

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

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

CASE NO. 20460

**APPLICATION OF BLACKBUCK RESOURCES, LLC FOR APPROVAL OF A SALT
WATER DISPOSAL WELL IN EDDY COUNTY, NEW MEXICO.**

CASE NO. 20461

**APPLICATION OF BLACKBUCK RESOURCES, LLC FOR APPROVAL OF A SALT
WATER DISPOSAL WELL IN EDDY COUNTY, NEW MEXICO.**

**OIL CONSERVATION DIVISION'S ENTRY OF APPEARANCE AND
PRE-HEARING STATEMENT**

The New Mexico Oil Conservation Division ("the Division") enters its appearance in this case. The Division hereby submits its Pre-Hearing Statement for the hearing scheduled on Thursday, May 2, 2019.

PARTIES

Applicant:

For Blackbuck Resources, LLC

ATTORNEYS

Ernst L. Padilla
Post Office Box 2523
Santa Fe, NM 87504
padillalaw@questoffice.net

Other Parties:

THE NEW MEXICO OIL CONSERVATION
DIVISION

David K. Brooks
Energy, Minerals and Natural Resources
Department
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3215
davidk.brooks@state.nm.us

For XTO Energy, Inc. (in Case No. 20460)

Michael H. Feldewert
Adam G. Rankin
Julia Broggi
Kaitlyn Luck
Holland & Hart, LLP
P.O. Box 2208
Santa Fe, NM 87504
505.988.4421
mfeldewert@hollandhart.com
agrankin@hollandhart.com
jbroggi@hollandhart.com
kaluck@hollandhart.com

STATEMENT OF THE CASE

Applicant seeks individual orders to inject up to 30,000 barrels of produced water per day (BWPD) into the Silurian-Devonian formations for the following two proposed wells:

1. for Case No. 20460, the Camille Federal SWD Well No. 1 to be drilled at a surface location 2,596 feet from the South line and 1,471 feet from the East line (Unit J) in Section 17, Township 24 South, Range 31 East, NMPM, in Eddy County, New Mexico, with an injection interval from approximately 16,225 feet to 17,300 feet below surface; and
2. for Case No. 20461, the Ian Federal SWD Well No. 1 to be drilled at a surface location 1,505 feet from the North line and 2,444 feet from the East line (Unit G) in Section 18, Township 24 South, Range 31 East, NMPM, in Eddy County, New Mexico, with an injection interval from approximately 16,250 feet to 17,915 feet below surface.

Applicant further seeks approval for the use of a tapered tubing set in both wells with 4½-inch diameter tubing inside the 7⅝-inch diameter liner and 5½-inch diameter tubing in the casing strings above the liner. Applicant proposes both wells as commercial operations for the purpose of disposal of produced water from multiple sources. The Division notes that the proposed construction of the disposal wells offers the ability to increase the tubing diameter size at a future date.

The Division opposes issuance of an order for authority to inject for the proposed wells at the surface locations detailed in the administrative applications. The Division has sought to maintain a distance of 1.5 miles between injection sources (based on a ¾-mile radius from the well

surface location or 7,920 feet between the Devonian SWD wells) that are Devonian wells designed for large-volume disposal in an effort:

1. to lessen the potential for induced-seismic events associated with disposal as recommended by the United States Environment Protection Agency's National Underground Injection Control (UIC) Technical Workgroup,
2. to minimize interference between wells in support of the effort to reduce the potential for induced-seismic events and to optimize the operational life of these wells (as a best management practice),
3. to protect correlative rights as directed under the New Mexico Oil and Gas Act, and
4. to maintain and improve the state's UIC program to support production while preventing waste as directed by the New Mexico Oil Conservation Commission in Commission Order No. R-14392-A.

The Camille Federal SWD Well No. 1 is located approximately 5,444 feet (1.03 miles) to the south of an active, commercial Devonian disposal well with reported injection rates that exceed 30,000 BWPD. This disposal well is the Sand Dunes SWD No. 2 (API No. 30-015-44131; SWD-1667-A) operated by Mesquite SWD, Inc. This well is located 2,600 feet from the South line and 2,500 feet from the West line (Unit K) in Section 8, Township 24 South, Range 31 East, NMPM, Eddy County, New Mexico.

