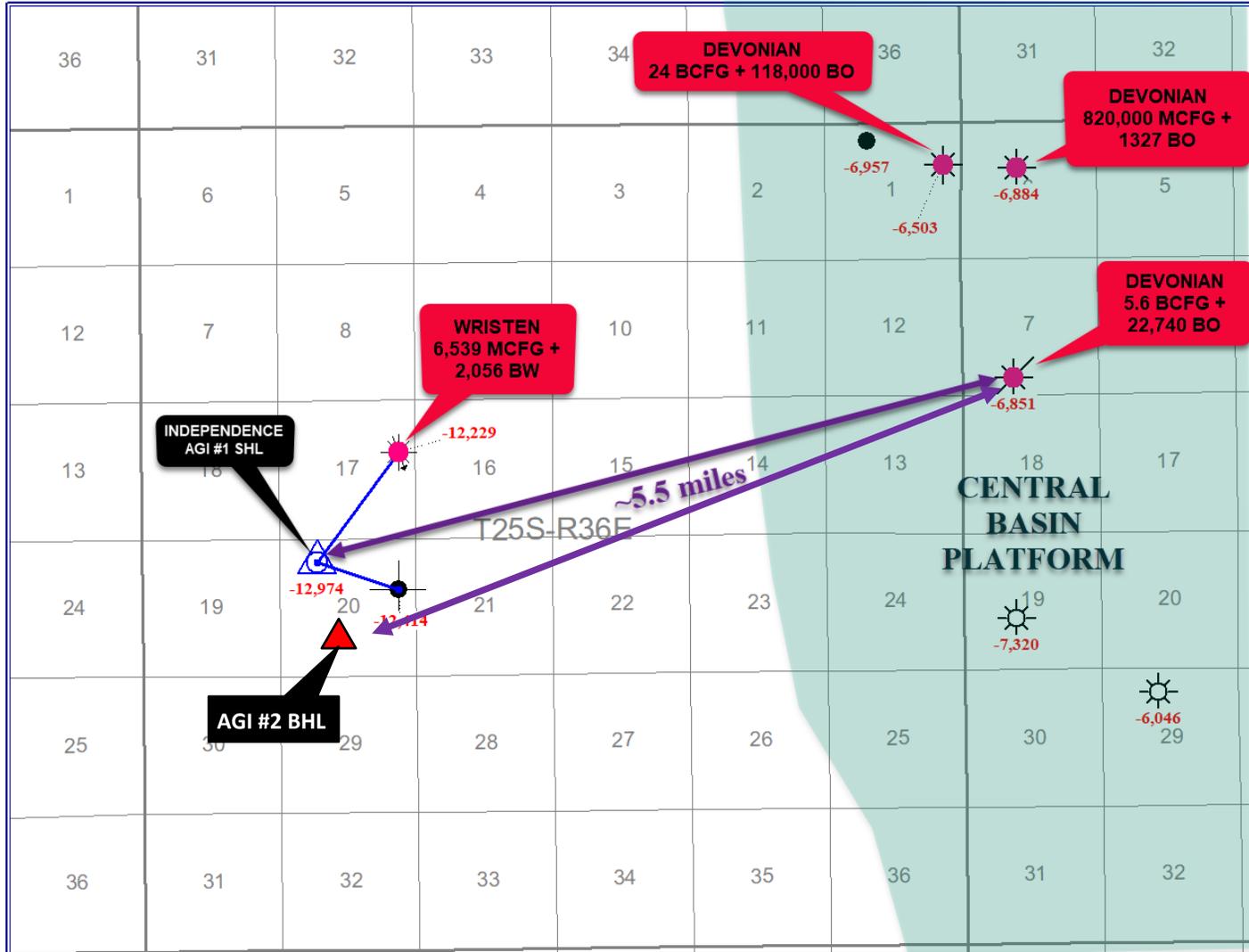
LOCATION OF INDEPENDENCE AGI #2

The area is close to active Bone Spring and Wolfcamp (Permian) horizontal plays. The deepest producing zone was the Silurian Fusselman Formation in one well (red arrow, West Jal B Deep #1), which only made 6,539 MCF gas before being re-completed in the Strawn and then the Wolfcamp (the well is now a saltwater disposal well in the Strawn-Atoka).

There are no other wells within this area that produce from either the Devonian, Wristen, or Fusselman formations (Siluro-Devonian), which make up the injection interval in the Independence AGI #2. AGI #1 was previously completed in the same Siluro-Devonian interval that AGI #2 is completed.



