

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

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

APPLICATION OF DCP OPERATING COMPANY, CASE NO. 15073
LP TO RE-OPEN CASE NO. 15073 TO AMEND
ORDER R-13809 TO REMOVE THE REQUEST
TO REMEDIATE THE WELLS IDENTIFIED IN
PARAGRAPH 33, LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSIONER HEARING

September 13, 2018

Santa Fe, New Mexico

BEFORE: HEATHER RILEY, CHAIRWOMAN
 ED MARTIN, COMMISSIONER
 DR. ROBERT S. BALCH, COMMISSIONER
 BILL BRANCARD, ESQ.

This matter came on for hearing before the
New Mexico Oil Conservation Commission on Thursday,
September 13, 2018, at the New Mexico Energy, Minerals
and Natural Resources Department, Wendell Chino
Building, 1220 South St. Francis Drive, Porter Hall,
Room 102, Santa Fe, New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR
 New Mexico CCR #20
 Paul Baca Professional Court Reporters
 500 4th Street, Northwest, Suite 105
 Albuquerque, New Mexico 87102
 (505) 843-9241

1 APPEARANCES

2 FOR APPLICANT DCP OPERATING COMPANY, LP:

3 ADAM G. RANKIN, ESQ.
 4 HOLLAND & HART, LLC
 5 110 North Guadalupe, Suite 1
 6 Santa Fe, New Mexico 87501
 7 (505) 988-4421
 8 agrankin@hollandhart.com

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2 (10:47 a.m.)

3 CHAIRWOMAN RILEY: That brings us to Case
4 15073, re-opened, application of DCP Operating Company,
5 LP to re-open Case Number 15073 to amend Order R-13809
6 to remove the request to remediate the wells identified
7 in paragraph 33, Lea County, New Mexico.

8 So representing DCP?

9 MR. RANKIN: Good morning, Madam Chair,
10 Commissioners. Adam Rankin here on behalf of the
11 Applicant, DCP Operating. I'm from the Santa Fe office
12 of Holland & Hart. I have one witness today in this
13 matter, and I would ask that he be sworn in. And before
14 I call him to the stand, I just have a brief opening
15 statement just to set the context for the application
16 and our request for relief today.

17 Thank you.

18 CHAIRWOMAN RILEY: Please proceed.

19 Mr. Gutierrez, would you please stand to be
20 sworn?

21 (Mr. Gutierrez sworn.)

22 OPENING STATEMENT

23 MR. RANKIN: Madam Chair, Commissioners,
24 thank you. Good morning.

25 On behalf of DCP Operating, Mr. Gutierrez

1 this morning will be testifying regarding the
2 application in this case to re-open Case Number 15073
3 and to amend Order R-13809. He'll review the key
4 provisions that we're asking the Commission to consider
5 and to amend, and he'll be addressing the circumstances
6 and facts of his analysis that justify the request for
7 relief.

8 I first just want to give you some
9 background, if I might. If I may just approach, for
10 your convenience, I have copies of the order that we
11 would like to have you address.

12 The two paragraphs at issue are paragraph
13 number 33 in the findings and paragraph three in the
14 ordering paragraph.

15 Just some background here, Order 13809 was
16 first issued by the Commission in March of 2014, and it
17 authorized DCP to drill and inject treated acid gas into
18 two acid gas injection wells from the Zia Gas Plant, the
19 Zia No. 1 well and the Zia No. 2, into the Cherry Canyon
20 and the Brushy Canyon Formations in the Delaware
21 Formation. It required, among other conditions, that
22 DCP evaluate and potentially remediate four wells that
23 were identified by the Division within its one-mile area
24 of review either within 15 years or after the wells --
25 the injection wells undergo workovers or are plugged and

1 abandoned.

2 So for reasons that Mr. Gutierrez will
3 address in his testimony, the Zia AGI No. 1 well is
4 expected to inject only minor volumes intermittently at
5 such low volumes that the injection is not expected to
6 affect in any way those four wells offsetting.

7 So for that reason, we would ask that the
8 Commission consider our request to amend the order
9 requiring DCP to undertake to remediate work for those
10 four wells.

