

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

**APPLICATIONS OF SALT CREEK MIDSTREAM,
LLC TO AMEND ORDER NO. R-20913-D.**

Case Nos. 23294, 23464

PRE-HEARING STATEMENT

Ameredev Operating, LLC (“Ameredev”) submits this Pre-Hearing Statement for the above-referenced cases pursuant to the rules of the Oil Conservation Commission.

APPEARANCES

APPLICANT

SALT CREEK MIDSTREAM, LLC

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AMEREDEV'S STATEMENT OF CASE

In these cases, Salt Creek Midstream, LLC ("SCM") seeks approval to inject treated acid gas ("TAG") into its AGI No. 1 Well, which SCM is proposing to drill at a new location given the difficulties SCM faced when it first attempted to drill the AGI No. 1 Well. SCM's proposed target injection zone is the Bell Canyon and Cherry Canyon formations of the Delaware Mountain Group ("DMG") at depths of approximately 5,580 feet to 7,040 feet. If SCM's applications are approved, SCM would have an additional twenty-four (24) months from the date of the order to commence injection in the AGI No. 1 Well. SCM would also be required to drill a second injection well, with a target injection zone in the Devonian, and the DMG well would become a "redundant" well.

Ameredev takes no position on SCM's applications at issue in these cases, and, in fact, is supportive of the requirement that SCM drill a Devonian injection well because Devonian wells eliminate certain issues that arise from injection in shallower zones. Ameredev would be supportive of a modified condition requiring SCM to drill and commence injection in the Devonian well on a more expedited timeline than currently required.¹ Because of the potential impacts AGI injection can have on oil and gas production in shallower zones, such as the DMG, Ameredev outlines below its general concerns regarding the potential negative impacts of injecting TAG in the DMG.

SCM initially proposed the AGI No.1 Well in 2019, when there was less production in the area and fewer wells penetrating the DMG. Since then, activity has increased, and, specifically, Ameredev operates 3 wells within a half mile of SCM's proposed AGI well and another 7 wells within a mile of the proposed AGI well, each of which penetrate the DMG. Ameredev's future plans contemplate additional development of Ameredev's leased acreage, including State Land Office and Bureau of Land Management leases. As of the date of this filing, Ameredev has 10 approved APDs located within 1 mile of the proposed AGI, and numerous pending APDs, that will all require drilling through the DMG and the resulting acid gas plume from the proposed AGI. Ameredev has concerns that injecting acid gas in shallow zones such as the DMG could negatively impact present and future oil and gas development on state, federal, and private lands.

Injecting acid gas in the DMG may increase the costs to upstream operators because they will have to drill through an acid gas injection zone and may need to implement additional well bore design safety elements. Injecting acid gas in the DMG could also impact future production because of the pressure characteristics of the DMG, leading to a decrease in potential production from future wells that target the DMG. Any increase in costs or decrease in production would impact correlative rights and could impact the amount of activity on and production of oil and gas from state lands. In addition, AGI injection in the DMG may have the unintended consequence of affecting the Capitan Reef if there are wells within the disposal area that have not been properly plugged. If acid gas were to enter an improperly plugged well, there is a risk that the well could act as a conduit to shallower depths, including the Capitan Reef.

¹ The current permit condition requires SCM to file a C-108 for the Devonian well no later than 6 months after issuance of the DMG permit, requires SCM to complete the Devonian well no later than 15 months after issuance of the order approving the Devonian well, and requires SCM to cease injection in the DMG well no later than 6 months after placing the Devonian well in service. SCM submitted the C-108 on October 12, 2022.

The Oil Conservation Division has noted these potential impacts and has disfavored the DMG as a disposal zone and instead has moved toward requiring disposal in the Devonian. As stated above, Ameredev is supportive of the Division's decision to move toward limiting acid gas disposal to the Devonian.

PROPOSED EVIDENCE

Ameredev does not intend to call any witnesses or present any exhibits at the May 11, 2023 hearing but reserves its right to participate in the May 11, 2023 hearing to the extent necessary.

Respectfully submitted,

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

By: /s/ Deana M. Bennett

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CERTIFICATE OF SERVICE

We hereby certify that a true and correct copy of the foregoing was served on the following counsel of record by e-mail on May 4, 2023:

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QUESTIONS

Action 213802

QUESTIONS

Operator: AMEREDEV OPERATING, LLC 2901 Via Fortuna Austin, TX 78746	OGRID: 372224
	Action Number: 213802
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
Please assist us by provide the following information about your testimony.	
Number of witnesses	0
Testimony time (in minutes)	0