

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

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**APPLICATION OF MESQUITE SWD, INC.
TO AMEND APPROVALS FOR
SALT WATER DISPOSAL WELLS IN
LEA AND EDDY COUNTIES.**

**CASE NO. 15654
ORDER NO. R-14392**

MESQUITE SWD, INC.'S PRE-HEARING STATEMENT

Mesquite SWD, Inc. ("Mesquite"), submits this Pre-Hearing Statement for the above-referenced case pursuant to the rules of the Oil Conservation Division and Commission.

APPEARANCES

APPLICANT

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ATTORNEY

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INTERVENING PARTY:

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STATEMENT OF CASE

Applicant in the above-styled cause seeks an order amending the size of tubing approved by the Division for certain Salt Water Disposal Wells approved by the Division to be drilled in Lea and Eddy Counties. All of the relevant Salt Water Disposal Wells are drilled or scheduled to be drilled for injection into the Devonian Formation. The wells and related administrative orders are as follows:

NMOCD Order Number	Order Date	Well Name	Legal Description
SWD-1667	2/23/2017	Sand Dunes SWD #2	Unit K, Sec. 8, T24S-R31E, Eddy County, N.M.
SWD-1642	8/5/2016	Scott B SWD #1	Unit N, Sec. 23, T24S-R28E, Eddy County, N.M.
SWD-1638	7/26/2016	VL SWD #1	Unit I, Sec. 14, T24S-R28E, Eddy County, N.M.
SWD-1558	6/26/2015	Station SWD #1	Unit F, Sec. 7, T24S-R32E, Lea County, N.M.
SWD-1636	7/15/2016	Cypress SWD #1	Unit L, Sec. 34, T23S, R29E, Eddy County, N.M.
SWD-1610	1/13/2016	Gnome East SWD #1	Unit D, Sec. 35, T23S, R30E, Eddy County, N.M.
SWD-1602	12/1/2015	Uber East SWD #1	Unit I, Sec. 24, T23S, R31E, Eddy County, N.M.
SWD-1600	11/20/2015	Uber North SWD #1	Unit B, Sec. 15, T23S, R31E, Eddy County, N.M.

The orders issued by the Division approving the drilling of each well states that injection will occur through 4 ½" or smaller tubing. Mesquite seeks an amendment to each of these orders, allowing it to use 5 ½" tubing. The tubing will be placed inside cemented casing.

The majority of surface pressure encountered for the above-listed wells is friction pressure. Increasing the tubing size from 4 ½" to 5 ½" will reduce friction and will allow disposal at increased rates. Data has been obtained by Mesquite and other operators which indicate that movement of fluids into the Devonian formation, even at higher disposal rates, is

through porosity and permeability and into fractures. Studies conducted by experts hired by Mesquite further show that increased disposal may be conducted in the Devonian over a 20-30 year period without causing reservoir pressure concerns.

The Division has administratively approved requests to use 5 ½" tubing for several other Devonian injection wells without requiring a hearing on such applications or seeking additional evidence from the applicants. Nonetheless, the Division entered an order in this matter which finds that Mesquite, unlike other past-applicants, must establish that the use of 5 ½" tubing can qualify as a "best management practice" for all future applications submitted under Rule 19.15.26.8 NMAC. The Division, thus, requested in its order that Mesquite satisfy a different and higher standard than that which has previously been required of other applicants to obtain approval for 5 ½" tubing for Devonian disposal wells; or, alternatively wait for such standards to eventually be developed through an industry workgroup and adopted by the agency either through informal procedures or rulemaking. The Division's Order is arbitrary and capricious and must be vacated and replaced with an order that is consistent with the agency's past practices and current regulatory requirements.

INTERVENOR:

Intervenor is an operator of disposal wells in New Mexico and supported the use of 5 ½" tubing for injection into the Devonian Formation at the Division Hearing. Intervenor filed a separate application in Case No. 15720 to increase injection well tubing size from 4 ½" to 5" that was heard after Mesquite's application. Intervenor's application was granted by the Division in Order No. R-14427. Mesquite intends to introduce evidence to the Commission similar to what was provided in Intervenor's case, Case No. 15720.