The Ian Federal SWD Well No. 1 is located approximately 7,063 feet (1.03 miles) to the southwest of the Sand Dunes SWD No. 2 and is approximately 5,600 feet (1.06 miles) southeast of the Mad Cow SWD No. 1 (API No. 30-015-45204; SWD-1755) operated by Solaris Water Midstream, LLC. This well is located 2,443 feet from the South line and 1,135 feet from the East line (Unit I) in Section 12, Township 24 South, Range 30 East, NMPM, Eddy County, New

Mexico. The Mad Cow SWD No. 1 is being drilled for completion as a commercial Devonian disposal well.

Additionally, the Ian Federal SWD Well No. 1 and the Camille Federal SWD Well No. 1 are located approximately 6,363 feet (1.2 miles) from each other.

Finally, both the Ian Federal SWD Well No. 1 and the Camille Federal SWD Well No. 1 are within 1.5 miles of two pending applications that are protested and not resolved. These applications include the Crazy Ant Federal SWD No. 1 (Administrative application no. pMAM1908150633) and the Dillinger Federal SWD No. 1 (Administrative application no. pMAM1826355651). These wells are located to the south of Ian Federal SWD Well No. 1 and the Camille Federal SWD Well No. 1 and are proposed as commercial disposal operations with rates exceeding 20,000 BWPd.

It is the Division's position that the approval of the proposed well as located in the application does not conform to the Division's effort to appropriately manage the UIC program for its mission in support oil and gas production while being protective of the environment.

WITNESSES TO BE CALLED BY THE DIVISION

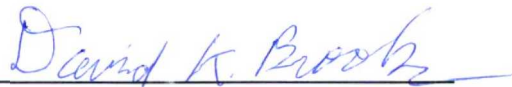
<u>Name</u>	<u>Employer</u>	<u>Position</u>	<u>Field(s) of Expertise</u>
Phillip Goetze, PG	NMEMNRD	Geoscientist and Hearing Examiner	Geology, UIC program, hydrology, Division permitting procedure

Time for Presentation: 1.5 hours

PROCEDURAL MATTERS

The Division shall be seeking a continuance in order to consolidate these two cases with Cases No. 20462, No. 20463, and No. 20465 for hearing at a later Division docket date or to be scheduled for an off-docket date for hearing.

Respectfully submitted,

A handwritten signature in blue ink that reads "David K. Brooks". The signature is fluid and cursive, with a long horizontal line extending to the right.

David K. Brooks
Assistant General Counsel
Energy, Minerals and Natural
Resources Department
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3215
davidk.brooks@state.nm.us

CERTIFICATE OF SERVICE

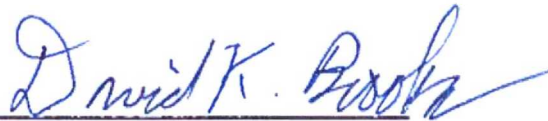
I hereby certify that a copy of the foregoing pleading was served upon the following party
by email on April 25, 2019.

Ernst L. Padilla
Post Office Box 2523
Santa Fe, NM 87504
padillalaw@questoffice.net

For Blackbuck Resources, LLC

Michael H. Feldewert
Adam G. Rankin
Julia Broggi
Kaitlyn Luck
Holland & Hart, LLP
P.O. Box 2208
Santa Fe, NM 87504
505.988.4421
mfeldewert@hollandhart.com
agrarkin@hollandhart.com
jbroggi@hollandhart.com
kaluck@hollandhart.com

For XTO Energy, Inc. (in Case No. 20460)



David K. Brooks
Assistant General Counsel
Energy, Minerals and Natural
Resources Department
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3215
Email: davidk.brooks@state.nm.us
Attorney for the Oil Conservation Division