

State of New Mexico
Energy, Minerals and Natural Resources Department

Michelle Lujan Grisham
Governor

Sarah Cottrell Propst
Cabinet Secretary

Todd Leahy, JD, PhD
Deputy Cabinet Secretary

Bill Brancard, General Counsel
Office of General Counsel



BY ELECTRONIC AND FIRST CLASS MAIL

March 13, 2020

Lori Hearon
Vice President – Development
Overflow Energy, LLC
723 Highway 15
P.O. Box 354
Booker, Texas 79005
lhearon@oeswd.com

Re: Administrative Order SWD-1785, Rose SWD Well No. 1

Dear Ms. Hearon:

This letter is to advise Overflow Energy, LLC that the disposal authority granted by Administrative Order SWD-1785 ("Order") is terminated. The Order, which was effective on December 14, 2018, states in relevant part:

The disposal authority granted herein shall terminate one (1) year after the effective date of this Order if the operator has not commenced injection into the subject well...The Division, upon written request by the operator prior to the termination date, may grant an extension thereof for good cause.

Overflow Energy did not commence injection by December 14, 2019, one (1) year after the effective date of the Order. Additionally, Overflow Energy submitted an extension request on January 29, 2020, after the termination date of the Order. Accordingly, the Order is terminated, and any injection into the well will be considered a violation of the Oil and Gas Act and applicable rules.


Overflow Energy may submit a new application for disposal authority into the Rose SWD Well No. 1, which OCD will review pursuant to the requirements of 19.5.26 NMAC - *Injection*.

March 16, 2020

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Please call Phillip Goetze, UIC Program Manager, me at (505) 476-3466 if you have any questions.

Sincerely,



3-16-20

Gabriel Wade for Adrienne Sandoval, OCD Director

cc: Phillip Goetze
Mike Bratcher, OCD District 2
Eric Ames, OGC

DRAFT

Rose-Coss, Dylan H, EMNRD

From: Lori Hearon <lhearon@oeswd.com>
Sent: Thursday, March 19, 2020 1:58 PM
To: Rose-Coss, Dylan H, EMNRD
Cc: Goetze, Phillip, EMNRD; Ames, Eric, EMNRD
Subject: Re: [EXT] Re: Administrative Order SWD-1785, Rose SWD Well No. 1

Yes, we would like to discuss in further detail. We have 6mm invested in this SWD with no permit. We are requesting that you will consider our case and allow us an extension, just until the state can get our completion approved. The completion approval is all we are waiting on. The spud date was 9-22. Having to re-permit could be detrimental to us, we would be opening ourselves up to receiving a protest and never have a permit on this location. We could potentially have to wait a year or longer for a permit, or worse case never be able to inject and lose all our investment. In this current environment this is not good. We are requesting that the state look at our case and give us relief here, we need our completion approved. We are operators in Texas and Oklahoma where as long as you spud your well before the injection permit expires you are good. The MIT test allows you to start injecting. We were unfamiliar with needing a completion approval to inject until after the well had been completed and tested. As you can see in the timeline we have communicated with the state every step of the way. We have struggled to know who to speak with in this full process and to get responses back. We want to comply with all your state rules and be the best operator we can be in your state. I am requesting that we have a conference call together so we can discuss how to proceed where Overflow Energy doesn't have to walk away from 6mm. We need to get our completion approved and we need to be able to discuss this full situation in greater detail besides on email. In light of the virus situation and people officing from home I understand this only compounds the situation. We will make ourselves available at anytime that works for you and your team. I appreciate all your time and effort on this.

On Thu, Mar 19, 2020 at 1:10 PM Rose-Coss, Dylan H, EMNRD <DylanH.Rose-Coss@state.nm.us> wrote:

Ms. Hearon,

Injection into the Rose SWD Well No. 1 granted under administrative order SWD-1785 did not occur by December 14, 2019. The injection authority permitted by the order was thereby terminated. The Division would be happy to discuss details about the well in relation to a the new application process.

Regards,

Dylan Rose-Coss

From: Lori Hearon <lhearon@oeswd.com>
Sent: Monday, March 16, 2020 12:43 PM
To: Rose-Coss, Dylan H, EMNRD <DylanH.Rose-Coss@state.nm.us>

Cc: Goetze, Phillip, EMNRD <Phillip.Goetze@state.nm.us>; Ames, Eric, EMNRD <Eric.Ames@state.nm.us>

Subject: [EXT] Re: Administrative Order SWD-1785, Rose SWD Well No. 1

Thank you for your response Dylan.

Phillip, I was expecting that we would be able to discuss in person or over the phone in detail about our situation before you denied our permit. When would be a good time to meet with you to discuss this further?

On Mon, Mar 16, 2020 at 12:17 PM Rose-Coss, Dylan H, EMNRD <DylanH.Rose-Coss@state.nm.us> wrote:

Ms. Hearon,

Please find attached a letter indicating the OCD's response regarding the Rose SWD Well No. 1.

Phillip Goetze will be able to field any additional questions you might have about the matter.

Regards,

Dylan Rose-Coss

Environmental Scientist/Specialist Advanced

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Energy Minerals and Natural Resources Department
1220 South St Francis Drive
Santa Fe, New Mexico 87505
Ph. (505) 476-3488
E-mail: dylanh.rose-coss@state.nm.us

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Thank You!

Lori Hearon

VP, Development

723 Hwy 15 West Ind., PO Box 354 Booker, TX 79005

806-650-2216 Office 806-658-7836 Fax 713-213-6679 Cell

“Why want anything more marvelous than what is?”

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Thank You!

Lori Hearon

VP, Development

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