NEAREST SILURO-DEVONIAN PRODUCTION



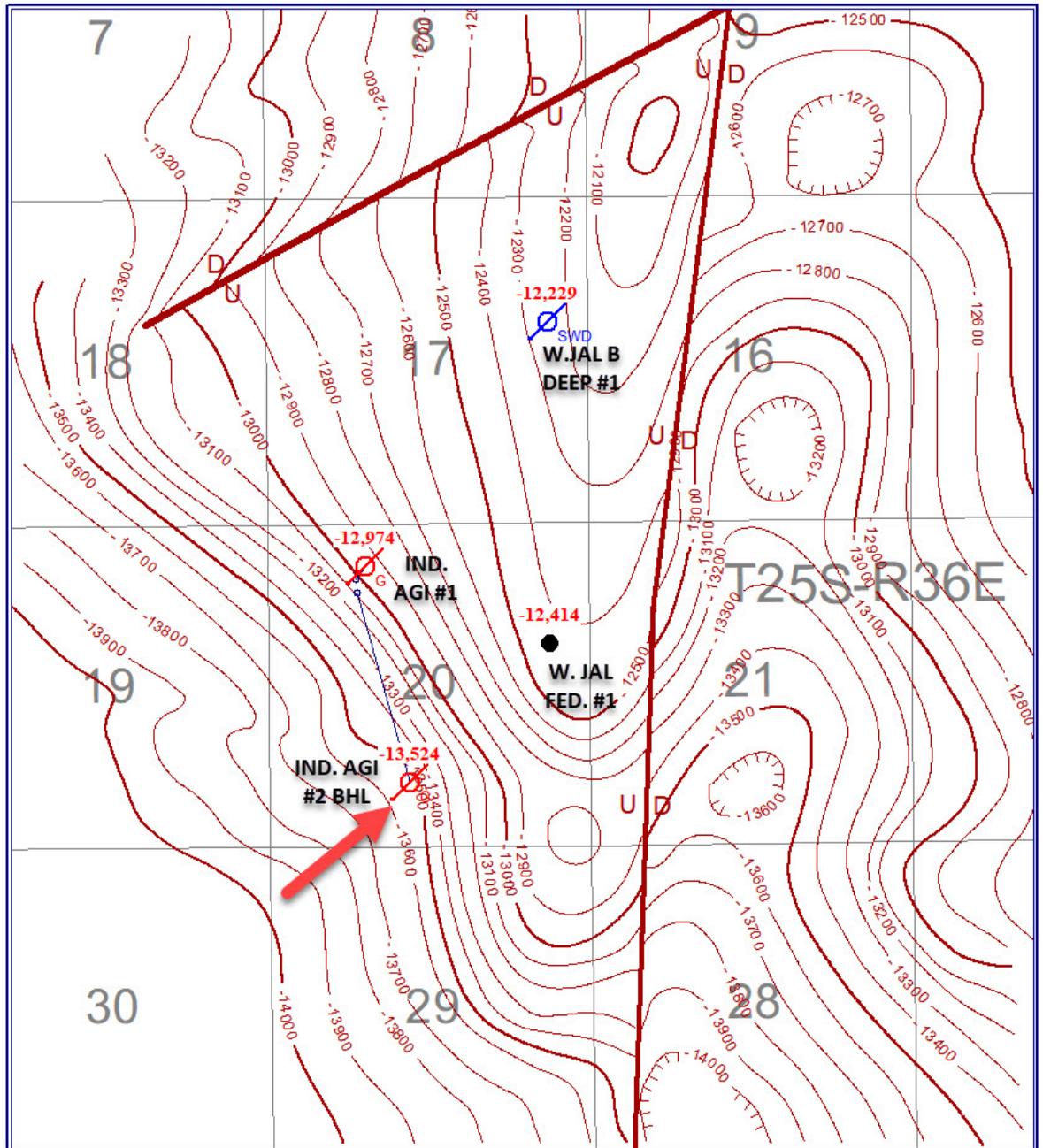
The nearest economic production of hydrocarbons from the Siluro-Devonian sequence is 5.5 miles to the east-northeast, in the Custer Fields. Those wells, however, all produce primarily gas from the Devonian on the Central Basin Platform; note the difference in subsea depths to the top of the Devonian between the AGI #1 and the Central Basin Platform wells.

BASE OF WOODFORD STRUCTURE- AMEREDEV 3D INTERPRETATION

Geolex was able to examine a 3D seismic data set that covers the area around the Independence AGI #1 and #2 well locations, prior to drilling, and constructed a seismic structure map on top of the Devonian (top of injection zone) based on the seismic time map. The AGI #2 wellbore was drilled directionally from the Pinon facility with a bottom hole location (arrow) approximately 3,500 feet south-southeast of the surface location. The bottom hole location is approximately 4,000 feet west of an up-to-west, north-south fault, and on the steep southwestern slope of a south-plunging anticline that runs along the west side of the fault. The West Jal B Deep #1 and West Jal Federal #1 are on the nose of the anticline relative to the two AGI wells.

The seismic data set was also used to examine seismic impedance over the injection interval, to pick out zones of better porosity that would serve as suitable, permeable injection zones, particularly evident in the Fusselman section.

(Only wells drilled to the Devonian or deeper are shown)

