

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

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

CASE NO. _____

SALT CREEK MIDSTREAM, LLC'S
APPLICATION TO REINSTATE INJECTION AUTHORITY AND
AMEND ORDER NO. R-20913-C

Salt Creek Midstream, LLC ("Salt Creek") requests that the New Mexico Oil Conservation Commission ("Commission") issue an order amending Order No. R-20913-C to: (1) reinstate Salt Creek's authorization to commence injection of treated acid gas ("TAG") into the Salt Creek Midstream AGI No. 1 Well;¹ (2) require Salt Creek to commence injection of TAG into the DMG Well within two (2) years of issuance of a new order; and (3) require Salt Creek to submit a C-108 for its Devonian Well within six months after Salt Creek spuds the DMG Well. In support of its Application, Salt Creek states the following.

1. On August 5, 2019, Salt Creek filed an application seeking authority to inject TAG from the Ameredev South Gas Processing Plant into the proposed DMG Well. The application was assigned Case No. 20780.

2. The DMG 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 bottom hole 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.

¹ Because this well will be completed in the Bell Canyon and Cherry Canyon formations of the Delaware Mountain Group ("DMG"), it is referenced herein as the "DMG Well."

Case No. 21476

Salt Creek Midstream

Exhibit 2

4. The target injection zone for the Well is located in the Bell Canyon and Cherry Canyon formations of the DMG at depths of 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 ("Permit Conditions"). The Permit Conditions, among other things, required Salt Creek to construct a second well in the Devonian formation that would become the primary disposal well by a specified deadline.

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. Order No. R-20913-C does not require Salt Creek to commence drilling the DMG well within a specified time frame but does include the following requirements:

- a. No later than six (6) months after issuance of the DMG well permit, Salt Creek shall file a C-108 with OCD for approval to construct a redundant AGI well in the Devonian-Silurian formations ("Devonian well"), and will complete the Devonian well no later than fifteen (15) months after the Commission issues an order approving the Devonian well;
- b. No later than six (6) months after placing the Devonian well in service, Salt Creek shall inject into the Devonian well as the primary source for disposal;
- c. Upon commencing injection into the Devonian well, Salt Creek shall maintain the DMG well as a redundant well;
- d. Prior to switching injection to the Devonian well as its primary source of

disposal and maintaining the DMG well as a redundant well, Salt Creek may operate the DMG well as the primary source of disposal, subject to various condition

- e. If Salt Creek fails to timely submit or to diligently prosecute the application for the Devonian Well or, after receiving OCD's approval, fails to construct the Devonian Well by the specified deadline, the permit shall terminate automatically and Salt Creek shall plug and abandon the DMG Well pursuant to an OCD-approved plan.

10. Salt Creek was scheduled to commence drilling the DMG Well in late February 2020, but a rig was not available to spud the well until early March, and the ability to complete and spud the well was delayed and will continue to be delayed as a result of issues related to Covid-19 and the associated disruption of the oil and gas market.

11. Order No. R-20913-C provides that the authorizations contained therein expire if Salt Creek fails to timely submit or diligently prosecute the application for the Devonian well. Although Salt Creek's spudding of the DMG Well has been delayed and Salt Creek has not yet submitted the C-108 for the Devonian well due to the circumstances discussed above, Salt Creek wishes to extend the authorizations provided in the order and to complete the wells to dispose of TAG.

12. As a result, Salt Creek requests 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 (2) 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. The remaining conditions set out in Order No. R-20913-C should remain in effect.

13. As determined in Order No. R-20913-C, the wells will not cause waste, impair correlative rights, or harm the public health and environment. Also, as discussed at the hearing in Case No. 20780 and recognized in the Order, the wells will facilitate the sequestration of CO₂, which is in the public interest. Accordingly, Salt Creek's request for an extension of time is reasonable and consistent with the order and the requirements of the Oil and Gas Act.

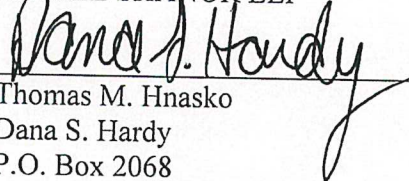
14. Salt Creek has communicated with the OCD and SLO regarding its request to amend Order No. R-20913 as discussed above, and they do not oppose the request. A proposed order approving Salt Creek's request, which has been approved by the OCD and SLO, is attached as Exhibit A.

15. Salt Creek will provide notice of this application to all affected parties who were notified of Salt Creek's application in Case No. 20780.

