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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. 20315

APPLICATION OF BLACKBUCK RESOURCES, LLC FOR APPROVAL OF A SALT
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, April 18, 2019.

PARTIES

Applicant:

For Blackbuck Resources, LLC

ATTORNEYS

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Other Parties:

THE NEW MEXICO OIL CONSERVATION
DIVISION

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For NGL Water Solutions Permian, LLC

For the Commissioner of Public Lands

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STATEMENT OF THE CASE

Applicant seeks an order to inject up to 30,000 barrels of produced water per day (BWPD) into the Silurian-Devonian formations at a depth interval from approximately 15,850 feet to 17,420 feet below surface through its Cresta Federal SWD Well No. 1 (the “proposed well”) to be drilled at a surface location 1137 feet from the North line and 688 feet from the West line (Unit D) in Section 4, Township 24 South, Range 31 East, NMPM, in Eddy County, New Mexico. Applicant further seeks approval for the use of a tapered tubing set with 4½-inch diameter tubing inside the 7⅝-inch diameter liner and 5½-inch diameter tubing in the casing strings above the liner. Applicant proposes the well as a commercial operation for the purpose of disposal of produced water from multiple sources. The Division notes that the proposed construction of the disposal well offers the ability to increase the tubing diameter size at a future date.

The Division opposes issuance of an order for authority to inject for the proposed well at the location proposed in the administrative application. 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 of oil and gas producers 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 5,514 feet (1.04 miles) to the northeast of an active Devonian disposal well which is available for commercial injection with proposed rates to exceed. This disposal well is the Sand Dunes SWD No. 1 (API No. 30-015-44612; SWD-1697) operated by Mesquite SWD, Inc. This approved well is located 260 feet from the South line and 2053 feet from the West line (Unit N) in Section 5, Township 24 South, Range 31 East, NMPM, Eddy County, New Mexico.

Additionally, second active disposal well is located approximately 7,653 feet (1.45 miles) to the southeast of the proposed well which was approved for commercial injection with rates exceeding 20,000 BWPD. This disposal well is the Sand Dunes SWD No. 2 (API No. 30-015-44131; SWD-1667-A) also operated by Mesquite SWD, Inc. This approved well is located 2600 feet from the South line and 2500 feet from the West line (Unit K) in Section 8, Township 24 South, Range 31 East, NMPM, Eddy County, New Mexico. Though this second active disposal well is at a greater distance from the proposed well, it is the Division's opinion that the cumulative effect of the two active Devonian wells will produce similar results as was observed in the Delaware Mountain Group with commercial disposal wells operating in close proximity.

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 shall be filing a Motion for Continuance in order to consolidated with Cases No. 20313 and 20314 or to be scheduled for an off-docket date for hearing.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following party
by email on April 9, 2019.

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