

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

APPLICATION OF MEWBOURNE OIL COMPANY TO REVOKE THE INJECTION  
AUTHORITY GRANTED UNDER SWD-744 FOR THE WILLOW LAKE WELL NO 1  
OPERATED BY PYOTE WELL SERVICE, LLC, EDDY COUNTY, NEW MEXICO

CASE NO 15519-<sup>7</sup>(*de novo*)

PRE-HEARING STATEMENT

This pre hearing statement is submitted by Oxy USA Inc ("Oxy ") as required by Oil  
Conservation Commission Rule 19 15 4 13 NMAC

APPEARANCES

APPLICANT

Mewbourne Oil Company

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Solutions LLC and Pyote SWD II LLC  
( Pyote )

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**STATEMENT OF THE CASE**

The Bankruptcy Trustee for the Willow Lake Well No 1 (30-015-21499) has appealed to the Commission the Division Order R-14300 revoking the injection authority granted by Administrative Order R-744. Oxy USA Inc ("Oxy") supports Mewbourne's application for an order revoking the injection authority granted by Administrative Order SWD-744. That order permitted the Willow Lake Well No 1 (30-015 21499) to operate as a disposal well. It authorized injection of produced water into a 1 666-foot injection zone includes various oil and gas intervals that have proven to be productive or potentially productive of hydrocarbons since 1999 with the advent of horizontal drilling. The evidence accumulated since 1999 indicates that not only is the permitted injection zone potentially productive of recoverable hydrocarbons, but the operation of the Willow Lake SWD has negatively affected the correlative rights of Oxy,

Mewbourne, and other operators in the area impairing their ability to recover reserves from the Bone Spring formation underlying their acreage

Pyote has now declared bankruptcy and the Willow Lake SWD well is part of the bankruptcy estate. Effective November 21, 2016, Cambrian Management LTD (OGRID 198688) ('Cambrian') is the operator of the Willow Lake SWD well. Cambrian and the bankruptcy receiver has now proposed to install a cast iron bridge plug at a depth of 7,600 feet to restrict the injection zone to depths between 7,184 – 7,550 feet.

By proposing to limit injection to certain intervals, Cambrian and the bankruptcy receiver concede that previous injection operations have impaired correlative rights and caused waste. However, their more limited proposed injection zone is still within the Bone Spring formation and still within zones that have been identified as potentially productive of recoverable hydrocarbons. Upholding the Division Order revoking the injection authority granted under SWD-744 is therefore necessary to prevent the waste of recoverable hydrocarbons and to protect correlative rights.

**PROPOSED EVIDENCE**

<u>WITNESS</u> Name and Expertise	<u>ESTIMATED TIME</u>	<u>EXHIBITS</u>
<b>Spencer Gunderson</b> <b>Petroleum Geologist</b>	<b>Approx 45 minutes</b>	<b>Approx 4</b>

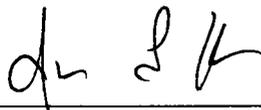
Mr Gunderson has worked at Oxy since 2011, where he is a senior geologist His focus has been on developing conventional and unconventional resources in the Permian Basin Mr Gunderson holds a B A in geology from University of California Berkeley, and a M S from Texas A&M University Mr Gunderson will provide testimony on the geology and the potential for hydrocarbon production within the new proposed injection zone for the Willow Lake No 1 SWD supporting a determination that continued injection into any portion of the Bone Spring formation will impair Oxy s correlative rights and will result in waste

**PROCEDURAL MATTERS**

None at this time

Respectfully submitted,

HOLLAND & HART, LLP



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**ATTORNEYS FOR OXY USA INC**

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing pleading was served upon the following  
counsel of record this 11th day of May 2017 via electronic mailing to

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