

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

**APPLICATION OF MEWBOURNE OIL COMPANY
TO REVOKE THE INJECTION AUTHORITY GRANTED
UNDER SWD-744 FOR THE WILLOW LAKE WELL NO. 1
OPERATED BY PYOTE WELL SERVICE, LLC,
EDDY COUNTY, NEW MEXICO.**

RECEIVED
2016 AUG 22 9:45
CASE NO. 15519

APPLICANT'S RESPONSE TO MOTION FOR CONTINUANCE

The applicant in this matter, Mewbourne Oil Company ("Mewbourne"), submits this response to the Motion for Continuance filed by the attorneys for David Baker, Bankruptcy Receiver with Aurora Management Partners ("Receiver"); Pyote Water Solutions LLC; and Pyote SWD II LLC (collectively the "Pyote Entities").

Mewbourne is prepared to present evidence to the Division that the Willow Lake SWD, approved for injection in the Bone Spring formation in 1999 before the advent of horizontal drilling, is today causing the waste of recoverable oil. That is clearly evidenced by the Division records for the Stent 21 Fed Com No. 2H (API No. 30-015-41221) completed in the Bone Spring formation offsetting the Willow Lake SWD to the West in Section 21, T-24-S, R-28-E. Division records reflect that this well is experiencing over a 91.5% water cut and an abnormally high water to oil ratio that is increasing over time. Accordingly, Mewbourne has filed this application to rescind the injection authority granted under Order SWD-744 before additional, recoverable oil reserves in the Bone Spring formation are lost. Oxy, which owns and operates the offsetting Stent 21 Fed Com No. 2H well, has appeared in support of Mewbourne's application.

Whatever the name of the Pyote entity that most recently managed and operated the Willow Lake SWD (30-015-21499), there is no debate the Receiver who has entered an

appearance in this matter and which purports to have assumed “management and control” over this harmful injection well received timely notice of Mewbourne’s Application. Notice by certified mail was timely sent directly to Aurora Management at the address identified in the Amended Order Appointing Receiver. *Compare* Order attached to Pyote’s Motion at p. 9 with Exhibit A hereto (July 15, 2016, notice letter to Aurora Management). Pyote’s Motion further reflects the Receiver was personally informed of this Application and the circumstances surrounding it on July 15, 2016. *See* Motion at p. 2. The Application correctly names the operator of record with the Division: Pyote Well Service, LLC. *See* Exhibit B. Simply put, there nothing “defective” about the hearing notice or the Application to warrant a continuance, nor is there any legal basis for the vague suggestion that is Application is “subject to dismissal.”

The fact that Division operator of record (Pyote Well Service LLC) has recently “disavowed responsibility for the Willow Lake Well No. 1” and informed the Receiver it is “not planning to appear in this proceeding” is not a basis for a continuance. *See* Pyote Motion at p. 2. Rather, since the Division is now on notice that the operator of record has abandoned responsibility for this harmful disposal well, an immediate order should issue from the Division providing for the cessation of injection operations pending a hearing on Mewbourne’s application. Indeed, at this point, it is unclear who, or what entity, is actually operating this disposal well. Nothing in Order SWD-744 allows anyone other than the approved operator of record to operate and inject produced water into this disposal well.

Finally, the fact that the Receiver -- who has known about this application for six weeks and who is not approved by the Division to operate this well -- desires more time to prepare for hearing does not in and of itself warrant a continuance, thereby allowing injection to continue

unabated. Instead, the Receiver's desire for more time can be safely and properly accommodated only if the well is temporarily shut-in until a hearing is had on this matter.

WHEREFORE, Mewbourne requests that the Division either (a) deny the motion for a continuance so that this matter can proceed to hearing as scheduled on September 1st, or (b) issue an order immediately revoking the injection authority granted under SWD-744 until such time as this matter is heard by the Division.