PROPOSED EVIDENCE

APPLICANT:

<u>WITNESS</u>	<u>ESTIMATED TIME</u>	<u>EXHIBITS</u>
Riley Neatherlin, Engineer	Approx. 20 min.	5

Mr. Neatherlin is the operations manager for Mesquite SWD and is responsible for overseeing the permitting of wells, casing designs, designing wells, overseeing drilling completions, and overseeing recompletions. He has worked at Mesquite for approximately six years and overseen drilling operations for approximately 25 different injection wells. Mr. Neatherlin will provide testimony about Applicant's wells, tubing and casing design, regulatory approvals received from the Division for the wells at issue, and his knowledge of administrative orders issued to other operators which relate to tubing requests.

Stephen Nave, Engineer/Fishing Expert	Approx. 15 min.	4
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Mr. Nave is the President of Nave Oil and Gas, a fishing tool company. Mr. Nave has worked in fishing tools operations since the 1980's and have overseen fishing operations for over 100 employees. Mr. Nave provides fishing services to oil and gas operators in Southeastern New Mexico and will be testifying concerning the fishing possibilities available with Applicant's tubing design.

Kate Zeigler, Ph.D., Expert Geologist	Approx. 20 min.	8
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Dr. Zeigler has a B.A. in geology and anthropology from Rice University and an M.S. and Ph.D. from the University of New Mexico. Dr. Zeigler is the owner of Zeigler Geologic Consulting, which provides services including geologic mapping, stratigraphic and well log analysis. She has extensive experience mapping on the Pecos Slope and in the western Permian Basin. Dr. Zeigler will testify concerning the Delaware Basin lower Paleozoic stratigraphy and the geologic formations involved in potential injection issues.

Scott Wilson, Expert Petroleum Engineer	Approx. 20 min.	9
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Mr. Wilson is a Senior Vice President at Ryder Scott Company. Mr. Wilson has over 34 years of experience in the oil and gas industry, including experience in production and reservoir engineering utilizing wellbore hydraulics and simulation models. Mr. Wilson will testify concerning reservoir engineering issues, including step rate tests performed, wellbore friction prediction and friction reduction anticipated by the proposed tubing design, and radial influence on pore pressures attributable to injected water.

Dr. Bilek has a B.S. in Geosciences from Pennsylvania State University and a M.S. and Ph.D. in Earth Sciences and Geophysics from the University of California, Santa Cruz. Dr. Bilek is a professor at New Mexico Tech University in the Earth and Environmental Science Department and has conducted research projects related to earthquake rupture processes, fault zone material properties, stresses and structure of fault zones and induced seismicity. Dr. Bilek will testify about fault zones and induced seismicity concerns (or the lack thereof).

INTERVENOR: None anticipated.

PROCEDURAL MATTERS

Paragraph 6 of Order R-14392, dated July 21, 2017 (“Order”), states:

The Division requested the Bureau of Land Management (BLM) to either appear at the hearing or to provide a written response to this application that would be incorporated in the case file. The BLM provided the following written comments: (a) the larger diameter tubing would increase the probability of improper installation and the loss of beneficial use of the well; and (b) the enlarged capacity of disposal with larger tubing will increase formation pressures with concern for formation fracture pressures to be exceeded.

The record available indicates that on March 9, 2017, Phillip Goetz, EMNRD, sent an email to Paul Swartz and James Glover of BLM, requesting information related to the application in this case, and that on March 24, 2017 the BLM sent a short e-mail on this issue to the Division.

The BLM email/statement was not served to or shared with Mesquite prior to being cited in the Division’s Order. Furthermore, the BLM email was not discussed on the record at the OCD hearing, nor was it offered or admitted as an exhibit by any party to the hearing. Likewise, the BLM did not appear at the Division hearing. In order to preserve the record, Applicant intends to file a brief with the Commission concerning the error in considering such statements, (which were not made on the record by a party to the adjudication) as part of the basis for an order issued by the Division/Commission.

Respectfully submitted,

**MODRALL, SPERLING, ROEHL, HARRIS
& SISK, P.A.**

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on counsel of record by electronic mail on November 2, 2017.

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