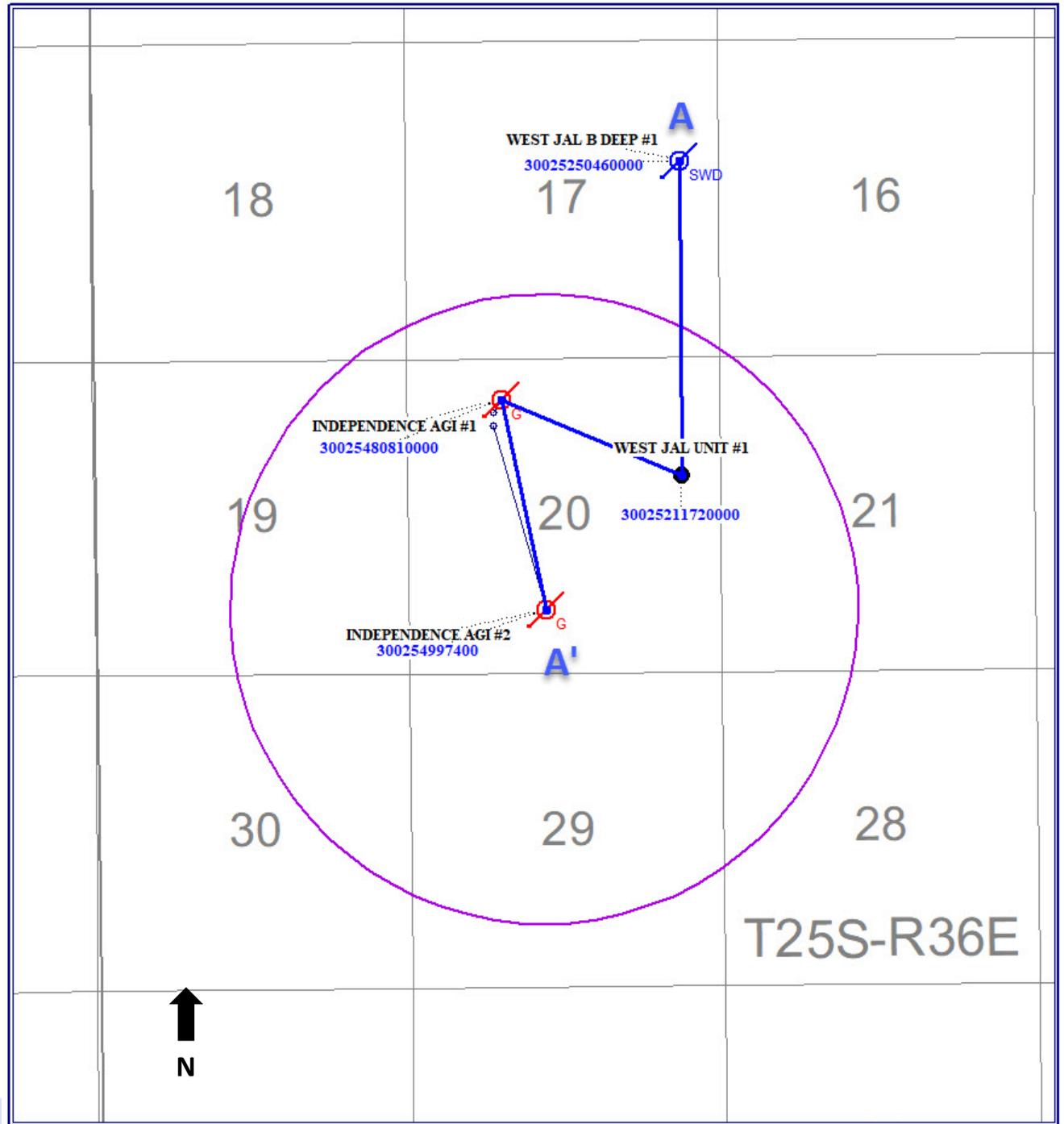


*(Seismic interpretations by Jasha Cultrieri, Geophysicist;
Structure Contours by Lou Mazzullo- CPG)*

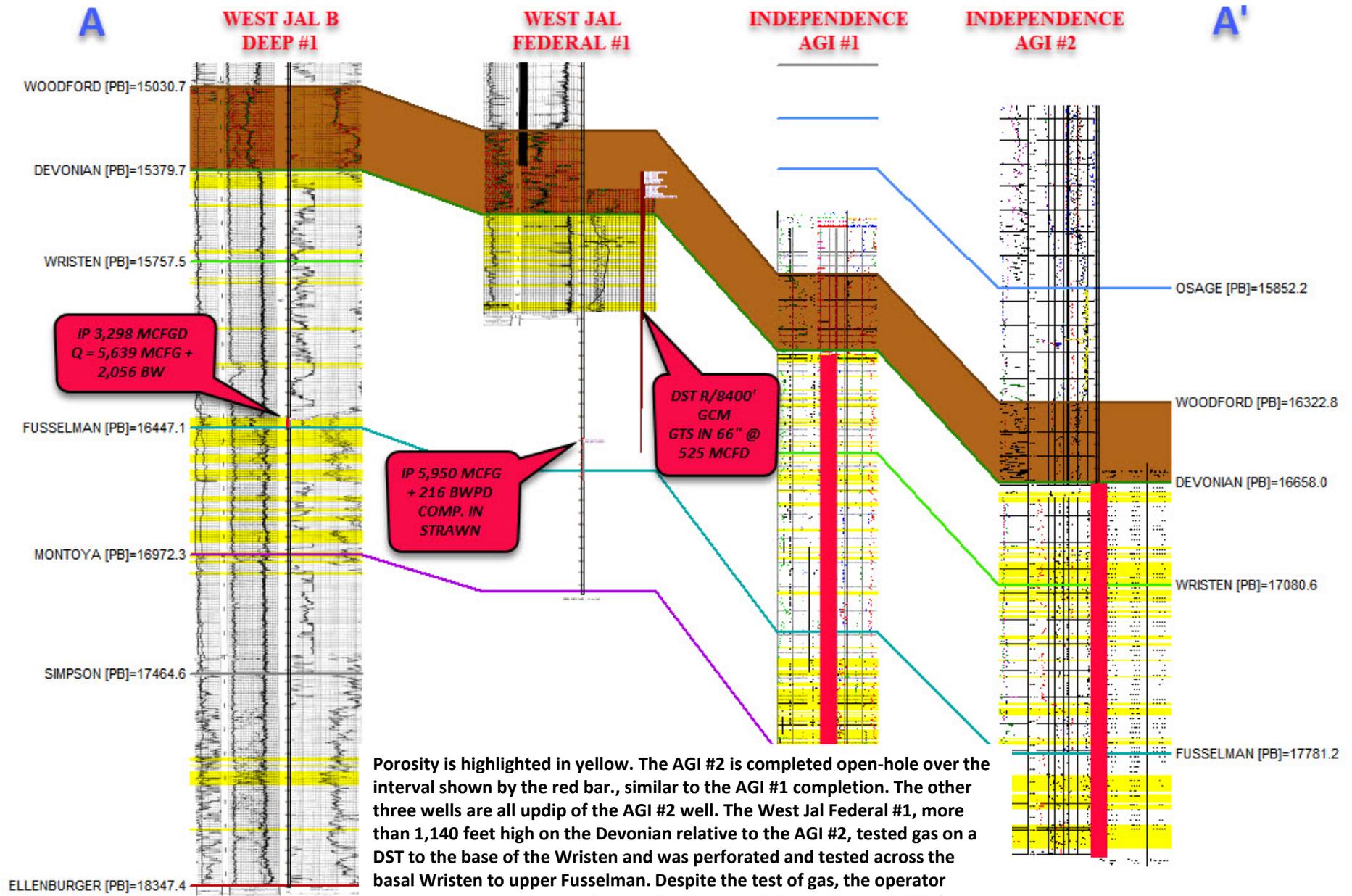
DEVONIAN OR DEEPER WELL CONTROL AROUND AGI #2

