

APPLICATION PROTESTED

Applicant: BC Operating

Application Type: SWD

Well Name: Federal PP #1 API: 30-015-20108

Protestant: Mawbarne / Falconer

Date Protest Received: April 3 / April 3

Notification of Applicant: _____

Resolution: _____

Copy to Case Handler:

Goetze, Phillip, EMNRD

From: Goetze, Phillip, EMNRD
Sent: Wednesday, May 9, 2018 10:08 AM
To: Jason Wacker (jwacker@bcoperating.com)
Cc: Holm, Anchor E. (aholm@slo.state.nm.us); 'Tim Harrington'; 'Roy Sloan'; Jones, William V, EMNRD; McMillan, Michael, EMNRD; Lowe, Leonard, EMNRD; Dawson, Scott, EMNRD
Subject: Protest of Application to Inject - Federal PP No. 1
Attachments: BC Operating - Federal PP#1 (30-015-20908) Proposed SWD ; Admin Appl Checklist 2017.pdf

RE: Federal PP No. 1 (API 30-015-20908; Appl. No. pPRG1812932519) – Sec 24, T. 23 S., R. 26 E., NMPM, Eddy County.

Mr. Wacker:

The Division was notified that three parties are protesting this application for approval of a salt water disposal well. Vernon E. Faulconer, Inc., Mewbourne Oil Company, and the New Mexico State Land Office have filed written protests regarding this application within the required deadline. Therefore, you are being notified that if BC Operating, Inc. wishes for this application to be considered, it must either go to hearing or may have the application reviewed administratively if the protests are withdrawn as a result of a negotiated resolution with each party. Any resolution of these protests must be forwarded to the Division as these changes may either require additional notice or may be required to be incorporated as conditions of approval.

Contact for Faulconer:

Roy Sloan, Jr.
Vernon E. Faulconer, Inc.:
P. O. Box 7995
Tyler TX 75711
Phone: 903-581-4382
E-mail: Roy Sloan rsloan@vefinc.com

Contact for Mewbourne:

Tim Harrington
Mewbourne Oil Company
P. O. Box 7698
Tyler TX 75711
Phone: 903-561-2900
email: Tim Harrington tharrington@mewbourne.com

Contact for NM State Land Office:

Anchor Holm
Oil, Gas and Minerals
NMSLO
P. O. Box 1148
Santa Fe, NM 87504
Phone: 505-827-5759
email: Holm, Anchor E. (aholm@slo.state.nm.us)

A copy of the e-mail correspondence from Mr. Holm to the OCD discussing the State Land Office's position on the application is attached. Additionally, the application is administratively incomplete. I direct your attention to 19.15.25.8 of the New Mexico Administrative Code.

19.15.26.8 INJECTION OF FLUIDS INTO RESERVOIRS:

B. Method of making application.

(1) The operator shall apply for authority to inject gas, liquefied petroleum gas, air, water or other medium into a formation for any reason, including the establishment of or the expansion of water flood projects, enhanced recovery projects, pressure maintenance projects or salt water disposal, by submitting form C-108 complete with all attachments to the division.

(2) The applicant shall furnish, by certified or registered mail, a copy of the application to each owner of the land surface on which each injection or disposal well is to be located and to each leasehold operator or other affected person within any tract wholly or partially contained within one-half mile of the well.

C. Administrative approval.

(1) If the application is for administrative approval rather than for a hearing, it shall be accompanied by a copy of a legal notice the applicant published in a newspaper of general circulation in the county in which the proposed injection well is located. The legal notice shall include:

(a) the applicant's name, address, phone number and contact party;

(b) the injection well's intended purpose, with the exact location of single wells or the section, township and range location of multiple wells;

(c) the formation name and depth with expected maximum injection rates and pressures; and

(d) a notation that interested parties shall file objections or requests for hearing with the division within 15 days.

