

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

**APPLICATIONS OF RILEY PERMIAN OPERATING COMPANY, LLC,
FOR APPROVAL OF A SALT WATER DISPOSAL WELL,
EDDY COUNTY, NEW MEXICO.**

CASE NOS. 24279-24280

MRC PERMIAN COMPANY'S CONSOLIDATED PRE-HEARING STATEMENT

MRC Permian Company ("Matador") submits this Consolidated Pre-Hearing Statement pursuant to the rules of the Oil Conservation Division.

APPEARANCES

APPLICANT

Riley Permian Operating Company, LLC

ATTORNEY

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OPPOSING PARTIES

Permian Resources Operating, LLC
("Permian Resources") and Colgate
Production, LLC ("Colgate")

and

MRC Permian Company

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STATEMENT OF THE CASE

In **Case No. 24279**, Riley Permian Operating Company LLC (“Riley”) seeks an order authorizing approval for a salt water disposal well for its proposed Angel Ranch SWD #1, to be drilled at a location 1,320 FSL and 1,320 FEL, Unit A, Section 12, Township 19 South, Range 27 East, N.M.P.M., Eddy County, New Mexico. Applicant proposes to set a packer at 8,300 feet below the surface of the earth and then inject into the Cisco formation (Pool Code 96099) at depths between 8,586 feet through 9,210 feet open hole, as stated in the C-108, being the administrative application filing for the proposed injection well.

In **Case No. 24280**, Riley similarly seeks an order authorizing approval for a salt water disposal well for its proposed Angel Ranch SWD #2, to be drilled at a location 588 FNL and 2,157 FEL, Unit B, Section 11, Township 19 South, Range 27 East, N.M.P.M., Eddy County, New Mexico. Riley proposes to set a packer at 8,100' feet below the surface of the earth and then inject into the Cisco formation (Pool Code 96099) at depths between 8,450 feet through 8,975 feet open hole, as stated in the C-108, being the administrative application filing for the proposed injection well.

Matador is a working interest owner with active development in the area of the proposed injection. It opposes approving Riley’s proposed injection for two primary reasons. First, Matador believes Riley’s proposed SWDs will water out the prospective Third Bone Spring target on

Matador's adjacent acreage. Deep-rooted faulting in the area has caused fault-propagated folding of the overlying Cisco formation, which is the proposed injection interval for both of Riley's proposed SWDs. Fracturing associated with this fault-propagated folding through the Cisco and early Permian strata increases the risk of vertical communication between the water injection interval and the productive Third Bone Spring reservoir. Nor are there any clear geologic barriers between the proposed injection interval and Matador's horizontal target that would prevent vertical migration of the produced water Riley proposes to inject into its SWDs into the shallower Third Bone Spring.

Second, Matador believes that Riley's proposed SWDs will lead to increased risk of induced seismicity in this area. The Angel Ranch SWD wells both fall within a 10-mile radius of recent seismic activity. Seismic activity west of Angel Ranch is following a significant regional offset in the basement formations, and the Angel Ranch SWD wells are situated near a well-documented regional basement fault that runs parallel to the offset to the west. These parallel basement-rooted features are similarly stressed and prone to failure. Thus, based on the fault identified in this area, the direction of the fault, and the previous seismic events, Matador is concerned that approval of Riley's applications will lead to an unreasonable increased risk of induced seismicity in this area.

Riley's applications must be denied to prevent waste, protect correlative rights, and prevent an unreasonable increase in the risk of induced seismicity in this area.

DISPUTED FACTS

- Whether injection into the proposed SWDs will be contained within the target injection zone;
- Whether injection into the proposed SWDs will water out the overlying Third Bone Spring interval that is currently being developed and produced, violating the Oil and Gas Act’s statutory mandate to prevent watering out of productive zones;
- Whether the proposed injection will cause waste and impair correlative rights;
- Whether the proposed injection is otherwise approvable under the Division’s Underground Injection Control program requirements; and
- Whether the proposed injection will lead to an unreasonable increase in the risk of induced seismicity.

APPLICANT’S PROPOSED EVIDENCE

| WITNESS Name and Expertise | ESTIMATED TIME | EXHIBITS |
|---|-------------------------|-----------------|
| Andrew Parker, Senior Vice President of Geosciences | Self-Affirmed Statement | Approx. 6 |

PROCEDURAL MATTERS

None at this time.

Respectfully submitted,

HOLLAND & HART LLP

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CERTIFICATE OF SERVICE

I hereby certify that on July 16, 2024, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

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QUESTIONS

Action 364671

QUESTIONS

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| Operator: MATADOR PRODUCTION COMPANY One Lincoln Centre Dallas, TX 75240 | OGRID: 228937 |
| | Action Number: 364671 |
| | Action Type: [HEAR] Prehearing Statement (PREHEARING) |

QUESTIONS

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| Testimony | |
| <i>Please assist us by provide the following information about your testimony.</i> | |
| Number of witnesses | <i>Not answered.</i> |
| Testimony time (in minutes) | <i>Not answered.</i> |