API numbers are shown in blue. Only 3 wells were previously drilled to the Devonian or deeper in the more immediate area of the Independence AGI #2. Although both the Jal B Deep #1 and the West Jal Federal #1 both tested gas from the basal Wristen-upper Fusselman, only the West Jal B Deep #1 produced (non-economic) quantities of gas before being plugged. AGI #1 was completed for open-hole acid injection across the Devonian, Wristen, and Fusselman (Silurian-Devonian), as was AGI #2. Both AGI #1 and AGI #2 are several hundred to over a thousand feet low structurally to the other two wells.

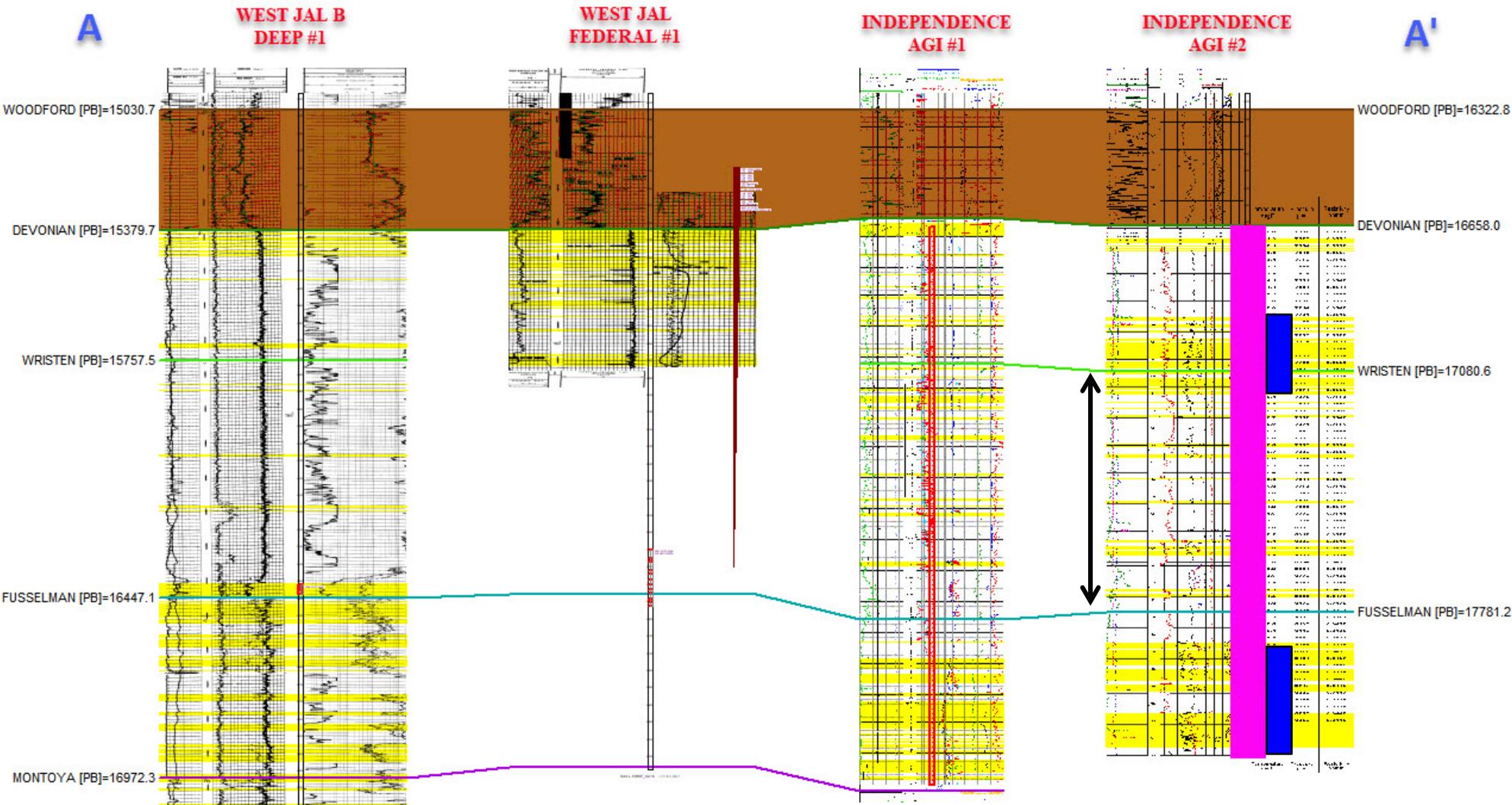
Cross-section A-A', indexed here and presented on the next slide, illustrates the structure and geology of the Siluro-Devonian section in the area.