(2) The division shall not approve an application for administrative approval until 15 days following the division's receipt of form C-108 complete with all attachments including evidence of mailing as required under Paragraph (2) of Subsection B of 19.15.26.8 NMAC and proof of publication as required by Paragraph (1) of Subsection C of 19.15.26.8 NMAC.

There was no record of mailing receipts provided with the application. There is also a requirement for an Administrative Application Checklist to be completed and attached to the C-108 application. Please take the time to complete this item as it provides a means of tracking the processing of all varieties of the Division's administrative applications. Please contact me with any questions regarding the content of this e-mail at your convenience. Thank you for time for review of this matter. PRG

Phillip Goetze, PG

Engineering Bureau, Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department

1220 South St. Francis Drive, Santa Fe, NM 87505

Direct: 505.476.3466

E-mail: phillip.goetze@state.nm.us



APR 03 2018 PM02:35

VERNON E. FAULCONER, INC.



April 3, 2018

Mr. Philip Goetze
New Mexico Conservation Division
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe NM 87505

Re: Objection to the Salt Water Disposal Well
Application of BC Operating to Utilize its
Federal PP #1 well, Sec 24, T23S, R26E, Eddy
Co., NM

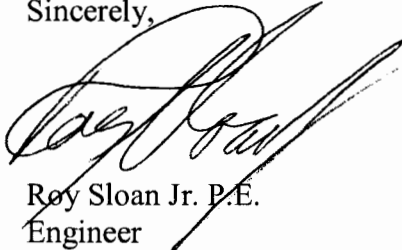
Dear Mr. Goetze:

Vernon E. Faulconer, Inc. operates several wells in Section 25, T23S, R26E Eddy County, NM, located due south of the proposed injection well.

We feel a commercial salt water well injecting 9750 BWPD poses a risk to our Mobil Federal #1 well, our closest well to the proposed disposal well. If disposed Salt Water were to encroach to our wellbore, we could suffer unnecessary corrosion issues.

Therefore, Vernon E. Faulconer, Inc. objects to the administrative approval of this application.

Sincerely,



Roy Sloan Jr. P.E.
Engineer

RS/bs
Enclosures:

April 3, 2018

Oil Conservation Division
Attn: Mr. Phillip Goetz
1220 South St. Francis Drive
Santa Fe, NM 87505

RE: Application of BC Operating, Inc. for a Commercial Disposal Well Permit
Federal PP SWD #1
1980' FNL, 1980' FWL, Unit Letter F
Section 24, Township 23S, Range 26E
Eddy County, TX

Dear Mr. Goetz:

Mewbourne Oil Company hereby protests the above referenced application of BC Operating Inc. for a commercial salt water disposal permit in the Cherry and Brushy Canyon formations. Mewbourne currently operates horizontal wells in the adjoining sections to the south, east and northeast of this well and the drilling and operation of this disposal well could have a negative impact on our future development.

Please contact me if you have any questions.

Very truly yours,



Tim Harrington
903-561-2900
tharrington@mewbourne.com

Goetze, Phillip, EMNRD

From: Holm, Anchor <aholm@slo.state.nm.us>
Sent: Thursday, May 3, 2018 9:17 AM
To: Goetze, Phillip, EMNRD
Cc: Martin, Ed; Warnell, Terry G.; Khalsa, Niranjana K.
Subject: BC Operating - Federal PP#1 (30-015-20908) Proposed SWD

Phil,

After review of the offsetting oil and gas wells, as well as the offsetting Salt Water Disposal wells, the State Land Office has concerns as to the protection of State Land Trust minerals by the proposed increase in produced water disposal into the Delaware Mountain Group in the area of the Federal PP#1 (30-015-20908) proposed SWD. This well is located approximately 3-miles northwest of the designated Delaware Mountain Group Risk Area, which is being considered by the OCD.

The proposed disposal interval of 2630' to 5238' will allow injection into known oil and gas producing zones within 2 miles of the Federal PP#1 well. The State Land Office believes that in order to protect known State Trust minerals the injection interval should be restricted to the following two Delaware Mountain Group intervals (3026' to 3525' and 4190' to 4966'), or to deeper Devonian injection.