11 ALBERTO A. GUTIERREZ,
12 after having been previously sworn under oath, was
13 questioned and testified as follows:

14 DIRECT EXAMINATION

15 BY MR. RANKIN:

16 **Q. I would like to ask Mr. Gutierrez to state your**
17 **full name for the record.**

18 A. Alberto A. Gutierrez.

19 **Q. Will you please review for the examiners who it**
20 **is that you work for?**

21 A. Yes. I'm employed by Geolex, Inc., and we're
22 retained by DCP in this matter.

23 **Q. And where is it that you reside?**

24 A. In Albuquerque.

25 **Q. And what is your position with Geolex?**

1 A. I'm the president of the company, and I'm a
2 geologist and hydrogeologist.

3 Q. And have you previously permitted acid-gas
4 injection wells before the Oil Conservation Division and
5 Commission?

6 A. Yes, I have.

7 Q. And how many have you worked on in the past?

8 A. I don't know. About 20.

9 Q. And have you previously been recognized as an
10 expert in petroleum geology, AGI operations or acid-gas
11 injection operations, wells and design and hydrology and
12 groundwater contamination?

13 A. Yes, I have.

14 Q. And have those credentials been accepted as a
15 matter of record by the Commission?

16 A. They have.

17 Q. Mr. Gutierrez, because we have a new Commission
18 before us today, will you just briefly summarize your
19 education and work experience?

20 A. Sure. I'm a geologist. I've got about -- just
21 a little under 40 years -- about 40 years of experience
22 as a geologist working in the oil and gas area and the
23 groundwater area, environmental area. Largely, my
24 experience with AGIs is that we have permitted and/or
25 overseen the installation of basically every AGI in the

1 state of New Mexico except one that was put in back in
2 the '90s. And we have done that throughout Texas,
3 Canada, a variety of other places throughout the United
4 States. So this is one of the specialties of our
5 company.

6 **Q. Have you prepared a presentation to review with**
7 **the Commission this morning?**

8 A. I have.

9 And I also will add that I was the one who
10 testified and got the applications approved for these
11 specific AGI wells as well.

12 **Q. Okay. And the slide presentation you prepared**
13 **marked as Exhibit Number 1 in the exhibit packet, that**
14 **was pre-filed with the Commission; is that correct?**

15 A. That's correct.

16 And unlike my normal modus operandi, I'm
17 going to save you from having to look at slides, because
18 we only have six of them, and it's pretty quick.

19 This is really, fundamentally, a story of
20 kind of unmet expectations. When we originally
21 permitted these two wells, the Zia AGI No. 1 and Zia AGI
22 No. 2, these are wells that were permitted to dispose of
23 acid gas in the Delaware Mountain Group in the vicinity
24 of the Zia AGI plant. The wells were permitted, and we
25 were allowed to dispose up to 15 million cubic feet a

1 day in two wells into that zone.

2 We drilled the first well back in 2015, and
3 fundamentally, it just didn't perform as well as we
4 would have liked that it would perform.

5 But when the Commission issued its original
6 order for the approval of the Zia No. 1 and Zia No. 2
7 wells, there was a concern that because of the volume of
8 acid gas that was going to be injected into these two
9 wells in the area, that ultimately, after a number of
10 years of injection, based on the modeling that we did
11 for the application, that there could be a few wells,
12 four in particular, that could possibly be affected by
13 the ultimate extent of that plume and that the condition
14 of those wells was not completely certain and that the
15 Commission requested and required in its order that DCP
16 look at those four wells sometime in the next ten years
17 and determine -- or when those wells were being worked
18 over and determine whether it would be appropriate to
19 take some additional precautionary measures with those
20 wells either during the plugging and abandonment of
21 those wells or by squeezing some cement into the
22 injection zone or some other alternatives, not even
23 knowing what we would find, but that was the request of
24 the Commission.

25 Q. Mr. Gutierrez, before you go any further, I

1 **just want to make sure that I qualify you -- or the**
2 **Commission qualifies you as an expert.**

3 MR. RANKIN: Madam Chair, I tender
4 Mr. Gutierrez as an expert in petroleum engineering and
5 acid-gas injection operations and design.

6 CHAIRWOMAN RILEY: Yes.

7 **Q. (BY MR. RANKIN) Thank you, Mr. Gutierrez.**

8 **Please proceed with your review of the**
9 **background and the generation of the request.**

10 A. So fundamentally we came back to the Commission
11 after about a year of operating the Zia AGI No. 1 and --
12 came back to the Commission and said, "Look, we really
13 need to look at a different zone as an alternative
14 disposal zone. And the zone that we chose was the
15 Devonian in that area, and we permitted and then
16 subsequently installed, tested and have been operating a
17 Devonian AGI, which has the capacity and the capability
18 in that particular reservoir to take the full volume of
19 the plant.