Respectfully submitted,

HOLLAND & HART LLP



Michael H. Feldewert
Jordan L. Kessler
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421
(505) 983-6043 Facsimile
mfeldewert@hollandhart.com
jlkessler@hollandhart.com

ATTORNEYS FOR MEWBOURNE OIL COMPANY

CERTIFICATE OF SERVICE

I hereby certify that on August 22, 2016, I served a copy of the foregoing document to
the following counsel of record via electronic mail to:

J. Scott Hal
Seth C. McMillan
Montgomery & Andrews, P.A.
Post Office Box 2307
Santa Fe, New Mexico 87504-2307
(505) 982-3873
shall@montand.com
smcmillan@montand.com



Michael H. Feldewert
Jordan L. Kessler

HOLLAND & HART^{LLP}



Michael H. Feldewert
Recognized Specialist in the Area of
Natural Resources - Oil and Gas Law - New
Mexico Board of Legal Specialization
mfeldewert@hollandhart.com

July 15, 2016

Aurora Management Partners
112 South Tryon Street
Suite 1770
Charlotte, NC 28284

RE: Application of Mewbourne Oil Company to Revoke the Injection Authority Granted Under SWD-744 for the Willow Lake Well No. 1 Operated by Pyote Well Service, LLC, Eddy County, New Mexico.
Willow Lake SWD

Ladies and Gentlemen:

This letter is to advise you that Mewbourne Oil Company has filed the enclosed application with the New Mexico Oil Conservation Division and requested that this matter be scheduled for hearing before an Examiner on August 4, 2016. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as a party affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date before the Division.

Parties desiring to appear in this case are required by Division Rule 19.15.4.13 NMAC to file a pre-hearing statement on or before 5 p.m. on the Thursday preceding the scheduled hearing date. The prehearing statement must be filed at the Division's Santa Fe office at the above specified address and an additional copy provided to my office. The pre-hearing statement must include: the names of the party and its attorneys; a concise statement of the party's position in the matter; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter, please contact: Tim Harrington, Reservoir Engineer, Mewbourne Oil Company at tharrington@mewbourne.com or (903) 561-2900.

Sincerely,

Michael H. Feldewert
ATTORNEYS FOR MEWBOURNE OIL COMPANY

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, New Mexico 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Boulder Carson City Colorado Springs Denver Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Reno Salt Lake

EXHIBIT

A

District I
 1625 N. French Dr., Hobbs, NM 88240
 Phone:(575) 393-6161 Fax:(575) 393-0720
District II
 811 S. First St., Artesia, NM 88210
 Phone:(575) 748-1283 Fax:(575) 748-9720
District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 Phone:(505) 334-6178 Fax:(505) 334-6170
District IV
 1220 S. St Francis Dr., Santa Fe, NM 87505
 Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural
Resources
Oil Conservation Division.
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-145
 August 1, 2011
 Permit 160105

Change of Operator

Previous Operator Information

New Operator Information

		Effective Date:	<u>Effective on the date of approval by the OCD</u>
OGRID:	<u>161968</u>	OGRID:	<u>294873</u>
Name:	<u>MESQUITE SWD, INC</u>	Name:	<u>PYOTE WELL SERVICE, LLC</u>
Address:	<u>PO BOX 1479</u>	Address:	<u>400 W. Illinois Ave</u>
			<u>Ste 950</u>
City, State, Zip:	<u>CARLSBAD , NM 88221</u>	City, State, Zip:	<u>Midland, TX 79701</u>

I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information on this form and the certified list of wells is true to the best of my knowledge and belief.

Additionally, by signing below, PYOTE WELL SERVICE, LLC certifies that it has read and understands the following synopsis of applicable rules.

PREVIOUS OPERATOR certifies that all below-grade tanks constructed and installed prior to June 16, 2008 associated with the selected wells being transferred are either (1) in compliance with 19.15.17 NMAC, (2) have been closed pursuant to 19.15.17.13 NMAC or (3) have been retrofitted to comply with Paragraphs 1 through 4 of 19.15.17.11(i) NMAC.

PYOTE WELL SERVICE, LLC understands that the OCD's approval of this operator change:

1. constitutes approval of the transfer of the permit for any permitted pit, below-grade tank or closed-loop system associated with the selected wells; and
2. constitutes approval of the transfer of any below-grade tanks constructed and installed prior to June 16, 2008 associated with the selected wells, regardless of whether the transferor has disclosed the existence of those below-grade tanks to the transferee or to the OCD, and regardless of whether the below-grade tanks are in compliance with 19.15.17 NMAC.



