

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

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**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

OWL SWD OPERATING, LLC APPLICATION FOR AUTHORIZATION TO INJECT **Case No. 15723**

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Applicant as required by the Oil Conservation Division under 19.15.14.13 (B) NMAC.

APPEARANCES

APPLICANT

OWL SWD Operating, LLC

APPLICANT'S ATTORNEYS

Dalva L. Moellenberg
Anthony (T.J.) J. Trujillo
Rikki-Lee G. Chavez

STATEMENT OF THE CASE

Applicant seeks an order authorizing the injection of water for disposal into the Yates-Seven Rivers formation in Lea County, New Mexico in the following well:

Bobcat SWD No.
1740' FSL & 505' FEL (Unit P)
Section 25
T-25S, R-36E, NMPM
Lea County, New Mexico

Applicant proposes to drill the well at the above location to a total depth of approximately 3,060 feet, and Applicant plans to use the well for injection of produced water by open hole from 2,915 to 3,060 feet. The source of the injected fluids will be formation water from the Delaware, Bone Springs, Devonian, and Yates-Seven Rivers formations.

There exists a need for high-volume, produced water disposal in the area, and a 50-mile Red Hills gathering system, maintained by Applicant, currently exists and serves the oil and gas production industry in Lea County. The pipeline system currently injects into the Maralo Sholes

B Well No. 2 under the authority of Administrative Order SWD-1127. The proposed well would replace the current SWD in order to continue to serve the needs of the oil and gas production industry in the area while increasing safety and the economics of production.

Applicant timely submitted the C-108 application, and based on a hydrogeological, geological assessment, the proposed well as designed is within the confines of the listed statutes regulating Class II injection:

- Federal Safe Drinking Act of 1974
- Oil and Gas Act, NMSA 1978, Sections 70-2-1 *et seq.*
- Water Quality Act, NMSA 1978, Section 74-6-1 *et seq.*

The design of the new well is in compliance with all current standards, and scientific and historical data is available to show that fluids injected into the proposed well would remain within the intended Seven Rivers interval.

Injection operations through the proposed well will be conducted at an anticipated average daily injection pressure of 550 PSI (surface pressure) and maximum injection pressure of 580 PSI (surface pressure). Applicant proposes injection of water at average daily rates of approximately 25,000 bbls and a maximum daily rate of approximately 30,000 bbls.

Hydrological evidence indicates that injection of produced water as proposed, would not adversely affect the City of Jal's existing water rights, nor would water from the proposed injection interval migrate upward to the Pecos Alluvium or the Santa Rosa Formation due to a significant thickness of the Salado and Rustler Formations. Evidence relied upon by Applicant's expert witnesses and Jal's water resources consultant, Souder Miller, indicate that the Capitan Aquifer is not an expected future water supply for the City of Jal due to its depth and water quality. Additionally, based on a regional and detailed geological study and review of historical literature, the proposed well would inject fluids proximal to, but below, the regional historical Gas-Oil Contact.

The proposed injection operation can be conducted in a safe and responsible manner without causing waste, impairing correlative rights or endangering fresh water, public health or the environment.

Notices of the C-108 application were timely sent out in compliance with 19.15.26.8(B) and 19.15.4.12(A)(9) NMAC. On May 19, 2017, notices of hearing were sent out in compliance with 19.15.4.12(A)(7) and (B) NMAC.

Applicant will provide conclusory and persuasive data and diagrams to support its request for an order authorizing the injection of produced water in the proposed Bobcat well. In consideration of the Division's time and those who also have hearings scheduled on June 8, 2017, Exhibit 1 and exhibits contained therein lettered A through Q are attached hereto for consideration. Applicant hereby reserves the right to make any necessary corrections or additions to the proposed evidence list in accordance with procedural rules.

APPLICANT'S PROPOSED EVIDENCE

WITNESS:	ESTIMATED TIME:
Roger Johnson, Oilfield Water Logistics, Executive Vice President, Chief Investment Officer	20 minutes
Chad E. Kronkosky, CEK Engineering LLC, President	60 minutes
T. Neil Blandford, Daniel B. Stephens & Associates, Inc., Senior Vice President, Principal Hydrologist	30 minutes
Steve Pattee, Lonquist & Co., LLC, Regulatory Manager	By affidavit

EXHIBITS:

Exhibit 1 (includes Exhibits A through Q):

Final UIC Hydrogeological Assessment Concerning:

Attached

NOTICE OF HEARING: Case No. 15723

Application of OWL SWD Operating, LLC

for Authorization to Inject, Lea County, New Mexico

Bobcat SWD No. 1

740' FSL & FEL, Unit P Sec. 25 T25s R36E

Lea County, New Mexico

Permitted Interval: Yates and Seven Rivers (2915'-3060')

PROCEDURAL MATTERS

The New Mexico State Land Office (herein after "SLO") filed a Pre-Hearing Statement on May 25, 2017. Counsel for Applicant conferred with Counsel for SLO regarding the appropriate procedural rules to intervene in this matter. At this time, Counsel for Applicant reserves the right to object to the SLO's participating in this matter at the time of the hearing depending on any corrective action the SLO may take.

CONCLUSION

Applicant respectfully seeks an order authorizing the injection of water for disposal into the Yates-Seven Rivers formation in Lea County, New Mexico, in the proposed well cited above.

Respectfully submitted,

GALLAGHER & KENNEDY, P.A.

By: 

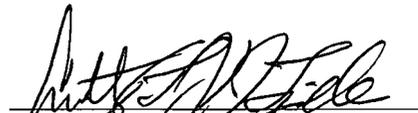
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ATTORNEYS FOR OWL SWD Operating, LLC

CERTIFICATE OF SERVICE

Without waiving any procedural or substantive objections as set forth herein, I hereby certify that a copy of the foregoing pleading was served via e-mail upon the following counsel:

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