STRUCTURAL CROSS-SECTION INCORPORATING DEEP PENETRATIONS

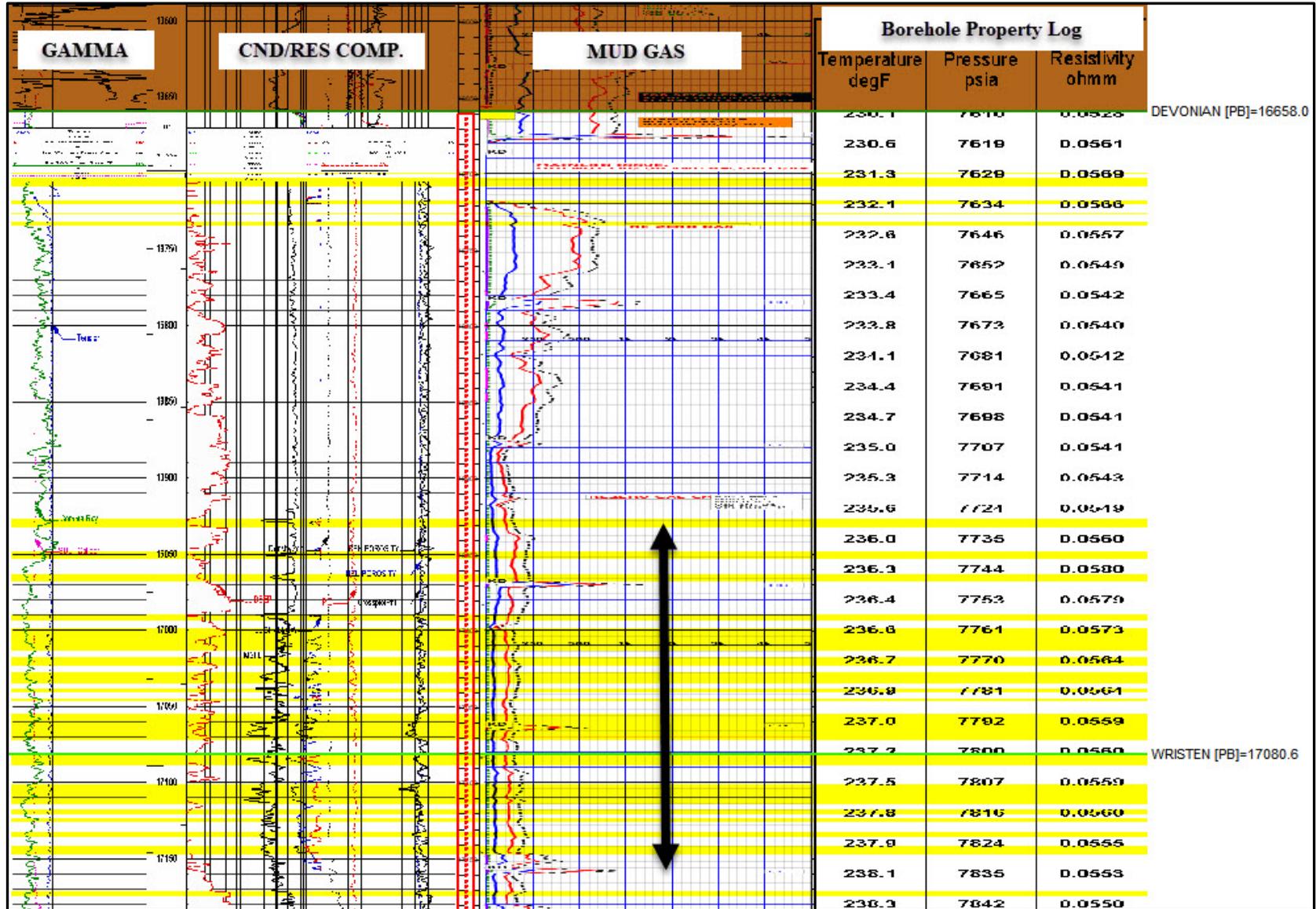


Porosity is highlighted in yellow. The AGI #2 is completed open-hole over the interval shown by the red bar., similar to the AGI #1 completion. The other three wells are all updip of the AGI #2 well. The West Jal Federal #1, more than 1,140 feet high on the Devonian relative to the AGI #2, tested gas on a DST to the base of the Wristen and was perforated and tested across the basal Wristen to upper Fusselman. Despite the test of gas, the operator completed that well in the Strawn. The West Jal B Deep #1, over 1275 feet high to the AGI #2, was completed in the basal Wristen, but only made 6539 MCFG and was initially recompleted in the Strawn.



