

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

**IN RE NEW MEXICO OIL CONSERVATION DIVISION'S
AMENDED APPLICATION FOR ORDER TO REVOKE
ORDER NO. R-21096, AS AMENDED, AND APDS FOR
CAVEMAN #402H AND CAVEMAN 7 12 WCD #003H WELLS CASE NO. 22102**

OIL CONSERVATION DIVISION'S PREHEARING STATEMENT

The New Mexico Oil Conservation Division ("OCD") submits this Pre-Hearing Statement in support of its Amended Application to Revoke Order No. R-21096, as amended, and SPC Resources, LLC's Applications for Permit to Drill the Caveman #402H and Caveman 7 12 WCD #003H Wells ("Amended Application") as required by 19.15.4.13(B) NMAC.

I. IDENTIFICATION OF PARTY AND COUNSEL

OCD filed the Amended Application and is represented by undersigned counsel.

II. STATEMENT OF THE CASE

SPC intends to develop a spacing unit, including the drilling and completion of two horizontal oil wells and possibly other wells, in proximity to the Carlsbad Brine Well Cavity ("Cavity"). The Cavity is an unstable geological feature created by the dissolution and extraction of brine from halite formations for sale to the oil and gas industry. Although partially stabilized by the injection of grout and sand, the Cavity remains at risk of subsidence and collapse caused by seismic activity. This non-negligible but unquantifiable risk jeopardizes public highways, a major irrigation canal, a mobile home park, private properties, and ground water. The State of New Mexico has worked for years, at great public expense, to stabilize the Cavity, and SPC's plan of development for the spacing unit well prior to full stabilization threatens to negate this taxpayer-funded effort. SPC refused to temporarily suspend its plan of development for the spacing unit,

including the drilling and completion of the Caveman #402H and #7 12 WCD #003H wells and any other wells, so OCD filed the Amended Application to revoke the spacing unit and SPC's APDs for the Caveman wells.

III. OCD'S WITNESSES

OCD intends to call two witnesses. The first witness will be Jim Griswold, OCD's Special Project Manager for the Carlsbad brine well. Mr. Griswold is an expert in hydrology, the remediation of oil and gas releases to the environment, and the history and management of the Carlsbad brine well. His testimony is expected to be thirty (30) minutes. The second witness will be Michael Rucker, Senior Associate Geotechnical Engineer for Wood Environment & Infrastructure Solutions, Inc. ("Wood"). Mr. Rucker is Wood's lead investigator for the collapse potential of the Carlsbad brine well. Mr. Rucker is a registered professional engineer and holds B.S. and M.S. degrees in Civil Engineering from the Massachusetts Institute of Technology. He is an expert in the field of engineering geophysics, including the characterization, monitoring, and analysis of land subsidence and earth fissure resulting from seismic activity. His testimony is expected to be twenty (20) minutes.

IV. DIRECT TESTIMONY AND EXHIBITS

The witnesses' direct testimony and exhibits are attached.

V. PROCEDURAL MATTERS

The OCD has not identified any procedural matters to be resolved prior to the hearing.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of this pleading was mailed electronically on September 2, 2021 to:

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