20 And so consequently, since the AGI No. 2
21 was put into operation, the AGI No. 1, which was
22 formally the well that was servicing the plant, has been
23 put on standby status, and we don't envision using that
24 well at all over the history -- or the future of the
25 plant except for two situations. One is that because of

1 the air permit that the plant has, they're required to
2 have two functioning operating wells. That's why we
3 went in and permitted the two wells originally.
4 However, because the AGI No. 1 really isn't a great well
5 and because the AGI No. 2, which we drilled in the
6 Devonian, is a very good well, our intent is to use the
7 AGI No. 1 only enough, like with a slipstream, for a few
8 days or maybe a week out of the year just to make sure
9 that everything is operating and that we can switch --
10 live switch to that well if we need to in the event that
11 there is an O&M or a mechanical problem arises with the
12 second well and we have to take it down. Like a tubing
13 leak and we have to do a workover or something, we would
14 then use that AGI No. 1 entirely to support the needs of
15 the plant to the extent that it's possible.

16 However, because of the changed condition,
17 what we are requesting of the Commission is that the
18 requirement for evaluating and perhaps performing
19 remedial operations on these wells is no longer a
20 relevant requirement, and we have developed some
21 information to try and show that so that we are
22 requesting that the Commission stay that requirement to
23 the time if and ever that the well, AGI No. 1, takes a
24 total of 9 billion cubic feet of gas, at which time we
25 would advise the Division -- we report it on a monthly

1 basis anyway what is injected into the well. But we
2 would report to the Commission at that time and say,
3 "Okay. Then at that point, it might be reasonable to
4 reimpose that condition."

5 So I've prepared just six slides to review
6 this in detail, and I would reference you to your
7 Exhibit Number 1.

8 **Q. Mr. Gutierrez, go ahead and review for the**
9 **examiners [sic] page 2 of Exhibit Number 1.**

10 A. Right. This puts the meat on the bones of what
11 I was just discussing. These are the four wells, in the
12 first bullet that you see on this slide, which DCP is
13 required to evaluate and potentially remediate. These
14 are wells that offset the Zia AGI No. 1 and are wells
15 that either are completed in the Delaware Mountain or go
16 through the Delaware Mountain Group.

17 As I mentioned originally, we anticipated
18 injecting 15 million cubic feet a day into the Delaware
19 Mountain Group through these two wells. During the time
20 when the AGI No. 1 operated, which was about a year and
21 eight or nine months, we injected a total of about 1.4
22 billion cubic feet of gas at a rate of about 2.6 million
23 a day.

24 And as I mentioned, since the AGI No. 2 was
25 completed in the Devonian, it's DCP's intent to only

1 keep that well operational and to use it only if they
2 absolutely need to during the time when the AGI No. 2
3 would be down for some unplanned maintenance.

4 So let's take a look at what actually
5 happened to AGI No. 1 and why we think this makes sense.

6 By the way, the TAG that was injected into
7 the AGI No. 1 was really largely CO₂. It was about 98.8
8 percent CO₂ and about .2 percent H₂S.

9 As I mentioned, injected at a rate of
10 approximately 2.6 million a day for some 550 days, and
11 that comes to a total of about 1.45 Bcf. The injected
12 volume represented an area of about two-and-a-half acres
13 and a radius of about 185 feet. So obviously we didn't
14 be put a whole lot of gas into that zone.

15 What we've done now is, in the next slide,
16 to show you a picture so you can see where these wells
17 are located. You can see the AGI No. 1. And I just
18 remind the Commission because it's been a long time and
19 I'm sure you've looked at many wells since then. The
20 Zia AGI No. 1 was not a vertical well. It was an
21 inclined well. Okay? So if you look on the map here
22 where you see -- the arrow is actually -- I mean, the
23 star -- the red star, that's actually the bottom-hole
24 location of the AGI No. 1, even though the top is there
25 in the top of the plant. The AGI No. 2D, which is a

1 Devonian well, a vertical well, was completed at about
2 4,000 feet in that location shown on the map. The blue
3 circle that you see on the map around AGI No. 1
4 represents half the distance to the nearest of those
5 four wells, which is the Gulf Federal 03, and that half
6 the distance is 475 feet. So just keep this in mind as
7 we discuss kind of where we're going from here.

8 I now want to call your attention to
9 Exhibit A in our presentation of Exhibit 1. It's kind
10 of --

11 MR. RANKIN: So, Madam Chair and
12 Commissioners, that is in your exhibit packet as Exhibit
13 Number 2, and it was an attachment to our application.
14 So if you turn to your Exhibit Number 2, that is the
15 Exhibit A that Mr. Gutierrez is representing.

16 THE WITNESS: Right.

17 And I just want to mention from a point
18 that originally when we prepared this application, we
19 requested the Division handle this administratively. We
20 thought it was a fairly simple request and one, because
21 it was the Division had originally requested that these
22 wells be looked at, that they would handle it
23 administratively. But they felt more comfortable that
24 we bring it to hearing, and so this is why we're here.