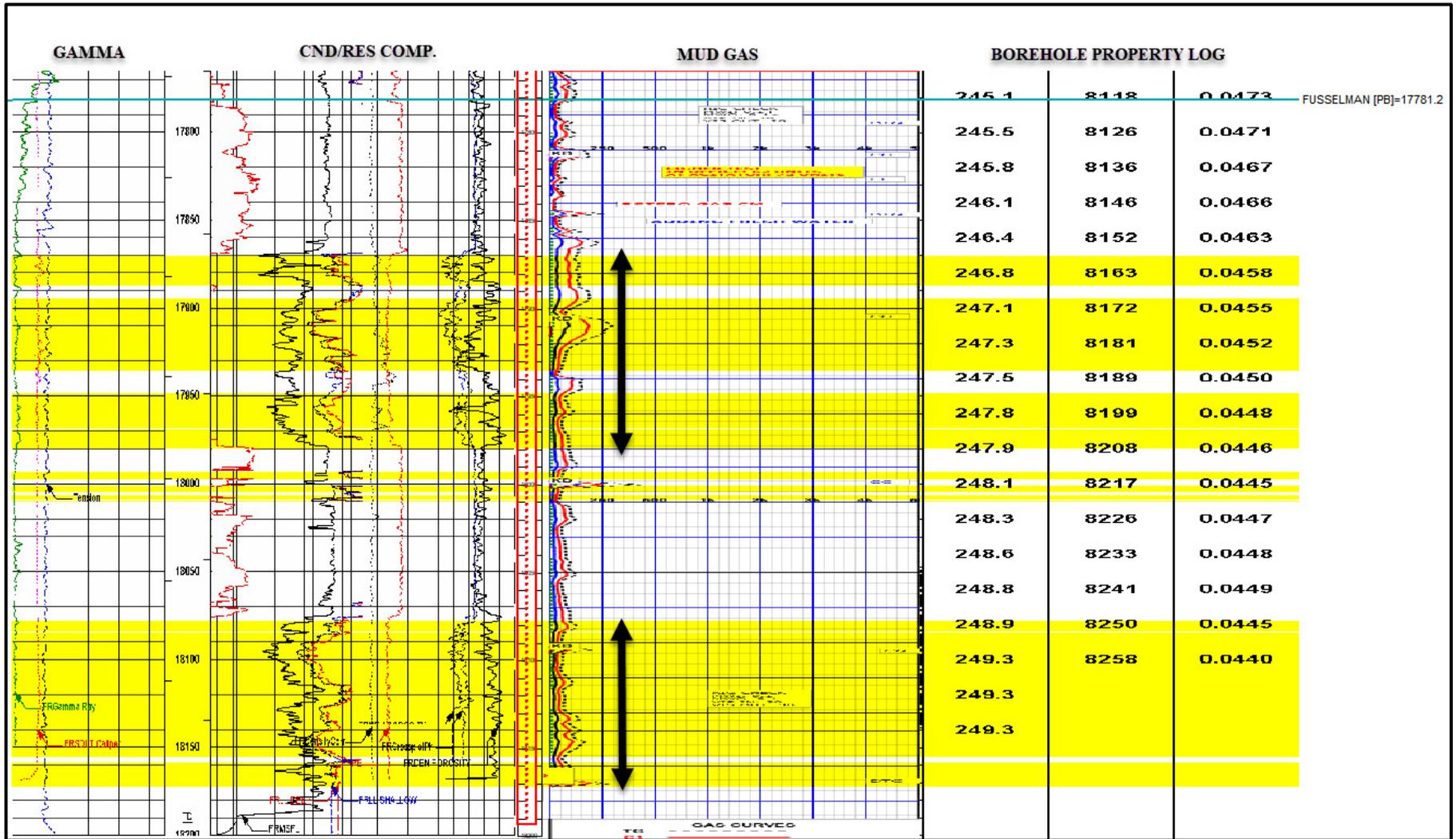
Porosity is shown in yellow. The proposed open-hole injection interval in the AGI #2 is shown by the magenta bar. Commonly, the interval shown by the double arrow is comprised of tight limestones and dolomitic limestones, with small to medium fractures pervasive through the section. In the AGI #2, the base of the Devonian and uppermost part of the Wristen is characterized by fracture-enhanced primary porosity, whereas the Fusselman contains two zones (upper and lower) of karst-related solution enlarged porosity and small caves, consistent with the 3D seismic inversion interpretation. The rest of the section looks tight on logs, so we believe that the bulk of injection fluids will be taken up first by the Fusselman porous zones and secondly by the basal Devonian-upper Wristen (blue bars).

