

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

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

CASE NO. 20312

**APPLICATION OF MESQUITE SWD INC. FOR APPROVAL OF A PRODUCED
WATER DISPOSAL WELL IN EDDY COUNTY, NEW MEXICO.**

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

The New Mexico Oil Conservation Division ("the Division") enters its appearance in this case. The Division hereby submits its Pre-Hearing Statement for the hearing scheduled on Thursday, March 7, 2019.

PARTIES

Applicant:

Mesquite SWD Inc.

ATTORNEYS

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Other Parties:

THE NEW MEXICO OIL CONSERVATION
DIVISION

David K. Brooks
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THE NEW MEXICO COMMISSIONER
OF PUBLIC LANDS

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STATEMENT OF THE CASE

Applicant seeks an order to inject up to 40,000 barrels of produced water per day (BWPD) into the Silurian-Devonian formations at a depth interval from approximately 14,500 feet to 15,700 feet below surface through its Fontus SWD Well No. 1 (the "proposed well") to be drilled at a surface location 613 feet from the North line and 2490 feet from the West line (Unit C) of Section 32, Township 25 South, Range 28 East, NMPM, in Eddy County, New Mexico. Applicant further seeks approval for the use of a tapered tubing set with 7-inch diameter tubing inside the surface and intermediate casings and 5½-inch diameter tubing inside the liner. Applicant proposes the well as a commercial operation for the purpose of disposal of produced water from multiple sources.

The Division opposes issuance of an order for authority to inject for the proposed well at the location proposed in the administrative application and as later amended. The Division has sought to maintain a distance of 1.5 miles between injection sources (based on a ¾-mile radius from the well surface location or 7,920 feet between the Devonian SWD wells) that are Devonian wells designed for large-volume disposal in an effort:

1. to lessen the potential for induced-seismic events associated with disposal as recommended by the United States Environment Protection Agency's National Underground Injection Control (UIC) Technical Workgroup,

2. to minimize interference between wells in support of the effort to reduce the potential for induced-seismic events and to optimize the operational life of these wells (as a best management practice),
3. to protect correlative rights as directed under the New Mexico Oil and Gas Act, and
4. to maintain and improve the state's UIC program to support production while preventing waste as directed by the New Mexico Oil Conservation Commission in Commission Order No. R-14392-A.

The proposed well is located approximately 5,725 feet (1.08 miles) to the northwest of an existing Devonian disposal well which is capable of injection rates exceeding 20,000 BHPD. This disposal well is the Apple 5 State SWD No. 1 (API No. 30-015-41402) operated by COG Operating, LLC and is located 990 feet from the North line and 1980 feet from the East line (Unit C) in Section 5, Township 26 South, Range 28 East, NMPM, Eddy County, New Mexico. Based on the filings submitted by the operator in 2018, this well reported a maximum average injection rate of approximately 16,857 BHPD utilizing a 4½-inch diameter tubing set.

It is the Division's position that the approval of the proposed well as located in the application does not conform to the Division's effort to appropriately manage the UIC program for its mission in support oil and gas production while being protective of the environment.

WITNESSES TO BE CALLED BY THE DIVISION

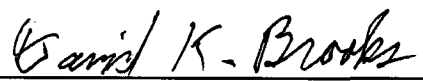
<u>Name</u>	<u>Employer</u>	<u>Position</u>	<u>Field(s) of Expertise</u>
Phillip Goetze, PG	NMEMNRD	Geoscientist and Hearing Examiner	Geology, UIC program, hydrology, Division permitting procedure

Time for Presentation: 1.5 hours

PROCEDURAL MATTERS

The Division requests the consolidation of Cases No. 20312, No. 20313, and No. 20314 at hearing based on the similarities of subjects for each case.

Respectfully submitted,

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

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CERTIFICATE OF SERVICE

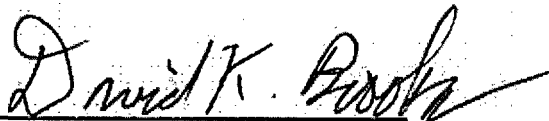
I hereby certify that a copy of the foregoing pleading was served upon the following parties
by email on February 28, 2019.

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