

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

**APPLICATION OF SALT CREEK MIDSTREAM, LLC
FOR AUTHORIZATION TO INJECT,
LEA COUNTY, NEW MEXICO**

CASE NO. 20780

**OIL CONSERVATION DIVISION'S
PRE-HEARING STATEMENT**

The New Mexico Oil Conservation Division ("OCD") submits this Pre-Hearing Statement pursuant to 19.15.4.13(B) NMAC.

I. IDENTIFICATION OF PARTY AND COUNSEL

OCD has intervened in this matter, and is represented by undersigned counsel.

II. STATEMENT OF THE CASE

Salt Creek Midstream, LLC ("Applicant") filed an application for authorization to inject acid gas and residual carbon dioxide, generally referred to as Treated Acid Gas ("TAG"), from the Amerdev South Gas Processing Plant into the proposed Salt Creek Midstream AGI Well No. 1. The proposed well will be located in Section 21, Township 26 South, Range 36 East, NMPM, Lea County, New Mexico. Applicant seeks approval to inject a total cumulative amount of 8 million standard cubic feet per day of TAG at a proposed maximum surface injection pressure of 2,149 pounds per square inch. The proposed well will inject through perforations into an interval comprising the Bell Canyon and Cherry Canyon formations, both in the Delaware Mountain Group ("DMG"), from approximately 5,410 to 7,000 feet below the surface. Applicant did not propose to construct a redundant well.

OCD initially opposed the application because the proposed injection intervals in the DMG formations (1) demonstrate low formation fracture pressures and geologic variation that have could allow the horizontal migration of fluids beyond the Area of Review, potentially affecting correlative rights in the production of horizontal wells completed in the DMG; (2) could increase the risk that operators would incur additional drilling and production costs to drill and produce through the projected injection interval to the stratigraphically deeper hydrocarbon targets in the Permian Bone Spring and Wolfcamp formations, potentially causing the waste of resources; and (3) may be located below or adjacent to the Capitan Reef aquifer, which is classified as an Underground Source of Drinking Water (“USDW”), potentially causing contamination if the proposed well were to lose vertical containment.

After the hearing was continued, OCD and the State Land Office (“SLO”) engaged in discussions with Applicant regarding these concerns. As a result of these discussions, the parties agreed to a set of permit conditions that would address these concerns by requiring Applicant to perforate the proposed well at a specific depth beneath the Capitan Reef acquifer, and to construct a second well in the Devonian formation that will become the primary disposal well by the specified deadline.

III. PROPOSED EVIDENCE

OCD intends to call Phillip Goetze, the OCD’s UIC Program Coordinator, as an expert in petroleum geology and underground injection. Mr. Goetze manages the UIC Program, including the review of applications for compliance with the OCD’s rules and the prevention of waste and protection of correlative rights, public health, and environment. He also serves as a hearing

CERTIFICATE OF SERVICE

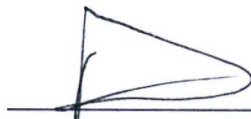
I certify that on December 5, 2019, I served this pleading by electronic mail on:

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Eric Ames

examiner for these applications. Mr. Goetze has more than forty (40) years of experience in the fields of geology, hydrology, and environmental protection.

Mr. Goetze will testify that the proposed permit conditions will provide an adequate assurance that the proposed well will not cause waste or harm correlative rights, public health, or the environment, including USDWs. In support of this testimony, he intends to present the following exhibits:

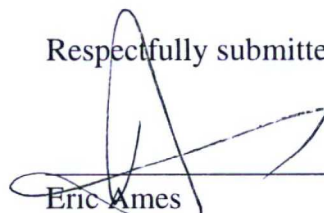
- Exhibit 1 Curriculum Vitae of Phillip Goetze
- Exhibit 2 Map of DMG UIC Class II Disposal Wells and Associated Issues
- Exhibit 3 Proposed Special and Standard Conditions

His testimony is expected to be twenty (20) minutes.

IV. PROCEDURAL MATTERS

The OCD has not identified any procedural matters to be resolved prior to the hearing.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Eric Ames", is written over a horizontal line.

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