AGI #2 LOG COMPOSITE SECTION, DEVONIAN-WRISTEN



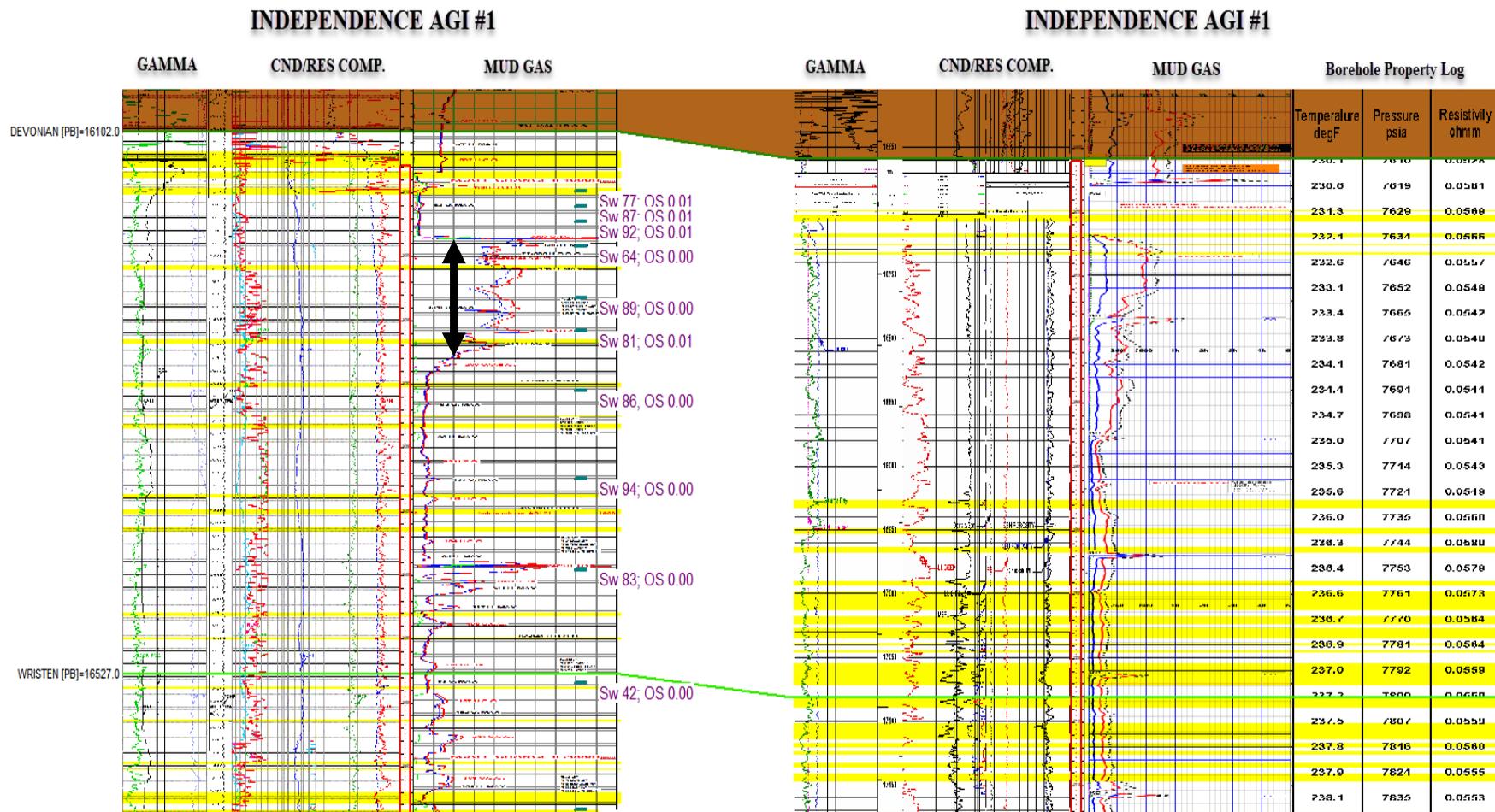
Porosity present in the Devonian and Wristen formations primarily in the base Devonian to uppermost Wristen and is primarily fracture-enhanced primary porosity. Although there is an elevation in background gas in the upper Devonian, it corresponds to resistivity in the 0.54 to 0.057 ohm-m range, which suggests wet formation. Resistivity values remain in this same range through the upper Wristen. The interval covered by the arrow had no gas shows and is expected to be a secondary zone of injection to the Fusselman interval (next slide).

AGI #2 LOG COMPOSITE SECTION, FUSSELMAN



The Fusselman is composed of interbedded tight limestones and two distinct zones of porous dolomite (arrows). Log characters suggest that the dolomite is characterized by intercrystalline, vug, and fracture enhanced (solution enlarged) karst-related porosity, which includes possible small caves. *There are minor gas kicks in the upper of the two karsted zones and no gas kicks in the lower of the two zones. The presence of economic hydrocarbons is not indicated by the rock properties, log responses, mud gas readings, and borehole property logs, nor were there any sample shows of oil throughout the Fusselman. Furthermore, the Fusselman in this well is at least 1,100 feet low to the nearest well (West Jal Federal #1) that had non-economic shows of gas from this formation.*

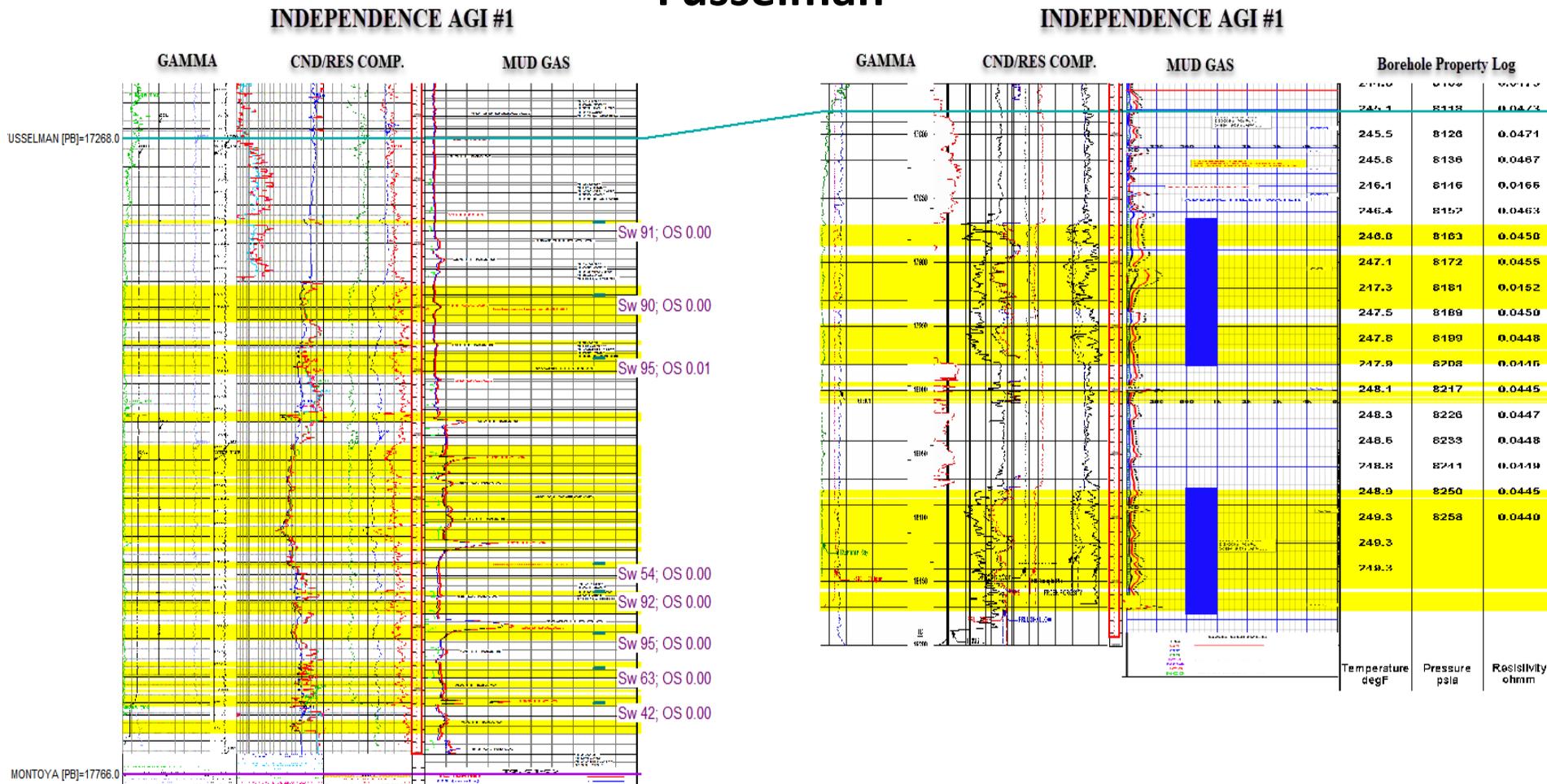
COMPARISON OF AGI #1 SIDEWAL CORE ANALYSES TO AGI #2 LOGS Devonian-Wristen



