



**TARGA**

Targa Midstream Services Limited Partnership  
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November 8, 2012

Mr. Elidio Gonzales  
New Mexico Oil Conservation Division  
District 1, Hobbs  
1625 North French Drive  
Hobbs, New Mexico 88240

**HOBBS OCD**

**NOV 13 2012**

**ELG 11-13-2012**  
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Re: Targa Midstream Services LLC – Commission Order No. R-12809-D

**30-025-21497**

Dear Mr. Gonzales:

Paragraph 6 of the Oil Conservation Commission's March 27, 2012 Order No. R-12809-D mandated that:

Within one hundred twenty (120) days of the entry of this Order, Targa and the [Oil Conservation] Division shall meet and develop mutually agreeable criteria for a contingency plan which shall include the upper and lower limits for operating pressures on the tubing annulus that define normal operating parameters, the exceedance of which would require Targa to notify the Division of a potential mechanical problem with the Eunice AGI well, and a back-up plan for mechanical failure at the Eunice AGI well.

On May 14, 2012, I sent you a proposal for the contingency plan required by paragraph 6 of Order R-12809-D. Subsequently, on May 17, 2012, Mr. Bill Little (Targa's Eunice Area Manager), Mr. James Lingnau (Targa's Regional Engineering Manager), and I met with you at your office in Hobbs to discuss that proposal and develop mutually agreeable criteria for the required contingency plan. This plan was mutually agreed too and the described pressures were administered to the well operation. Now, after several months of well operation the normal operating pressures have been adjusted. On November 7, 2012, I met with you in your office and confirmed the new annulus and lower alarm pressure changes were mutually agreeable. The specific changes from the original approved action plan is the annulus pressure is now set at 175 psi instead of the original 300 psi, and the lower alarm pressure is now set at 25 psi instead of the original 100 psi. This letter confirms the terms of the mutually agreeable contingency plan that we finalized on November 7, 2012. The plan we agreed upon follows as Attachment A.

We understand that you will include this letter embodying this mutually agreeable contingency plan in the file for case number 14575.

Thank you for your assistance and professional courtesy while working with us to develop this plan.

Please contact me with any questions at [cwrangham@targaresources.com](mailto:cwrangham@targaresources.com) or 432 688 0542.

Thanks,

Cal Wrangham  
ES&H Manager  
Targa Resources

**NOV 14 2012**

Cc: Gabrielle Gerholt, OCD Assistant General Counsel,  
Will Jones, OCD Engineer, Santa Fe

**OCC Order Action Plan**

HOBBS OCD

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**The order requires the following:**

- 2) At least ninety (90) days before both the tenth (10<sup>th</sup>) and twentieth (20<sup>th</sup>) anniversary of the date of commencement of injection, Targa shall conduct a temperature fallback, temperature decay, or other similar test of Targa's choice and provide the results of that test to the Division.
- 5) Targa shall conduct a mechanical integrity test on the Eunice AGI well once per year throughout the term of this Order.
- 6) Within one hundred twenty (120) days of the entry of this Order, Targa and the Division shall meet and develop mutually agreeable criteria concerning the upper and lower limits for operating pressures on the tubing annulus that define normal operating parameters, the exceedance of which would require Targa to notify the Division of a potential mechanical problem with the Eunice AGI Well.
- 7) Targa or any successor operator of the recompleted SWD Well shall take all steps necessary to insure that injected fluids enter the proposed injection interval and do not escape to other formations or onto the surface.
- 8) Without limitation on the duties of the operator as provided in Division Rules 19.15.29 and 19.15.30 NMAC, or otherwise; the operator shall immediately notify the District of any failure of the tubing, casing or packer in the well, or of any leakage or release of water, oil or gas from around any produced or plugged and abandoned well in the area, and shall take such measures as may be timely and necessary to correct such failure or leakage.

**In order to comply with these items, Targa is proposing the following:**

- 2) Develop "Work Order" in computerized management system to complete per requirement.
- 5) Develop "Work Order" in computerized management system to complete per requirement.
- 6) Targa has put approximately 175 psig on the annulus between the tubing and casing. The pressure is expected to fluctuate based on injection fluid temperatures and formation temperature which may vary significantly. The annulus pressure is intended to determine if there is a tubing leak or casing leak. A normal fluctuation of the pressure is expected but a substantial fluctuation may indicate a potential leak. Targa will monitor the annulus pressure and if the pressure goes outside the Upper or Lower operating limits as described below, Targa will re-establish the casing pressure around 175 psig and monitor as needed for a period of up to 72 hours to determine if there is a mechanical problem. If the annulus pressure has not stabilized within a range between the Upper and Lower operating limits by the end of the 72 hour period the OCD will be notified of a potential mechanical problem with the well. Targa will evaluate and propose a plan to address and correct within a reasonable timeframe.  
Upper Limit: If the annulus pressure goes above the alarm pressure of 700 psig in normal operation there is an indication that the tubing, wellhead, or packer may be compromised.  
Lower Limit: If the annulus pressure drops below the alarm pressure of 25 psig in normal operation then there is an indication that the casing may be compromised.
- 7) Annulus pressure monitoring as described in #6 support the requirements set forth here.
- 8) Annulus pressure monitoring as described in #6 support the requirements set forth here for failure of the tubing, casing or packer in the well. Targa will make timely notifications to the District in the event of any leakage or release of water, oil or gas from around any produced or plugged and abandoned well in the area, and shall take such measures as may be timely and necessary to correct such failure or leakage.