25 We did obviously notice all of the

1 operators that were previously noticed, plus some new
2 ones that came in, and we did not have any objections to
3 this application.

4 But let's talk about what we were able to
5 figure out. As I mentioned, if you take a look at the
6 first table, we'll just go through -- it gives you all
7 the details in a write-up, but I'm going to just
8 summarize it for you in my testimony.

9 Table 1 shows how much was injected into
10 AGI No. 1 through the end of February 17. However, I
11 will represent to you that through today, there has been
12 no additional injection. So this represents the total
13 amount of gas that ever went into AGI No. 1. It comes
14 out to a little under 1.5 billion cubic feet of 98.8
15 percent CO₂, .2 percent H₂S and some less than 1 percent
16 of various other hydrocarbons. That's an average rate
17 of about 2.6 million a day.

18 This Table 2, the subsequent table,
19 calculates what amount of space that one-and-a-half
20 billion cubic feet, roughly, took up in the injection
21 zone and taking into account irreducible water, what was
22 the volume that that occupied and what was the radius to
23 which it extended. Roughly about 185 feet. So you can
24 see it's less than a quarter of the way to the nearest
25 of those four wells.

1 We then said, "Okay. If we use the AGI No.
2 1 periodically, we might" -- "we're obviously going to
3 put some additional volume of acid gas into it to keep
4 it operational, and should we have to use it, should we
5 have to work over No. 2 or whatever and we have to use
6 it, what would be the maximum amount of volume that we
7 could put into that well that would get us to a very
8 safe distance from the nearest of those four wells?"

9 So what we came up with was if we put in a
10 total of 10 billion cubic feet into that zone, how much
11 would that occupy, and this Table 3 calculates that.
12 And it gives you an area of approximately 16-and-a-half
13 acres at the surface and 478 feet of radius of the
14 plume, which then takes you -- if you look at Figure
15 Number 2, it would take you just about to where this
16 blue circle is (indicating) that represents the area
17 occupied by 10 billion cubic feet.

18 So in summary, what we're saying is clearly
19 these other wells, the Lusk Deep Unit 8, the Delphi No.
20 1, the Lusk Deep No. 5, those are way out of the
21 picture. But the one closest one, the Gulf Federal,
22 what we're proposing to the Commission is that they
23 amend the order to require DCP to report -- I mean, it's
24 already a requirement anyway, but to require DCP to
25 report the volume injected into that well and to

1 specifically notify the Division if and when the volume
2 reaches 9 -- the cumulative volume reaches 9 billion
3 cubic feet, which would take it out to less than where
4 this blue line is. And then at that point, the Division
5 or the Commission could reimpose the requirement. But
6 we just want to basically stay that requirement either
7 permanently or until we reach 9 billion cubic feet.

8 That's basically the request that we have.

9 MR. RANKIN: So, Madam Chair and
10 Commissioners, the last page of Exhibit Number 1
11 summarizes the requested relief, so you have that before
12 you.

13 Q. (BY MR. RANKIN) Mr. Gutierrez, I just have a
14 couple of follow-up questions before I pass you to the
15 Commissioners for their questioning.

16 Just to clarify DCP's intent here, having
17 those two wells operating as part of their operational
18 flexibility, that's important to them to have the
19 ability to inject into either both at once or either/or
20 acid gas injection wells for their operations. Is that
21 a fair statement?

22 A. That's correct. And they're approved to do
23 that currently under their order.

24 Q. And in addition to the importance of the
25 operational flexibility, is it also true that the

1 operators in the area specifically requested that DCP
2 look at the Devonian, the deeper zone, that they're
3 currently injecting into as opposed to the Delaware
4 Formation?

5 A. Yes. I think it was both a response to some of
6 our clients', customers that talked to them about it,
7 but also just a response to the capacity and performance
8 of the AGI No. 1. But both of those things, yes.
9 Certainly the operators and leaseholders in the area are
10 very much on board with the plan the way it's being
11 operated.

12 Q. So in addition to having the better zone, it
13 being capable to receive the injected fluids more
14 readily, it also serves the purpose of the surrounding
15 operators as well; is that right?

16 A. Absolutely.

17 Q. Now, have you had discussions with the Division
18 technical staff regarding this proposal before the
19 Commission today?

