

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

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

APPLICATION OF AGUA SUCIA, LLC TO  
REINSTATE ADMINISTRATIVE ORDER SWD-559  
FOR A SALT WATER DISPOSAL WELL, LEA  
COUNTY, NEW MEXICO.

Case No. 14,411 *DE NOVO*

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by applicant as required by the Oil Conservation Division.

**APPEARANCES**

APPLICANT

Agua Sucia, LLC  
14605 South Memorial Drive  
Bixby, Oklahoma 74008

Attention: Denis Schoenhofer  
(918) 704-2018

APPLICANT'S ATTORNEY

James Bruce  
P.O. Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

OPPONENT

Armstrong Energy Corp.

OPPONENT'S ATTORNEY

William F. Carr

**STATEMENT OF THE CASE**

APPLICANT

Applicant seeks an order reinstating Division Administrative Order SWD-559, approving salt water disposal into the Bone Spring formation in the Government E Well No. 1, located 610 feet from the south line and 1880 feet from the west line of Section 25, Township 19 South, Range 34 East, NMPM, at depths of 9716-10240 feet subsurface.

The subject well apparently had casing problems (under a prior operator, Louray Oil Company), and injection ceased in January 2008. No water has been injected into the well since then. Agua Sucia, LLC, the current operator, spent more than \$400,000 repairing the well in 2009, and the

Division's Hobbs District office stated that, after the repairs were completed, the well was ready for injection.

Armstrong Energy Corp. objected to reinstatement of injection authority in 2009. Its complaints focus solely on pre-January 2008 activities at the well: It claims that casing leaks damaged production from its offsetting wells. The evidence will show that the subject well was properly repaired and injection can commence without harm to offsets. In addition, it is probable that any damage to Armstrong's wells was the result of injection of salt water into other wells offsetting Armstrong's wells.

The Division's order denying reinstatement of injection authority completely ignored the repair work done in 2009. Applicant will show that the well was properly repaired, and that injection can be done without impairing the correlative rights of offset operators. If Armstrong has any claim, it is against the prior operator in District Court.

In addition, to prove lack of harm to offsets, applicant will conduct such reasonable tests as the Commission deems necessary, such as radioactive tracer surveys and temperature surveys, to satisfy the Commission that water injected into the subject well is staying in the injection zone.

OPPONENT

**PROPOSED EVIDENCE**

APPLICANT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Ben Stone	30 min.	Approx. 12
Robert Lee	3W0 min.	Approx. 10

OPPONENT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
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**PROCEDURAL MATTERS**

-None-

Respectfully submitted,



James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Agua Sucia, LLC

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 2<sup>nd</sup> day of October, 2010 by hand delivery:

William F. Carr  
Holland & Hart LLP  
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Santa Fe, New Mexico 87504



James Bruce