Sidewall cores were taken in the AGI #1 well but not in the AGI #2 well. Core analyses of water saturation (Sw) and oil saturations (OS) in AGI #1 showed consistently high water saturations and negligible oil saturations in the Devonian to upper Wristen, even where there were gas kicks (e.g., arrow). Porosity in the AGI #1 was somewhat lower overall relative to the same interval in the AGI #2, and porosity/resistivity and mud gas log characteristics are similar in both wells. Since the AGI #2 is 556 feet low to the AGI #1 on the Devonian, with no intervening faults, we conclude that these data demonstrate the absence of economically recoverable hydrocarbons and confirm that injection into this zone will not endanger correlative rights of mineral holders or leases in the area.

COMPARISON OF AGI #1 SIDEWAL CORE ANALYSES TO AGI #2 LOGS

Fusselman



Similarly, in the Fusselman, sidewall core analyses of water saturation (Sw) and oil saturations (OS) in AGI #1 showed consistently high water saturations and negligible oil saturations and no to weak gas kicks. Porosity in the AGI #1 was somewhat lower overall relative to the same intervals in the AGI #2, and porosity/resistivity and mud gas log characteristics are similar in both wells. We conclude that these data demonstrate the absence of economically recoverable hydrocarbons and confirm that injection into this zone (particularly the high porosity zones, blue bars) will not endanger correlative rights of mineral holders or leases in the area.

SUMMARY OF RESERVOIR CHARACTERISTICS OF THE PROPOSED INJECTION INTERVAL CONCLUSIVELY DEMONSTRATES THE ABSENCE OF ECONOMICALLY RECOVERABLE HYDROCARBONS

- Acid gas injection is proposed into porous dolomites and dolomitic limestones of the Siluro-Devonian (Devonian, Wristen, Fusselman) of the Independence AGI #2 well. Although there have been shows and uneconomic production of gas from the lower Wristen-upper Fusselman in two offset deep wells, the Independence AGI well is 1,140-1,278 feet low to those wells on top of the Devonian (top of injection interval) and 556 feet low to the offset Independence AGI #1 well. The open-hole injection interval in the Independence AGI #2 was acidized and did not recover any shows of hydrocarbons.
- Mudlog gas shows across the top of the injection interval indicate zones of residual gas in small fractures that are pervasive throughout the Devonian and Wristen Formations. There are no mudlog shows of oil in any of the samples throughout the entire proposed injection zone.
- There were no shows of fluorescence, and no oil cuts reported on the AGI #2 mudlog, which also indicate the lack of recoverable hydrocarbons throughout the injection interval.
- Seismic inversion analyses, which were used to locate the well site, and which was verified by drilling, showed the best porosity extending through the Fusselman Formation; that porosity has been found to be primarily in two distinct zones of the Fusselman, and consists of karst-related, solution enlarged porosity. These porosity types contrast to the low matrix porosity and sporadic small fractures found in the Devonian to Wristen section. It is expected that the Fusselman will be the primary recipient of injected fluids, with the Devonian-Wristen contributing a small share of the injection budget.
- Comparison of log characteristics, mudlog gas shows, and sidewall core analyses from the AGI #1 to the AGI #2 well demonstrate the lack of recoverable hydrocarbons in the Independence AGI #2.
- The nearest economic production from the Siluro-Devonian is 5.5 miles to the east-northeast in the Custer Field, which lies on the Central Basin Platform, where the top of Devonian is 6,600 feet high to the Independence AGI #2.

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

CONDITIONS

Action 178792

CONDITIONS

Operator: Pinon Midstream LLC 465 W. NM Highway 128 Jal, NM 88252	OGRID: 330718 <hr/> Action Number: 178792 <hr/> Action Type: [C-103] Sub. General Sundry (C-103Z)
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CONDITIONS

Created By	Condition	Condition Date
mgebremichael	None	7/17/2023