

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

2017 JUL 29 11:07 AM

**APPLICATION OF OWL SWD OPERATING, LLC FOR  
AUTHORIZATION TO INJECT, LEA COUNTY, NEW MEXICO.**

15753  
CASE NO. ~~15523~~ *DP*

**OIL CONSERVATION DIVISION'S ENTRY OF APPEARANCE AND  
PRE-HEARING STATEMENT**

The New Mexico Oil Conservation Division ("the Division") submits its Pre-Hearing Statement for the hearing scheduled on Thursday, July 6, 2017.

**PARTIES**

**Applicant:**

THE NEW MEXICO OIL CONSERVATION  
DIVISION

**ATTORNEYS**

David K. Brooks  
Energy, Minerals and Natural Resources  
Department,  
State of New Mexico  
1220 S. St. Francis Drive  
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**Other Parties:**

Owl SWD Operating, LLC

Dalva L. Moellenberg  
Gallagher & Kennedy, PA  
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### STATEMENT OF THE CASE

Applicant commenced this compliance action against OWL SWD Operating, LLC ("Owl") because its Maralo Sholes B Well No. 2 (API No. 30-025-09806) ("the subject well"), located 600 feet from the South line and 660 feet from the East line of Section 25, Township 25 South, Range 36 East, NMPM, in Lea County, New Mexico, is out of compliance with OCD Rules 19.15.16.9(A)(B) and (C) NMAC due to defective construction, causing hazards to fresh water. Applicant seeks an order requiring that OWL, as operator, submit a plan to rework the well to remedy the cited violations, and, if and when the plan is approved, to rework the subject well in a good and workmanlike manner to bring it in into full compliance. Applicant further seeks an order requiring OWL, if it fails to comply with the foregoing within a time certain, to plug and abandon the subject well.

### WITNESSES TO BE CALLED BY THE DIVISION

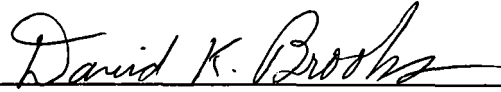
<u>Name</u>	<u>Employer</u>	<u>Position</u>	<u>Field(s) of Expertise</u>
Phillip Goetze, PG	NMEMNRD	Geoscientist and Hearing Examiner	Geology, Hydrology, Division permitting procedures

Time for Presentation: 1 hour

### PROCEDURAL MATTERS

Owl has filed a motion for continuance of the hearing scheduled in this case for July 6, 2017. Applicant opposes the requested continuance because any continuance will allow the existing violations to continue, further endangering fresh water resources and the environment.

Respectfully Submitted,

A handwritten signature in cursive script, reading "David K. Brooks", written in black ink. The signature is positioned above a horizontal line.

David K. Brooks  
Assistant General Counsel  
Energy, Minerals and Natural Resources Department  
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Attorney for Oil Conservation Division

Certificate of Service

I hereby certify that the above pleading was served on the following parties by electronic mail on June 29, 2017 to each of the following counsel

Dalva L. Moellenberg  
Anthony J. Trujillo  
Rikk-Lee Chavez  
Gallagher & Kennedy, P.A.  
1239 Paseo de Peralta  
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[DLM@GKnet.com](mailto:DLM@GKnet.com)

Katherine M. Moss  
New Mexico State Land Office  
310 Old Santa Fe Trail  
Santa Fe, NM 87501  
[kmoss@slo.state.nm.us](mailto:kmoss@slo.state.nm.us)

A handwritten signature in cursive script that reads "David K. Brooks". The signature is written in dark ink and is positioned above a horizontal line.

David K. Brooks

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

2017 JUN 29

**IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION COMPLIANCE AND  
ENFORCEMENT BUREAU FOR A COMPLIANCE ORDER AGAINST  
OWL SWD OPERATING, LLC FOR THE MARALO SHOLES B WELL NO. 2  
OPERATED IN LEA COUNTY, NEW MEXICO.**

**CASE NO. 15753**

**PRE-HEARING STATEMENT**

This pre-hearing statement, pursuant to 19.15.4.13 (B) NMAC, is submitted by OWL SWD Operating, LLC (hereafter "OWL") who opposes the Oil Conservation Division's Application,