Additionally, an East-West horizontal well was recently drilled in Section 17, T-23-S, R-27-E, which encountered a strong (and unusual) water flow near the heel of the lateral that required 11.6 pound per gallon mud to control. This wellbore is offset by three SWD wells which have likely affected this wellbore, causing loss of economic oil and gas reserves to the State Land Trust. Thus, salt water disposal into the Delaware Mountain Group in this region appears to be at risk to oil and gas reserves of the State.

Best always,

Anchor E. Holm
Geoscientist/Petroleum Engineering Specialist
Oil Gas & Minerals Division
505.827.5759
New Mexico State Land Office
310 Old Santa Fe Trail
P.O. Box 1148
Santa Fe, NM 87504-1148
aholm@slo.state.nm.us
nmstatelands.org



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This email has been scanned by the Symantec Email Security.cloud service.

Goetze, Phillip, EMNRD

From: Goetze, Phillip, EMNRD
Sent: Friday, April 20, 2018 9:19 AM
To: 'Jason Wacker'
Cc: Jones, William V, EMNRD; McMillan, Michael, EMNRD
Subject: RE: Berry SWD IPI request, step rate test review
Attachments: BC Op_Federal PP SWD_Mew and Faulconer Protest.pdf

We will try to get this done shortly. With regards to the Federal PP SWD No. 1, the Division has not received any C-108 application for this particular well. As per our conversation, there are two protests of this application (Mewbourne Oil and Vernon Faulconer, Inc.) which are attached. Should an application be submitted, BC Operating will be notified by e-mail of the formal protest and the application will be suspended. At that point, BC may decide to resolve the protest by negotiation or take the application to hearing. PRG

Phillip Goetze, PG
Engineering Bureau, Oil Conservation Division, NM EMNRD
1220 South St. Francis Drive, Santa Fe, NM 87505
Direct: 505.476.3466
E-mail: phillip.goetze@state.nm.us

From: Jason Wacker <jwacker@bcoperating.com>
Sent: Friday, April 20, 2018 9:11 AM
To: Nick Klopp <nklopp@bcoperating.com>; Goetze, Phillip, EMNRD <Phillip.Goetze@state.nm.us>
Cc: Jones, William V, EMNRD <WilliamV.Jones@state.nm.us>
Subject: RE: Berry SWD IPI request, step rate test review

Phillip,

I sincerely appreciate you taking my call this morning regarding our IPI application. Please give Nick or I a call after you've had a chance to review our letter on Monday.

Nick and I are willing to meet with you and your engineers at your office to briefly present this information. A technical meeting may be the most expeditious way to review this application.

Thanks again!

Jason Wacker, P.E.
VP of Engineering & Operations

BC Operating, Inc.
4000 N. Big Spring #310
Midland, Texas 79705

PO BOX 50820
Midland, Texas 79710

Office (432) 684-9696
Cell (432) 631-2142

From: Nick Klopp
Sent: Wednesday, April 11, 2018 10:24 AM
To: Goetze, Phillip, EMNRD
Cc: Jason Wacker; Jones, William V, EMNRD
Subject: Berry SWD IPI request, step rate test review

Phillip, please let Jason and I know when we can schedule a conference call with you to further review the attached letter regarding the IPI application for the Berry SWD.

Thanks in advance,

Nick Klopp
Operations Engineer
979.422.2510

April 3, 2018

Oil Conservation Division
Attn: Mr. Phillip Goetz
1220 South St. Francis Drive
Santa Fe, NM 87505

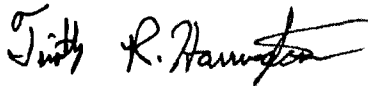
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Please contact me if you have any questions.

Very truly yours,

A handwritten signature in black ink, appearing to read "Tim R. Harrington", with a stylized flourish at the end.

Tim Harrington
903-561-2900
tharrington@mewbourne.com