

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

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

**APPLICATION OF KEY ENERGY SERVICES, LLC
FOR APPROVAL OF A SALT WATER DISPOSAL
WELL, EDDY COUNTY, NEW MEXICO.**

**CASE NO. 15322 (De Novo)
ORDER NO. R-14052**

INTERVENOR'S PRE-HEARING STATEMENT

INTERVENER

Oil Conservation Division

RECEIVED OCD
2016 MAY 12 P 3:50

INTERVENOR'S ATTORNEY

David K. Brooks
Oil Conservation Division
Energy, Minerals and Natural
Resources Department
1220 S. St. Francis Drive
Santa Fe, NM 87505
Telephone: (505) 476-3415
Fax: (505) 476-3462
david.brooks@state.nm.us

STATEMENT OF THE CASE

The Oil Conservation Division (OCD) entered Order No. R-14052 after notice and hearing in Case No. 15322. The OCD found that:

1. The bulk of the evidence indicates that the probability exists for oil and gas reserves to be present in the Brushy Canyon formation in the E/2 of Section 36. This legal description includes the location of the proposed well;
2. The Applicant, Key Energy Services, LLC, does not have a valid permit for produced water injection in the Grace Carlsbad Well No. 1; and
3. The Applicant presented insufficient evidence to demonstrate that approval of the subject well for injection into the Brushy Canyon formation will not cause the waste of oil and gas reserves in that formation.

As a result, the application was denied without prejudice.

The OCD will call Phillip Goetze to testify to provide the Commission with an overview of the well history prior to the De Novo application and related orders and notices issued concerning this well. Division will also provide a copy of a Division order involving issues and findings pertinent to well ownership.

INTERVENOR'S PROPOSED EVIDENCE

WITNESS:

ESTIMATED TIME:

1. Phillip Goetze

20 minutes

Mr. Goetze has over 36 years of experience developing and implementing a variety of projects with environmental, hydrologic, mineral extraction or regulatory applications. Since 2013, Mr. Goetze has been employed as a senior petroleum geologist and hearing examiner at the Oil Conservation Division. His duties include technical reviews of applications for Class II wells (including salt water disposal wells and enhanced oil recovery (EOR) projects) under the New Mexico primacy agreement with the USEPA for its Underground Injection Control (UIC) Program. As a hearing examiner for Division, Mr. Goetze has written orders in cases such as compulsory pooling applications and protested proposed well locations that required review of project area geology, opposing reservoir characterizations and proposed wells designs offered in these cases. He also provides technical assistance to District personnel and General Counsel staff regarding compliance issues for disposal and EOR wells. Recently, Mr. Goetze offered expert testimony before the New Mexico Water Quality Control Commission in support of rulemaking for expanded authority of Division to include UIC Class I (hazardous) disposal wells.

Mr. Goetze is an active member in the American Association of Petroleum Geologists and ASTM International. Mr. Goetze is a Professional Geologist in the states of Alaska, Arizona, and Texas, and a Certified Environmental Manager in Nevada

The OCD will offer Mr. Goetze as an expert in petroleum geology and in procedures for technical evaluation of applications in OCD's Underground Injection Control Program.

2. Any rebuttal witness needed due to evidence presented at the hearing.

EXHIBITS

- 1. Summary of Well History, Grace Carlsbad No. 1 (API No. 30-015-20573)**
- 2. Copy of Division Order No. 12108 (March 2, 2004; Case No. 13153)**

PROCEDURAL MATTERS

None.

Respectfully submitted
May 12, 2016 by



David K. Brooks
Energy Minerals and Natural
Resources Department
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3415
david.brooks@state.nm.us
Attorney for the Oil Conservation Division

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was electronically mailed on the following parties on May 12, 2016:

Gary Larson
Hinkle Shanor LLP
218 Montezuma
Santa Fe, NM 87501
Telephone: (505) 982-4554
Fax: (505) 982-8623
glarson@hinklelawfirm.com
Attorneys for Key Energy Services, LLC

Michael H. Feldewert
Jordan L. Kessler
Holland & Hart LLP
Post Office Box 2208
Santa Fe, NM 87504-2208
Telephone: (505) 988-4421
Fax: (505) 983-6043
mfeldewert@hollandhart.com
jlkessler@hollandhart.com
Attorneys for BC Operating, Inc. and Crown Oil Partners V, LP


David K. Brooks