

**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

AMENDED PRE-HEARING STATEMENT

This amended pre-hearing statement is submitted by Applicant under 19.15.4.13 (B) NMAC to amend and supplement the Pre-Hearing Statement filed by the Applicant on June 1, 2017. Its primary purpose is to provide the other parties notice of an additional written expert report provided by Mr. Neil Blandford, who was previously listed as an expert witness and to provide a copy of that report in advance of the scheduled hearing of this matter.

APPEARANCES

APPLICANT

OWL SWD Operating, LLC

APPLICANT'S ATTORNEYS

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

OPPONENTS

New Mexico Oil Conservation Division

New Mexico State Land Office

OPPONENTS' ATTORNEYS

David K. Brooks

Katherine M. Moss

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 injection interval is in the Yates-Seven Rivers formation, which has had substantial past oil and gas production, but has very low current production. The source of the injected fluids will be formation water from the Delaware, Bone Springs, Devonian, and Yates-Seven Rivers formations.

Current and future oil and gas production and the lack of local disposal options in some areas created the need for high-volume, produced water disposal in the area. The 30-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 utilizes the Maralo Sholes B Well No. 2 under the authority of Administrative Order SWD-1127 for a large volume of the produced water gathered by OWL's system. 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 produced 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 water supplies, nor would water from the proposed injection interval migrate upward to other formations, including any formations that have potential use as a fresh water supply. 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 addition to Exhibit 1 attached to Applicant's original Pre-Hearing Statement, Applicant is filing herewith its Exhibit 2, "Expert Opinions by DBS&A" for consideration by all parties to this matter. Applicant hereby reserves the right to make any necessary corrections or additions to the proposed evidence list in accordance with procedural rules and to utilize as hearing exhibits other documents already on file with OCD, exhibits introduced by other witnesses, and additional exhibits in support of the testimony of the witnesses, including but not limited to documents referenced in the reports.

APPLICANT'S PROPOSED EVIDENCE

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

EXHIBITS:

Exhibit 1 (includes Exhibits A through Q):

Final UIC Hydrogeological Assessment Concerning:

Filed June 1, 2017

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')

Exhibit 2

Attached

Expert Opinions Regarding:
Bobcat SWD No. 1
Authorization to Inject
Lea County, New Mexico
Prepared for OWL SWD Operating, LLC
July 24, 2017.

PROCEDURAL MATTERS

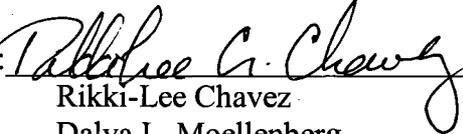
At this time, Counsel for Applicant is not aware of any procedural matters that need to be resolved for the hearing and that have not already been resolved in prehearing conferences. Applicant reserves the right to raise and address any additional procedural issues that may be raised prior to or during the hearing scheduled on August 1, 2017.

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. Applicant submits that its application satisfies all requirements of the applicable statutes and rules. Denial of Applicant's request would irreparably harm Applicant and cause unnecessary hardship on the oil and gas industry in Lea and Eddy counties.

Respectfully submitted,

GALLAGHER & KENNEDY, P.A.

By: 

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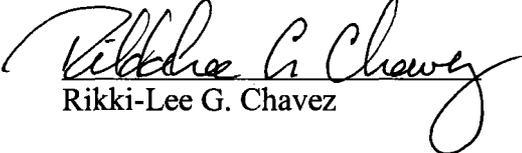
ATTORNEYS FOR OWL SWD Operating, LLC

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served via e-mail upon the following counsel:

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