As the operator of record of wells in New Mexico, PYOTE WELL SERVICE, LLC agrees to the following statements:

1. I am responsible for ensuring that the wells and related facilities comply with applicable statutes and rules, and am responsible for all regulatory filings with the OCD. I am responsible for knowing all applicable statutes and rules, not just the rules referenced in this list. I understand that the OCD's rules are available on the OCD website under "Rules," and that the Water Quality Control Commission rules are available on the OCD website on the "Publications" page.
2. I understand that if I acquire wells from another operator, the OCD must approve the operator change before I begin operating those wells. See 19.15.9.9.B NMAC. I understand that if I acquire wells or facilities subject to a compliance order addressing inactive wells or environmental cleanup, before the OCD will approve the operator change it may require me to enter into an enforceable agreement to return those wells to compliance. See 19.15.9.9.C(2) NMAC.
3. I must file a monthly C-115 report showing production for each non-plugged well completion for which the OCD has approved an allowable and authorization to transport, and injection for each injection well. See 19.15.7.24 NMAC. I understand that the OCD may cancel my authority to transport from or inject into all the wells I operate if I fail to file C-115 reports. See 19.15.7.24.C NMAC.
4. I understand that New Mexico requires wells that have been inactive for certain time periods to be plugged or placed on approved temporary abandonment. See 19.15.25.8 NMAC. I understand the requirements for plugging and approved temporary abandonment in 19.15.25 NMAC. I understand that I can check my compliance with the basic requirements of 19.15.25.8 NMAC by using the "Inactive Well List" on OCD's website.
5. I must keep current with financial assurances for well plugging. I understand that New Mexico requires each state or fee well that has been inactive for more than two years and has not been plugged and released to be covered by a single-well financial assurance, even if the well is also covered by a blanket financial assurance and even if the well is on approved temporary abandonment status. See 19.15.8.9.C NMAC. I understand that I can check my compliance with the single-well financial assurance requirement by using the "Inactive Well Additional Financial Assurance Report" on the OCD's website.
6. I am responsible for reporting releases as defined by 19.15.29 NMAC. I understand the OCD will look to me as the operator of record to take corrective action for releases at my wells and related facilities, including releases that occurred before I became operator of record.
7. I have read 19.15.5.9 NMAC, commonly known as "Part 5.9," and understand that to be in compliance with its requirements I must have the appropriate financial assurances in place, comply with orders requiring corrective action, pay penalties assessed by the courts or agreed to by me in a settlement agreement, and not have too many wells out of compliance with the inactive well rule (19.15.25.8 NMAC). If I am in violation of Part 5.9, I may not be allowed to drill, acquire or produce any additional wells, and will not be able to obtain any new injection permits. See 19.15.16.19 NMAC, 19.15.26.8 NMAC, 19.15.9.9 NMAC and 19.15.14.10 NMAC. If I am in violation of Part 5.9 the OCD may, after notice and hearing, revoke my existing injection permits. See 19.15.26.8 NMAC.
8. For injection wells, I understand that I must report injection on my monthly C-115 report and must operate my wells in compliance with 19.15.26 NMAC and the terms of my injection permit. I understand that I must conduct mechanical integrity tests on my injection wells at least once every five years. See 19.15.26.11 NMAC. I understand that when there is a continuous one-year period of non-injection into all wells in an injection or storage project or into a saltwater disposal well or special purpose injection well, authority for that injection automatically terminates. See 19.15.26.12 NMAC. I understand that if I transfer operation of an injection well to another operator, the OCD must approve the transfer of authority to inject, and the OCD may require me to demonstrate the well's mechanical integrity prior to approving that transfer. See 19.15.26.15 NMAC.

operation of an injection well to another operator, the OCD must approve the transfer of authority to inject, and the OCD may require me to demonstrate the well's mechanical integrity prior to approving that transfer. See 19.15.26.15 NMAC.

9. I am responsible for providing the OCD with my current address of record and emergency contact information, and I am responsible for updating that information when it changes. See 19.15.9.8.C NMAC. I understand that I can update that information on the OCD's website under "Electronic Permitting."
10. If I transfer well operations to another operator, the OCD must approve the change before the new operator can begin operations. See 19.15.9.9.B NMAC. I remain responsible for the wells and related facilities and all related regulatory filings until the OCD approves the operator change. I understand that the transfer will not relieve me of responsibility or liability for any act or omission which occurred while I operated the wells and related facilities.

Previous Operator

Signature:

Printed

Name:

Title:

Date:

Chap Wilson

CLAY L. WILSON

PRESIDENT - MORGAN SWD, Inc.

1/21/13 Phone: 575-706-1840

New Operator

Signature:

Printed

Name:

Title:

Date:

H. H. Wommack, III

H. H. Wommack, III

PRESIDENT

12/28/12 Phone: 432-685-0169

NMOCD Approval

Electronic Signature: Paul Kautz, District 1

Date: March 27, 2013