

Goetze, Phillip, EMNRD

From: wayne price <wayneprice77@earthlink.net>
Sent: Sunday, May 10, 2015 1:09 PM
To: Catanach, David, EMNRD; Goetze, Phillip, EMNRD; Dawson, Scott, EMNRD
Cc: Brad Stauffer; Bobby Sisson; Danny Stafford; Gary Larson
Subject: Re: Protest of Application to Inject - Grace Carlsbad No. 1
Attachments: Grace PN's for C-108 .pdf; Grace PN's Returns for C-108 .pdf

Dear Director Catanach:

Please find attached the proof of public notice as required by your C-108 process. There are two attachments, one where the PN was received by most parties, and one where the noticed was returned. On behalf of Key Energy, we respectfully request this C-108 application be processed administratively for the following reasons.

1. The well has been previously approved by OCD for the requested injection zone, where Key hired an expert geologist to show this interval has no oil & gas and the interval will not interfere with any other zones of oil & gas interest.
2. The previous mineral lessee (OXY) had no objection, nor did any other mineral owner or lessee in the area, including the city of Carlsbad.
3. The NM State Land Office (SLO), Mineral Owner, specifically made a determination that the "Pore Space" belongs to the private landowner and therefore no royalty or approval by them is warranted.
4. The land is private and the well bore belongs to Key Energy and the pore space belongs to the landowner. There have been some high profile legal cases, that have demonstrated and shown where the landowners have won cases concerning this pore space issue.
5. In addition, Key had ask for an extension and was granted by the previous Director. We were informed by Mr. Goetze there was no signed paperwork verifying the granted extension. Key did supply to OCD a copy of the extension request, and Key feels we should have been granted this extension. OCD issued Key a NOV for the Grace Well which came out of the Hobbs Office and to this day we do not fully understand that aspect.
6. I was told by Mr. Caleb Hopson, that they complained to OCD right after they obtained some mineral rights in the area, in an attempt to make Key turn over the well-bore to them, and even indicated we were in trespass, which is not true. They also indicated they wanted to use this well as a SWD since it was already previously permitted. This is verified by the landowner. We have reached out to Crown, but no response.
7. If OCD had given Key the extension, we would have had an opportunity to plugged back the well and perf the injection zone.
8. In summarizing, Key Energy is the Owner of the Well Bore, we have a preemptive right to use the well bore in a manner that prevents waste, protects correlative rights, fresh water, environment and in a manner that is allowed under the oil and gas act.
9. If Key loses the right to use the well, then we will suffer a large economic loss, as we will then have to remove our existing built water station and associated equipment, notwithstanding the fact that we had plans to use the SWD water in a nearby permitted brine well. There will be harm done to us for losing this right.

Therefore, we respectfully request you process our application on an administratively basis. If the protestant wants to protest, that's fine, but the burden of proof needs to be on them and not Key. If they wish for a hearing, then that should be up to them to ask for a hearing and present testimony and evidence to explain why OCD made a mistake in permitting the SWD in the first place, and they have to show there is OIL & Gas in the injection zone and there will be a waste of oil & gas resources.

We respectfully await your decision.

Wayne Price-Price LLC
Key NM Agent/Consultant

On Apr 20, 2015, at 2:11 PM, Goetze, Phillip, EMNRD wrote:

RE: Grace Carlsbad No. 1 (API 30-015-20573)

Mr. Price:

OCD was notified that BC Operating, Inc. and Crown Oil Partners are protesting this application for approval of a salt water disposal well. These parties are identified as affected persons for the location being considered in the application. You are being notified that if Key Energy LLC wishes for this application to be considered, it must either go to hearing or may be reviewed administratively if the protests are withdrawn as a result of a negotiated resolution with these parties. The application will be retained by OCD, but suspended from further administrative review. Please contact OCD once you have made a decision regarding the application within the next 30 days. If the protest remains after 30 days, OCD will initiate the process for the application to be reviewed at hearing. Please call/e-mail me with any questions regarding this matter. PRG

Contact Information:

Caleb Hopson
BC Operating
P.O. Box 50820
Midland, TX 79710
Phone: 432.684.9696
E-mail: chopson@bcoperating.com

Phillip R. Goetze, P.G.
Engineering and Geological Services Bureau, Oil Conservation Division
1220 South St. Francis Drive, Santa Fe, NM 87505
O: 505.476.3466 F: 505.476.3462
phillip.goetze@state.nm.us