

**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:**

**IN THE MATTER OF MESQUITE SWD, INC.'S APPLICATION NO. PKVR0817936301
TO AMEND PERMIT SWD-180**

**Case No. 14178
Order No. R-13043**

RECEIVED
2008 DEC 10 AM 11 10

**MESQUITE SWD, INC.'S PREHEARING STATEMENT FOR
REHEARING ON DECEMBER 18, 2008**

Pursuant to 19.15.14.1211(B) NMAC, Applicant Mesquite SWD, Inc. ("Mesquite") submits its Prehearing Statement.

I. Parties

Mesquite, the Applicant, is represented by the undersigned counsel, Thomas M. Hnakso and Kelcey C. Nichols of the Santa Fe office of Hinkle, Hensley, Shanor & Martin, L.L.P.

Mr. Sonny Swazo represents the New Mexico Oil Conservation Division ("NMOCD") in this matter.

II. Concise Statement of the Case

On October 15, 2008, Division Examiners David Brooks, Richard Ezeanyim, and Terry Warnell held a hearing on Mesquite's Application to Amend Order No. SWD-180 to Inject Salt Water. At the hearing, Mesquite presented evidence that there was no plugging data available for the Magnolia State No. 3 well, API No. 30-015-01087, or the Pure State No. 6 well, API No. 30-

015-01090. On November 7, 2008, the NMOCD issued Order No. R-13043 approving Mesquite's Application subject to the conditions set forth in the Order. Prior to resuming injection into the Exxon State No. 8, the Order required Mesquite to plug four wells: the Magnolia State No. 3, the Pure State No. 6, and the Exxon State Nos. 2 and 7.

Subsequently, Mesquite learned, through the NMOCD records, that both the Magnolia State No. 3 and Pure State No. 6 wells were properly plugged and that the NMOCD had approved the plugging of these two wells. The NMOCD records show that the Magnolia State No. 3 was plugged and abandoned on September 29, 1953, and the NMOCD approved the plugging on September 30, 1953. The NMOCD records also demonstrate that the Pure State No. 6 well was plugged on July 3, 1957 and that the NMOCD approved the plugging of this well. The other two wells, the Exxon State Nos. 2 and 7, are active producing wells operated by Mesquite SWD, Inc.

Mesquite moved for a rehearing to present evidence demonstrating that that the Magnolia State No. 3 and the Pure State No. 6 were properly plugged, and that the Exxon State Nos. 2 and 7 are active producing wells. On December 8, 2008, Mesquite filed a Motion to Allow Temporary Injection based on the NMOCD records showing that the Magnolia State No. 3 and Pure State No. 6 were properly plugged. The NMOCD granted Mesquite's Motion and issued Order No. R-13043-A allowing Mesquite to temporarily inject produced water into the Exxon State No. 8.

III. Mesquite's Witnesses

Mesquite will present the following two witnesses to testify:

1. Clay Wilson, the President and Managing Partner of Mesquite, co-partner of C&D Energy, and the current operator of the Exxon State No. 8 salt

water disposal well; and,

2. Dr. Kay Havenor, who has been retained by Mesquite as an expert in geoscience.

IV. Mesquite's Case Presentation

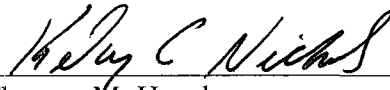
Mesquite anticipates that it will take approximately one hour to present its case.

V. Unresolved Procedural Matters

None.

Respectfully submitted,

HINKLE, HENSLEY, SHANOR & MARTIN, LLP



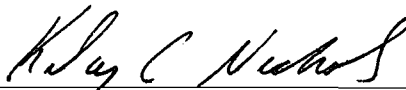
Thomas M. Hnasko
Kelcey C. Nichols
Post Office Box 2068
Santa Fe, NM 87504-2068
505.982.4554

Attorneys for Applicant Mesquite SWD, Inc.

CERTIFICATE OF SERVICE

I hereby certify that on this on this 10th day of December, 2008, I sent a true and correct copy of the foregoing and *Mesquite SWD, Inc.'s Prehearing Statement for Rehearing on December 18, 2008* via electronic mail to:

Mr. Sonny Swazo, Esq.
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505



Kelcey C. Nichols