For the foregoing reasons, Salt Creek requests that the Commission issue an order amending 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 (2) 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.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing Application was sent to the following counsel by electronic mail on September 17, 2020.

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TO AMEND ORDER NO. R-20913-C

CASE NO. _____

ORDER OF THE COMMISSION

THIS MATTER comes before the New Mexico Oil Conservation Commission ("Commission") on Salt Creek Midstream, LLC's ("Salt Creek") *Application to Reinstate Injection Authority and Amend Order No. R-20913-C* ("Application"). The Commission, having considered the 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 bottom hole 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.
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 of 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.

EXHIBIT

A

6. Salt Creek, OCD, and SLO (the "Parties") negotiated a set of permit conditions ("Permit Conditions"). The Permit Conditions, among other things, required Salt Creek to construct a second well in the Devonian formation that would become the primary disposal well by a specified deadline.

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. Order No. R-20913-C does not require Salt Creek to commence drilling the DMG well within a specified time frame but does include the following requirements:

- a. No later than six (6) months after issuance of the DMG well permit, Salt Creek shall file a C-108 with OCD for approval to construct a redundant AGI well in the Devonian-Silurian formations ("Devonian Well"), and will complete the Devonian Well no later than fifteen (15) months after the Commission issues an order approving the Devonian well;
- b. No later than six (6) months after placing the Devonian Well in service, Salt Creek shall inject into the Devonian Well as the primary source for disposal;
- c. Upon commencing injection into the Devonian Well, Salt Creek shall maintain the DMG Well as a redundant well;
- d. Prior to switching injection to the Devonian Well as its primary source of disposal and maintaining the DMG Well as a redundant well, Salt Creek may operate the DMG Well as the primary source of disposal, subject to the conditions set out in Order No. R-20913-C; and

- e. If Salt Creek fails to timely submit or to diligently prosecute the application for the Devonian Well or, after receiving OCD's approval, fails to construct the Devonian Well by the specified deadline, the permit shall terminate automatically and Salt Creek shall plug and abandon the DMG Well pursuant to an OCD-approved plan.

10. 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 has been filed.

11. On September 17, 2020, Salt Creek filed its application in this matter 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 (2) 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.

12. Salt Creek has communicated with the OCD and SLO regarding its request to amend Order No. R-20913-C as set out above, and they do not oppose the request.

13. Salt Creek has provided notice of this application to all affected parties who were notified of Salt Creek's application in Case No. 20780.

14. As determined in Order No. R-20913-C, the wells will not cause waste, impair correlative rights, or harm the public health and environment.

15. Salt Creek is in compliance with 19.15.5.9 NMAC.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the Parties and the subject matter of this case.
2. Proper public notices of the Application were given.

3. The Application is complete.
4. Order No. R-20193-C expired automatically because Salt Creek failed to submit the application for the Devonian Well by the specified deadline.
5. Salt Creek's request to reinstate the authority to inject into the DMG Well and to allow a period of two (2) years to commence injection into the DMG Well and submit the C-108 for the Devonian well within six months after Salt Creek spuds the DMG well complies with the requirements of 19.15.26 NMAC and will not result in waste, impair correlative rights, or harm public health or the environment.

ORDER

1. The Application is approved, and Order No. R-20913-C is amended as follows:
 - a. Salt Creek's authority to inject into the DMG Well is reinstated.
 - b. Salt Creek shall commence injection into the DMG Well no later than two (2) years of the date of this Order.
 - c. Ninety (90) days prior to spudding the DMG 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, if any, copies of the 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.
 - d. Salt Creek will file a Sundry with OCD when it spuds the DMG Well ("Spud Sundry"); and

- d. No later than six (6) months after Salt Creek submits the Spud Sundry, Salt Creek shall file a C-108 with OCD for approval to construct a redundant AGI well in the Devonian-Silurian formations, and will complete the Devonian well no later than fifteen (15) months after the Commission issues an order approving the Devonian well.
 - e. If Salt Creek fails to timely submit the Spud Sundry or the Form C-108 for the Devonian Well, fails to diligently prosecute the application for permit to drill the Devonian Well, or after receiving OCD's approval, fails to construct the Devonian Well by the specified deadline, the permit shall terminate automatically and Salt Creek shall plug and abandon the DMG Well pursuant to an OCD-approved plan.
2. All other conditions set out in Order No. R-20913-C remain in full force and effect.
- DONE at Santa Fe, New Mexico on the ____ day of _____, 2020.

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**

Adrienne Sandoval, Chair

Dr. Thomas Engler, Member

Jordan Kessler, Member