20 A. I have.

21 Q. And has the Division expressed any concerns or
22 hesitation with the request?

23 A. No, other than they felt it needed to come
24 before the Commission because it was a Commission order.

25 MR. RANKIN: Now, Madam Chair and

1 Commissioners, I have no further questions of
2 Mr. Gutierrez.

3 I will just guide you through Exhibit 3,
4 which is our notice exhibit. If you turn to that
5 exhibit in your exhibit packet, you will see there is an
6 affidavit signed by my office indicating that we have
7 provided notice to the affected parties. Affected
8 parties were identified to us by Geolex through their
9 contracting land service. On subsequent pages are
10 copies of the letters that were sent to each of the
11 affected parties, and on the last pages of that exhibit
12 is a United States Postal Service tracking information
13 sheet showing each of the parties who were sent notice.
14 And on the next page is a copy of the communication of
15 whether they signed for the receipt of the green card,
16 and there are two pages there.

17 Now, you'll see that there is a fair number
18 of green cards that weren't signed for. That's because
19 we pre-filed this exhibit a week ago. I do have an
20 updated tracking sheet which reflects there are more
21 people that did actually receive notice. In addition,
22 we published notice in the newspaper in the county in
23 which the well is located identifying each of the
24 parties by name. So they have received constructive
25 notice as well.

1 And if I may approach to supplement the
2 record with the additional tracking sheet showing that
3 additional notice was sent, as well as the publication
4 of notice, I appreciate it to supplement the record.

5 Thank you.

6 I would just like to add this as an
7 additional portion to Exhibit 3.

8 Because of the timing of the publication, I
9 do not have the Affidavit of Publication in time to
10 pre-file with the rest of our exhibits.

11 With that, Madam Chair and Commissioners, I
12 would ask that Exhibits 1 through 3 with the
13 supplementation I just provided, the Affidavit of
14 Publication and the additional United States tracking
15 sheet, be admitted into the record in this case.

16 CHAIRWOMAN RILEY: Yes. The said exhibits
17 are hereby accepted into the record.

18 Thank you.

19 (DCP Operating Company, LP Exhibit Numbers
20 1 through 3, with additional
21 supplementation, are offered and admitted
22 into evidence.)

23 MR. RANKIN: Thank you, Madam Chair,
24 Commissioners.

25 With that, I have no further questions for

1 Mr. Gutierrez.

2 CROSS-EXAMINATION

3 BY CHAIRWOMAN RILEY:

4 Q. I have a simple question real quickly. Did you
5 intend to change the order for all four of those wells
6 or just for the Gulf Federal?

7 A. For all four.

8 Q. For all four.

9 MR. RANKIN: So to clarify, the relief that
10 we're requesting, Madam Chair, is either to eliminate
11 entirely the requirements outlined in the order
12 paragraphs three and 33 or to eliminate them with the
13 additional provision that DCP notify the Division if the
14 AGI No. 1 well ever reaches the point of having an
15 injected cumulative volume of 9 billion cubic feet.

16 CROSS-EXAMINATION

17 BY COMMISSIONER MARTIN:

18 Q. Does the AGI No. 1 -- or the Zia No. 1, rather,
19 have the capacity to handle the entire volume of the
20 plant waste at full capacity -- or full operational
21 capacity?

22 A. No, it does not. But as part of the program,
23 when DCP built the Zia plant, they also built some
24 significant improvements to a trunk line that connects
25 the Zia plant with Linam and other plants in their

1 system, so they do have the capability to use that well
2 to the extent that they can and then maybe to off-load
3 some gas to other plants.

4 Q. Without regard [sic] to the operation?

5 A. That's the intent. Yes, sir.

6 Q. That's the only question I had.

7 CROSS-EXAMINATION

8 BY COMMISSIONER BALCH:

9 Q. I've got a couple of questions, Mr. Gutierrez.

10 A. Sure.

11 Q. Thank you for your testimony today.

12 First of all, on a couple of the exhibits,
13 on the maps where you show the location of the other
14 wells and you have that bottom-hole location with a star
15 for the AGI No. 1 --

16 A. Yes.

17 Q. -- the blue circle, which is the half distance,
18 is from a surface location?

19 A. The blue circle is from the bottom-hole
20 location.

21 Q. So the bottom-hole location --

22 A. Is where the star is. Yes.

23 Q. Okay. It looked like it was the other way
24 around.

25 A. No. The actual surface location -- if you see,

1 there are two injection wells there on the north part of
2 the plant.

