



State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division

CASE NO. 21381

OCD Exhibit 3

OCD's Recommended General Conditions of Approval

OCD recommends these general conditions of approval for acid gas injection (AGI) wells, in addition to the requirements for UIC Class II wells issued under Rule 15.19.26 NMAC - *Injection*.

1. Operator shall construct the well in accordance with the specifications stated in the C-108 application, including the use of corrosion-resistant casing, cement, tubing, and packer.
2. Operator shall circulate cement for all casing to the surface.
3. Operator shall use a corrosion-inhibiting diesel with a biocide component as the annular fluid of the well.
4. 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 250 feet below the surface.
5. No later than forty-five (45) days after drilling the well, Operator shall submit to OCD's district office the well drilling logs including mudlogs, electric logs, daily reports, static bottom-hole pressure measured at completion of drilling the well, and a written evaluation of the hydrocarbon resource potential for the approved injection interval. If a significant hydrocarbon show occurs during drilling the well, Operator shall submit a Form C-013 and obtain OCD's written approval prior to commencing injection.
6. No later than forty-five (45) days after completing 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.
7. No later than thirty (30) days prior to commencing injection into the well, Operator shall:
 - a. Obtain OCD's approval a hydrogen-sulfide contingency plan that complies with Rule 19.15.11.9 NMAC, and that (i) includes a contingency plan for and a GIS mapping layer showing the gathering lines associated with the natural gas processing plant(s) served by the well; and (ii) certifies that Operator has contacted



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appropriate representatives of the city of Jal, Lea County, and the local emergency preparedness committee;

- b. Determine the salinity of the formation fluid from the approved injection interval and submit to OCD either a calculation of the estimated salinity based on open-hole logs or the actual salinity based on a laboratory analysis. If OCD determines that the salinity of the formation fluid from the approved injection interval contains a total dissolved solids (TDS) concentration of 10,000 milligrams or less, the injection authority under this Order shall be suspended and Operator shall not commence injection until Operator complies with 19.15.26.8(E) NMAC;
 - c. Conduct step-rate and fall-off tests. Operator may adjust the maximum surface injection pressure for the well after these tests with OCD's written approval; and
 - d. Obtain OCD's approval of immediate notification parameters for annulus pressure and tubing and casing differential pressure at a set injection temperature.
8. No later than ninety (90) days after commencing injection into the well, 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.
 9. Operator shall conduct an annual mechanical integrity test (MIT) on the proposed well.
 10. 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 annulus.
 11. Operator shall maintain a maintenance log, including the volume of annular fluid (diesel) replaced in the annulus of the well.
 12. 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.

Operator shall report to OCD on a quarterly basis (unless changed to a biannual basis upon approval of the OCD Director) the summary data for injection parameters monitored under the permit, and upon request by OCD, shall submit annual reports after each year of operation.



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13. No later than thirty (30) days after the fifth (5th) year of injection into the well, Operator shall submit to OCD a report summarizing the well's performance, including injected volumes by fluid type, change in reservoir pressures, the model originally used in the Application recalibrated using that information, and seismic modeling. Operator shall provide an in-person presentation of the report to the Commission at its request.
14. Operator shall install, operate, and monitor for the life of the permit a seismic monitoring station. OCD shall be responsible for coordinating with the Manager of the New Mexico Tech Seismological Observatory at the New Mexico Bureau of Geology and Mineral Resources for appropriate specifications for the equipment and the required reporting procedure for the monitoring data.