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Memorandum of Record

To: COGCC Representative Alex Fisher and
BLM Representative Jim Byers
From: Laramie Energy – Field Operations
Date: October 26, 2020
RE: **Horseshoe Canyon Pipeline Integrity Plan and P&A Guidelines**

Horseshoe Canyon Pipeline Integrity Plan and P&A Guidelines

Laramie Energy, LLC acquired the assets of Black Hills Production in the spring of 2018. Included in these assets were a number of well and an existing pipeline gathering system in the Horseshoe Canyon area. The pipeline system consisted primarily of legacy 4” steel gathering system installed with the original development back in the early 1980’s with various segments added as they expanded the field through the early 2000’s. In 2011 Black Hills Production installed a new 8” steel gathering line when the drilled the HSC 4-28 well.

Upon taking over the field in 2018 Laramie experienced a number of failures in the legacy 4” pipeline primarily being corrosion related failures. As a result, from the multiple failures Laramie Energy developed a proactive monthly gathering system test procedure which went into effect in February 2019 along with an aggressive plugging and abandonment program driven primarily by the pipeline failure history and logical lateral system abandonments. With this testing and abandonment program Laramie Energy has abandoned approximately ~22,000’ (over 4miles) of the legacy 4” steel pipeline along with 19 wells that have been plugged and abandoned both by Laramie Energy and Black Hills Production out of the original 43 wells of record when Laramie acquired the asset.

With the well and pipeline abandonments already conducted along with the success of our monthly gathering system testing we are proposing to step back from our original plugging and pipeline abandonment plan. This retraction from the original plan is supported for a couple primary reason, namely that we have not experienced a single line leak or failure in the past 18 months in our existing pipeline system since we have been conducting the monthly testing and secondarily due to operational issues associated with existing infrastructure and minimum turn down capacity of our system and the HSC Compression facility.

Moving forward we would propose to continue on with testing the entire HSC gathering line system no less than monthly. If a failure in the test is noted Laramie will take appropriate measures to locate and repair the leak. If upon inspection the leaking section appears to be due to significantly compromised piping or if we have more than two leaks in any specific line segment over a 24 month period we will move forward with well and pipeline abandonment or replacement of the pipeline segment with questionable integrity. All leaks or tests failures will be reported to the COGCC and the BLM with 24 hours of their discovery.

Provided that we have no further or significant line failures we would propose to take a more measured and economic driven approach for plugging and abandonment of further wells within the Horseshoe Canyon field. We will evaluate the economics of every existing and flowing well by September 30th of each year. Wells that do not meet our economic threshold or will no longer produce will be budgeted for and placed on our P&A schedule for the following year.

Using the two main criteria, integrity and economics we would propose to plug the HSC 1-19 and HSC #1 in 2021 and as such they have each been added to two the 2021 budget. Should we have unplanned integrity or production issues additional wells could be added or replace the planned wells in the plugging and abandonment guidelines herewith.

Sincerely,



Chris Clark
Vice President – Field Operations