3 **Q. Yeah.**

4 A. The AGI No. 1 is one of those, and the 2D is
5 the other.

6 **Q. Got it. All right. Thank you.**

7 So that basically puts it further from the
8 Gulf Federal and a little closer to the Lusk Deep No. 8?

9 A. The surface location is. Yeah.

10 **Q. What's the -- the distance from the bottom hole**
11 **AGI No. 1 to the nearest well, which is probably still**
12 **the Gulf Federal No. 3?**

13 A. It is the Gulf Federal No. 3, and it's 950
14 feet, approximately.

15 **Q. Okay. So the 475 is half --**

16 A. Is about half the distance, yes, sir. 955
17 feet, actually.

18 **Q. And at 10 billion?**

19 A. At 10 billion cubic feet, it would go out 470
20 feet, roughly.

21 **Q. Is there any activity in the Devonian for**
22 **saltwater disposal in the area that's new since the time**
23 **of this order?**

24 A. There is a current application about
25 2-and-a-half miles to the southwest, and there are a

1 couple of other wells 1-and-a-half miles to the
2 southeast that are operating, but those were operating
3 when that well was approved. There are no new ones.

4 Q. All right. Okay. That was not part of the
5 question. I was just curious. Thank you.

6 Those are all the questions I have.

7 MR. RANKIN: If there are no further
8 questions, Madam Chair --

9 MR. BRANCARD: Madam Chair --

10 CHAIRWOMAN RILEY: Mr. Brancard.

11 CROSS-EXAMINATION

12 BY MR. BRANCARD:

13 Q. I'm confused, but that's not unusual. So you
14 were saying that the Zia AGI No. 2 is injecting into the
15 Devonian?

16 A. Yes, sir, it is.

17 MR. RANKIN: Well, to be clear --

18 THE WITNESS: AGI No. D2. AGI -- Okay.
19 Let me just try and explain this.

20 The original order approved two wells in
21 the Delaware Mountain Group, okay, the AGI No. 1 and the
22 AGI No. 2. A third order approved an additional well in
23 the Devonian, AGI D No. 2. Okay? So the AGI No. 1, in
24 the first order, was drilled, and the AGI No. D2, in the
25 second order, was drilled. The AGI No. 2 in the first

1 order was never drilled.

2 Q. (BY MR. BRANCARD) Okay. So we're only looking
3 at evidence for one well. Do you want to change the
4 order then to eliminate the other well?

5 MR. RANKIN: That's not something we've
6 asked for, Mr. Brancard, so I guess we will leave that
7 to the discretion of the Commission. But that's not
8 something the Division has asked for, and it's not
9 something that we've asked for. I don't think -- and
10 Mr. Gutierrez can certainly testify to this -- that
11 there is any intention to drill the No. 2 well. So I
12 think, you know, we can leave that to the discretion of
13 the Commission. And you ask Mr. Gutierrez just to
14 confirm that.

15 THE WITNESS: But if the Commission was
16 inclined to remove the requirement entirely and
17 exchange -- feel it was appropriate to remove the
18 approval for the second Delaware Mountain well because
19 it would remove that source of additional potential TAG,
20 I don't think DCP would have any objection to that.
21 They're just required under their air permit to maintain
22 two fully operational AGI wells, and they have that at
23 the present time, one in the Delaware Mountain, one in
24 the Devonian.

25 Q. (BY MR. BRANCARD) All right. Because we have a

1 finding in the original order that is based on 15
2 million per day.

3 A. Correct.

4 Q. Right?

5 A. Into the Delaware Mountain.

6 Q. Into the Delaware Mountain.

7 A. Right.

8 Q. That's the basis for the impact on these four
9 wells --

10 A. Exactly.

11 Q. -- right?

12 So somehow I think we need findings to kind
13 of overcome that.

14 A. Right. And the finding is that we have
15 essentially a total amount injected into the Zia No. 1
16 well of about 2.6 million a day for 556 days, which was
17 about a billion and a half and then that we only propose
18 to use it intermittently. I would say, you know, the
19 likelihood that we'll put in another 4 or 5 billion
20 cubic feet into that zone over the next 30 zones, I
21 would be surprised if we even did that, you know.

22 MR. RANKIN: And, Mr. Brancard, just to be
23 clear, I think it's important to DCP, for reasons
24 outside of operations, to maintain that 15 million
25 cubic-foot-per-day number. We're not asking for that to

1 be changed or eliminated in any way.

2 THE WITNESS: No.

3 MR. RANKIN: So it's really important that
4 we don't address that number. But we are willing to
5 provide notice to the Division should the injection
6 levels ever reach that 9 billion cubic-foot level.

7 THE WITNESS: Right.

8 And I will mention, if I recall
9 correctly -- and I haven't gone back to look at it. But
10 when the second order for the deep Devonian well was
11 approved, there was still the limitation of 15 million
12 cubic feet for both wells regardless of how it's split
13 up. But for that -- but in practice, all of it's going
14 to go to the Devonian because that's the primary well,
15 and the other is being used, like I said, to maintain
16 its operational capability and to have it there so that
17 it will be usable if the second well, the primary well,
18 has to be worked over.

