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

**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**

CASE NO. 15519 DE NOVO

PRE-HEARING STATEMENT

David Baker, Receiver for the benefit of Pyote Water Solutions LLC and Pyote SWD II LLC ("Receiver"), provides this Pre-Hearing Statement as required by the rules of the Division and Commission.

APPEARANCES

OPPONENT

David Baker, Receiver, et al.

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STATEMENT OF THE CASE

Applicant, Mewbourne Oil Company, seeks an order revoking the injection authority granted by Administrative Order SWD-744 for the Willow Lake Well No. 1 (30-015-21499), a produced water disposal well, located 660 feet from the North line and 1980 feet from the West line (Unit C) in Section 22, Township 24 South, Range 28 East, N.M.P.M., Eddy County, New Mexico (the "Willow Lake SWD"). The Receiver opposes the relief sought by Mewbourne in its Application.

As permitted by the Division under SWD-744 issued on May 11, 1999, Griffin Petroleum Company was authorized to inject into the Bone Spring formation through intervals from approximately 7,148 feet to 8,850 feet. The actual perforated intervals were apparently not reported by Griffin post-completion and the depths of open perforations were not known with certainty. Griffin Petroleum Company was later succeeded by Mesquite SWD in 2005 and subsequently by Pyote Well Service, LLC in 2013. Recently, the federally appointed Receiver removed Pyote Well Service, LLC as operator and has replaced that entity with Cambrian Management LTD who has assumed operations of the Willow Lake Well No. 1.

The Applicant previously sought termination of the predecessor operator's permit in this case. By Order issued on February 21, 2017 after an Examiner hearing held on September 16, 2015, the Division directed the operator to discontinue disposal into the Willow Lake Well No. 1 by April 1, 2017 at which time the injection authorization under SWD-744 was to terminate. In its Order, the Division specifically noted the uncertainty of the actual depths of the perforations. Order No. R-14300, Findings ¶11(C) (February 21, 2017). Because of this uncertainty, the Division concluded that the Receiver's "disposal into a gross Bone Spring interval has most likely affected offsetting production in specific sands at least one mile away." Order at (17). Moreover, the Division held that "[t]he disposal interval into the Bone Spring formation as approved in Administrative Order SWD-744 is into a producing or productive interval." Order at (19).

As a result, before discontinuing injection operations, the operator conducted a radioactive tracer survey which identified the perforation depths and the zones that are and are not taking volumes of injected water. The results of the tracer survey show that all injected fluid is going into the upper portion (7,184 – 7,224 feet) of the Bone Spring formation. With that new information, the operator has filed a new C-105 that notes the actual open perforations and attaches the tracer survey log. The operator proposes to isolate the primary productive members of the Bone Spring formation by placement of a bridge plug at 7,600 feet. The Receiver and operator thus seek Commission approval to reinstate the authorization to inject along with an amendment of Order SWD-744 to contract the permitted injection interval from 7,184 – 8,850 feet down to 7,184 – 7,425 feet.

PROPOSED EVIDENCE

OPPONENT: Receiver, et al. EST. TIME EXHIBITS

WITNESSES:

Receiver Representative	10 minutes	2
Andy Rickard, Cambrian Management LTD	10 minutes	4
Rick Johnston, Petroleum Engineer	30 minutes	25

APPLICANT: MEWBOURNE OIL COMPANY EST. TIME EXHIBITS

WITNESSES:

PROCEDURAL MATTERS

Mewbourne failed to identify or notify the owners whose correlative rights it asserts are affected by injection operations. Mewbourne also failed to notify the owners of the surface and the Bureau of Land Management, the owner of the underlying minerals which also approved injection operations through its well. Notification is required by NMSA §70-2-23 (notice of revocation, change, renewal or extension of orders) or 19.15.26.8B(2) NMAC (injection); See also *Uhden v. New Mexico Oil Conservation Comm'n*, 1991-NMSC-089, and *Johnson v. New Mexico Oil Conservation Comm'n*, 1999-NMSC-021. These omissions warrant the dismissal of Mewbourne's Application.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on the following counsel of record by electronic mail on May 11, 2017:

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