

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 (*de novo*)

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Mewbourne Oil Company ("Mewbourne") as
required by Oil Conservation Commission Rule 19 15 4 13 NMAC

2017-11-13
11:30 AM

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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 No R-14300 revoking the injection authority granted by Administrative Order SWD-744. This currently shut-in water disposal well is located 660 feet from the North line and 1980 feet from the West line (Unit C) in Section 22 Township 24 South Range 28 East N M P N, Eddy County, New Mexico (the "Willow Lake SWD"). On July 1, 1999 the Division issued Administrative Order SWD 744 authorizing Griffin Petroleum to re-complete the Willow Lake well for disposal in the Bone Spring formation through perforations at depths of "approximately 7,184 feet to approximately 8,850 feet". Division records reflect the Willow Lake SWD was subsequently "[p]erforated Bone Spring formation from 7184'-8850 and that a packer was set at 7 140 feet

The 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. Recent horizontal wells completed in the Bone Spring formation underlying acreage offsetting the Willow Lake SWD have exhibited abnormally high and increasing water cuts impacting the production of hydrocarbons. 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 Mewbourne and other operators, impairing their ability to recover reserves from the Bone Spring formation underlying their acreage.

Pyote declared bankruptcy and the Willow Lake SWD is part of the bankruptcy estate. Effective November 21, 2016, Cambrian Management LTD (OGRID 198688) ("Cambrian") is the operator of the Willow Lake SWD. Cambrian and the bankruptcy receiver has now proposed to install a cast iron bridge plug at a depth of 7,600 feet to contract 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>
Nathan Cless Petroleum Geologist	Approx 45 minutes	Approx 8

Mr Cless has worked as a petroleum geologist for Mewbourne since 2009 and has worked the Permian Basin since 2010. He holds a B.S. in geology from Kansas State University and a M.S. in geology from the University of Oklahoma. Mr Cless will provide an overview of 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 Mewbourne's correlative rights and will result in waste.

Tim Harrington Senior Engineer	Approx 45 minutes	Approx 10
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Mr Harrington, who has 39 years experience, is a reservoir engineer for Mewbourne since 2015. He holds a B.S. in Geological Sciences from Southern Methodist University and a B.S. in Petroleum Engineering from the University of Tulsa. Mr Harrington will testify regarding the injection history of the Willow Lake No. 1 SWD well, hydrocarbon production from the Bone Spring formation, and potential hydrocarbon production from the new proposed injection zone.

PROCEDURAL MATTERS

None at this time

Respectfully submitted

HOLLAND & HART, LLP



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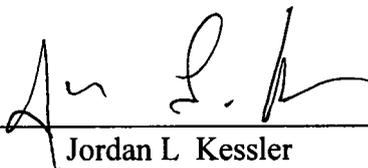
ATTORNEYS FOR MEWBOURNE OIL COMPANY

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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