19 Q. (BY MR. BRANCARD) Okay. So this is the first
20 order. You have a second order which recognizes the
21 first order --

22 A. Correct. Yes.

23 Q. -- right?

24 But the first order doesn't recognize the
25 second order. So while we don't have that second order

1 in front of us, you can take notice of it certainly, and
2 I think -- I would hope you would propose a finding
3 where this first order recognizes the second order and
4 the fact that the 15 million is being split between
5 wells issued under two separate orders.

6 A. That's correct.

7 MR. RANKIN: That's correct, Mr. Brancard.
8 We'd be happy to do that inclusion --

9 THE WITNESS: We'd be happy to do that.

10 MR. RANKIN: -- in the proposed amendment
11 for 13089.

12 COMMISSIONER BALCH: So that gave me more
13 time to come up with a couple more questions. Sorry
14 about that.

15 (Laughter.)

16 COMMISSIONER MARTIN: So did I.

17 RECROSS EXAMINATION

18 BY COMMISSIONER BALCH:

19 Q. Those four close wells, refresh me on the TD.
20 It was four years ago.

21 A. Oh, boy. I'd have to go back and refresh
22 myself on them --

23 Q. The Devonian.

24 A. Most of them were deeper -- they weren't
25 Devonian wells at all. No. They didn't even come close

1 to Devonian, but I think the deepest were, like,
2 Strawn-Morrow wells that had been plugged back.

3 **Q. Plugged back. All right.**

4 COMMISSIONER BALCH: I think I would
5 personally -- and we haven't deliberated on this, but I
6 would prefer to have that 9 billion target as a way to
7 look at it again. And I would also like to have in that
8 statement what we would look at again, and that would be
9 these four close wells.

10 COMMISSIONER MARTIN: So would I.

11 THE WITNESS: That's what DCP proposed
12 as a -- as a -- I mean, frankly, personally, as a
13 geologist, I feel like those wells are never going to be
14 affected clearly, and I feel like we're not likely to
15 have a total injection of 9 billion cubic feet over 30
16 years into that zone, but it's possible, I guess.

17 **Q. (BY COMMISSIONER BALCH) These are well permits**
18 **and they are potentially renewable.**

19 A. Absolutely.

20 **Q. So you could end up with a different scenario**
21 **later on down the road.**

22 So 552 days of operation at the AGI No. 1.
23 And then since the Devonian well has come on line, how
24 many days of downtime have you experienced where you
25 diverted to the AGI 1?

1 A. Zero.

2 **Q. Zero.**

3 **And how long has that time period been?**

4 A. One-and-a-half years.

5 **Q. Okay. So you're coming up on the required MITs**
6 **and things like that?**

7 A. Oh, we've doing -- yeah. We've been doing
8 those already. We've already had -- this year we've
9 done the second required MIT.

10 **Q. So MITs are not going to affect --**

11 A. No, because we're doing a continual MIT anyway,
12 because we monitor the annulus continuously.

13 **Q. Right.**

14 A. But yeah. And we are continuing -- by the way,
15 we're not proposing any changes and we are continuing to
16 do our MITs on Zia No. 1. I mean, we've got to keep Zia
17 No. 1 fully operational, so we're doing all the
18 requirements.

19 **Q. So for what length of time can Zia No. 1 take**
20 **that capacity -- full capacity?**

21 A. I don't know the answer to that. At the time
22 when we operated Zia No. 1, we did not produce as much
23 TAG as we're producing now. I can tell you, however,
24 that at 2.6 million cubic feet, after about a year, we
25 were bumping up against our MAOP. We weren't really

1 able to do much more than that.

2 **Q. Uh-huh. So that's --**

3 A. I'd say -- the fact there, you've got a limit
4 of about 2-and-a-half million a day into that well in
5 terms of what it can actually take under the MAOP.

6 **Q. Okay. And that will, of course, cycle up and**
7 **down depending upon how long it's been since the well**
8 **has been used?**

9 A. Correct. I think now we could put 3 million
10 into it for a while, but --

11 **Q. Over some period of a year, it might get back**
12 **to that 2.6 number?**

13 A. That's correct. Yes, sir.

14 **Q. We've had another case where a well failed, an**
15 **acid gas disposal well failed, and had to be**
16 **remediated --**

17 A. Right.

18 **Q. -- and that was an extensive downtime. It**
19 **sounds like the AGI No. 1 could cover up to a year,**
20 **maybe a year and a half?**

21 A. Oh, easily. But even -- you know, when we
22 had -- and I don't know specifically which well you're
23 referring to. Maybe it would be either the Monument
24 well or the Linam well. But in terms of the main cause
25 for why, for example, the Monument well had to be down

1 for such a long period of time, is there was not another
2 well already drilled. We had to completely drill and
3 complete a new well.

