

**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:**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION COMPLIANCE AND
ENFORCEMENT BUREAU FOR A COMPLIANCE ORDER AGAINST
OWL SWD OPERATING, LLC FOR THE MARALO SHOLES B WELL NO. 2
OPERATED IN LEA COUNTY, NEW MEXICO.**

CASE NO. 15753

PRE-HEARING STATEMENT

This pre-hearing statement, pursuant to 19.15.4.13 (B) NMAC, is submitted by OWL SWD Operating, LLC (hereafter "OWL") who opposes the Oil Conservation Division's Application,

APPEARANCES

APPLICANT

New Mexico Oil Conservation
Compliance and Enforcement Bureau

APPLICANT'S ATTORNEY

David K. Brooks

OPPONENT

OWL SWD Operating, LLC

OPPONENT'S ATTORNEYS

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

STATEMENT OF THE CASE

APPLICANT

Applicant seeks a compliance order determining that a well operated by OWL SWD Operating, LLC (hereinafter "OWL") is out of compliance and directing OWL to return the well to compliance or suspend injection operations and to plug and abandon. The well at issue is:

Maralo Sholes B Well No. 2
600' FSL & 660' FEL
Section 25
T-25S, R-36E, NMPM
Lea County, New Mexico

OPPONENT

OWL sought to address the concerns raised by the Oil Conservation Division (hereinafter "Division") in this matter and filed an Application for an order authorizing the injection of water for disposal into a new well. The Application for the new, proposed well is the subject of Case No. 15723 currently pending before the Division.

There exists a need for high-volume, produced water disposal in the area, and a 50-mile Red Hills gathering system, maintained by OWL, currently exists and serves the oil and gas production industry in Lea and Eddy counties. The pipeline system currently injects into the Maralo Sholes B Well No. 2, the subject of this matter, under the authority of Administrative Order SWD-1127. The existing well is being operated in accordance with that Order, and testing conducted by OWL pursuant to the Division's request shows that the injected fluids are reporting to and remaining within the intended interval.

The new, 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. The new, proposed well would also address the concerns raised by the Division in its Application for a compliance order. 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.

The 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. Additionally, OWL will offer evidence regarding the condition of the existing well; what testing has been completed; and the results of the testing.

OPPONENTS'S PROPOSED EVIDENCE

OWL submits the following as proposed evidence, but reserves the right to supplement this list with additional proposed evidence during the progression of the matter.

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

Jim Ward, Oilfield Water Logistics,
Energy Conservation Consultant

30 minutes

Kevin Burns, Oilfield Water Logistics,
Engineer

30 minutes

PROCEDURAL MATTERS

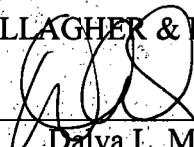
On June 22, 2017, OWL filed a Motion to continue the hearing on this matter currently scheduled on July 6, 2017, and at filing time, no action had been taken on that motion. The Division opposes OWL's Motion to Continue. On June 28, 2017, the New Mexico State Land Office (herein after "SLO") filed a Motion to Intervene and Consolidate this matter with Case No. 15723, and at filing time, no action had been taken on that motion. A pre-hearing conference on this matter and pending motions is scheduled for Thursday, June 29, 2017, at 3:00 p.m.

CONCLUSION

OWL respectfully requests that the Hearing Examiner consider the information provided herein and that provided in OWL's Motion to continue the hearing scheduled on July 6, 2017, to determine that a continuance is appropriate in this case, and that the subject matter of Case No. 15723 seeks to resolve the concerns by the Division raised in this matter.

Respectfully submitted,

GALLAGHER & KENNEDY, P.A.

By: 

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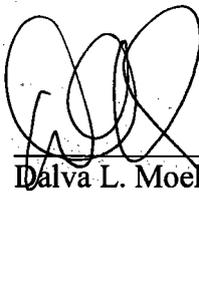
ATTORNEYS FOR OWL SWD Operating, LLC

CERTIFICATE OF SERVICE

Without waiving any procedural or substantive objections that may be raised at the pre-hearing conference scheduled in this matter, I hereby certify that on June 29, 2017, a copy of the foregoing pleading was served via e-mail upon the following counsel:

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