**APPEARANCES**

**APPLICANT**

New Mexico Oil Conservation  
Compliance and Enforcement Bureau

**APPLICANT'S ATTORNEY**

David K. Brooks

**OPPONENT**

OWL SWD Operating, LLC

**OPPONENT'S ATTORNEYS**

Dalva L. Moellenberg  
Anthony (T.J.) J. Trujillo  
Rikki-Lee G. Chavez

**STATEMENT OF THE CASE**

**APPLICANT**

Applicant seeks a compliance order determining that a well operated by OWL SWD Operating, LLC (hereinafter "OWL") is out of compliance and directing OWL to return the well to compliance or suspend injection operations and to plug and abandon. The well at issue is:

**Maralo Sholes B Well No. 2  
600' FSL & 660' FEL  
Section 25  
T-25S, R-36E, NMPM  
Lea County, New Mexico**

## **OPPONENT**

OWL sought to address the concerns raised by the Oil Conservation Division (hereinafter "Division") in this matter and filed an Application for an order authorizing the injection of water for disposal into a new well. The Application for the new, proposed well is the subject of Case No. 15723 currently pending before the Division.

There exists a need for high-volume, produced water disposal in the area, and a 50-mile Red Hills gathering system, maintained by OWL, currently exists and serves the oil and gas production industry in Lea and Eddy counties. The pipeline system currently injects into the Maralo Sholes B Well No. 2, the subject of this matter, under the authority of Administrative Order SWD-1127. The existing well is being operated in accordance with that Order, and testing conducted by OWL pursuant to the Division's request shows that the injected fluids are reporting to and remaining within the intended interval.

The new, proposed well would replace the current SWD in order to continue to serve the needs of the oil and gas production industry in the area while increasing safety and the economics of production. The new, proposed well would also address the concerns raised by the Division in its Application for a compliance order. The design of the new well is in compliance with all current standards, and scientific and historical data is available to show that fluids injected into the proposed well would remain within the intended Seven Rivers interval.

The injection operation can be conducted in a safe and responsible manner without causing waste, impairing correlative rights or endangering fresh water, public health or the environment. Additionally, OWL will offer evidence regarding the condition of the existing well; what testing has been completed; and the results of the testing.

## **OPPONENTS'S PROPOSED EVIDENCE**

OWL submits the following as proposed evidence, but reserves the right to supplement this list with additional proposed evidence during the progression of the matter.

### **WITNESS:**

### **ESTIMATED TIME:**

Roger Johnson, Oilfield Water Logistics,  
Executive Vice President, Chief Investment Officer

20 minutes

Chad E. Kronkosky, CEK Engineering LLC,  
President

60 minutes

Jim Ward, Oilfield Water Logistics,  
Energy Conservation Consultant

30 minutes

Kevin Burns, Oilfield Water Logistics,  
Engineer

30 minutes

## PROCEDURAL MATTERS

On June 22, 2017, OWL filed a Motion to continue the hearing on this matter currently scheduled on July 6, 2017, and at filing time, no action had been taken on that motion. The Division opposes OWL's Motion to Continue. On June 28, 2017, the New Mexico State Land Office (herein after "SLO") filed a Motion to Intervene and Consolidate this matter with Case No. 15723, and at filing time, no action had been taken on that motion. A pre-hearing conference on this matter and pending motions is scheduled for Thursday, June 29, 2017, at 3:00 p.m.

## CONCLUSION

OWL respectfully requests that the Hearing Examiner consider the information provided herein and that provided in OWL's Motion to continue the hearing scheduled on July 6, 2017, to determine that a continuance is appropriate in this case, and that the subject matter of Case No. 15723 seeks to resolve the concerns by the Division raised in this matter.

Respectfully submitted,

GALLAGHER & KENNEDY, P.A.

By: 

Dalva L. Moellenberg  
Anthony (T.J.) J. Trujillo  
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1239 Paseo de Peralta  
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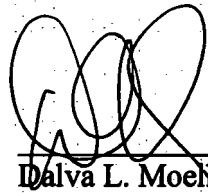
ATTORNEYS FOR OWL SWD Operating, LLC

## **CERTIFICATE OF SERVICE**

Without waiving any procedural or substantive objections that may be raised at the pre-hearing conference scheduled in this matter, I hereby certify that on June 29, 2017, a copy of the foregoing pleading was served via e-mail upon the following counsel:

Katherine M. Moss  
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310 Old Santa Fe Trail  
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[kmoss@slo.state.nm.us](mailto:kmoss@slo.state.nm.us)

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Dalva L. Moellenberg