4 **Q. Right.**

5 A. Whereas, in this case, that's the whole purpose
6 of having two wells, is to have live switch capability.

7 **Q. My concern was just to make sure that the**
8 **redundant well was capable of being redundant?**

9 A. It is capable of being redundant. It's
10 probably not capable of taking the entire flow, but
11 that's adjusted for by their ability to move gas between
12 plants, which they do routinely anyway.

13 CROSS-EXAMINATION

14 BY COMMISSIONER MARTIN:

15 **Q. What was DCP's motivation for drilling the**
16 **Devonian well, the D2, the 2D?**

17 A. Yeah.

18 **Q. Was it because they had such poor luck with the**
19 **No. 1 well?**

20 A. Yes, and because our neighbors would have
21 preferred us to go into a deeper zone rather than drill
22 the second Delaware Mountain well, which we were already
23 approved to drill.

24 **Q. Thank you. That was all I had.**

25 CHAIRWOMAN RILEY: Mr. Brancard, do you

1 have any questions?

2 MR. BRANCARD: I'm fine.

3 MR. RANKIN: With that, Madam Chair, may it
4 please the Commission, we will draft an order that
5 addresses Mr. Brancard's issues and Mr. Balch's concerns
6 about referencing the specific four wells should the
7 injection ever reach that 9 billion cubic-foot volume
8 and submit that for the Commission's review.

9 CHAIRWOMAN RILEY: That would be good.

10 Are you good with that, Mr. Brancard?

11 MR. BRANCARD: It's up to you whether you
12 want to go into executive session.

13 COMMISSIONER BALCH: Yeah. We should go
14 into executive session.

15 MR. BRANCARD: Do we have a motion?

16 COMMISSIONER BALCH: I would make a motion
17 we go into executive session to discuss this case.

18 COMMISSIONER MARTIN: Second.

19 (Executive session, 11:27 a.m. to 11:39
20 a.m.)

21 CHAIRWOMAN RILEY: Just as a housekeeping
22 matter, I would ask that while we have testimony, that
23 there isn't any conversation going on out in the crowd
24 because it's really distracting up here when we're
25 trying to hear.

1 So do I have motion to go back on the
2 record?

3 COMMISSIONER MARTIN: So moved.

4 COMMISSIONER BALCH: So moved.

5 COMMISSIONER MARTIN: Second.

6 CHAIRWOMAN RILEY: All right. We've
7 deliberated this matter, and we think we're pretty
8 comfortable with the application. And so if you
9 wouldn't mind drafting what would be an amendment to the
10 order. We do have certain provisions we'd like to put
11 in there.

12 Mr. Brancard, could you --

13 MR. BRANCARD: Yeah, certainly.

14 So on the original order, ordering
15 paragraph number three, which is the one in question
16 here, leave that in place but add the phrase "if the
17 total injection volume into the well approved under this
18 order reaches 9 billion cubic feet." Okay?

19 And then the Commission would also like to
20 see in the order "remove the approval of the well that
21 has not been drilled." I believe that's Zia No. 2.

22 MR. RANKIN: Correct.

23 MR. BRANCARD: And also amend this order to
24 clearly indicate that there are two wells, another well
25 has been authorized under a separate order and that the

1 total volume between the two wells is the 19 million
2 cubic feet per day.

3 MR. GUTIERREZ: 15.

4 MR. BRANCARD: 15. Sorry.

5 Is that everything?

6 MR. RANKIN: That's everything. Thank you,
7 Madam Chair, Mr. Brancard. Appreciate your
8 consideration. We'll get that draft order submitted to
9 you for your review in the next week or two. Thank you.

10 CHAIRWOMAN RILEY: Thank you.

11 (Case Number 15073 concludes, 11:41 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court
6 Reporter, New Mexico Certified Court Reporter No. 20,
7 and Registered Professional Reporter, do hereby certify
8 that I reported the foregoing proceedings in
9 stenographic shorthand and that the foregoing pages are
10 a true and correct transcript of those proceedings that
11 were reduced to printed form by me to the best of my
12 ability.

13 I FURTHER CERTIFY that the Reporter's
14 Record of the proceedings truly and accurately reflects
15 the exhibits, if any, offered by the respective parties.

16 I FURTHER CERTIFY that I am neither
17 employed by nor related to any of the parties or
18 attorneys in this case and that I have no interest in
19 the final disposition of this case.

20 DATED THIS 17th day of October 2018.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2018
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