

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:

APPLICATION OF NGL WATER SOLUTIONS CASE NO. 16426
PERMIAN, LLC TO AMEND ADMINISTRATIVE
ORDERS SWD-1724 AND SWD-1711 FOR
SALTWATER DISPOSAL WELLS IN EDDY
COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

October 4, 2018

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
 PHILLIP GOETZE, TECHNICAL EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

 This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, Phillip Goetze, Technical Examiner, and
David K. Brooks, Legal Examiner, on Thursday, October 4,
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
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APPEARANCES

FOR APPLICANT NGL WATER SOLUTIONS PERMIAN, LLC:

JENNIFER L. BRADFUTE, ESQ.
DEANA M. BENNETT, ESQ.
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1 (1:52 p.m.)

2 EXAMINER McMILLAN: The next case is 16426,
3 application of NGL Water Solutions Permian, LLC to amend
4 Administrative Order SWD-1724 and SWD-1711 for saltwater
5 disposal wells in Eddy County, New Mexico.

6 Call for appearances.

7 MS. BRADFUTE: Mr. Examiner, Jennifer
8 Bradfute and Deana Bennett, with the Modrall, Sperling
9 Law Firm, on behalf of NGL.

10 EXAMINER McMILLAN: Any other appearances?
11 Please proceed.

12 MS. BRADFUTE: Mr. Examiner, this case is
13 asking to amend tubing sizes in two different saltwater
14 disposal wells that have been approved by the Division.
15 It's similar to other cases that have been presented to
16 the Division in the past to increase tubing sizes,
17 similar to the cases that we just heard involving NGL.

18 NGL did have a pre-hearing conference with
19 the Division on this matter, and they have prepared
20 affidavits from all of their experts who are providing
21 opinions about the amendment of the tubing sizes in
22 these cases, which are included in this notebook. And
23 we have brought one witness to testify about the tubing
24 size who has previously been sworn in.

25 EXAMINER McMILLAN: Please proceed.

1 NEEL L. DUNCAN,
2 after having been previously sworn under oath, was
3 questioned and testified as follows:

4 DIRECT EXAMINATION

5 BY MS. BRADFUTE:

6 Q. Good afternoon.

7 A. Good afternoon.

8 Q. Mr. Duncan, you were sworn in this morning
9 during the hearing. Do you recognize that you're still
10 under oath?

11 A. Yes.

12 Q. Could you please state your name for the
13 record?

14 A. Neel L. Duncan.

15 Q. And, Mr. Duncan, who do you work for?

16 A. Integrated Petroleum Technologies or
17 technically New IPT, Inc., since we've capitalized.

18 Q. And similar to the two previous cases that were
19 heard today, have you been retained by NGL to look at
20 the saltwater disposal wells which are the subject
21 matter of this application?

22 A. Yes, I have.

23 Q. Okay. And have you been previously qualified
24 as an expert witness to testify before the Oil
25 Conservation Division?

1 A. Yes.

2 Q. And does your area of responsibility for NGL
3 include the area of southeastern New Mexico where these
4 wells are going to be located?

5 A. Yes.

6 MS. BRADFUTE: I'd like to tender
7 Mr. Duncan as an expert witness in saltwater disposal
8 well operations and engineering.

9 EXAMINER McMILLAN: So qualified.

10 Q. (BY MS. BRADFUTE) Mr. Duncan, could you please
11 turn to Exhibit Number 1 in the packet in front of you?
12 And if you actually turn to the second page of this
13 exhibit, is this a copy of NGL's application in Case
14 Number 16426?

15 A. Yes, it is.

16 Q. Could you please explain what NGL is seeking in
17 this application?

18 A. The original order specified 5-1/2 by 4-1/2
19 tubing, I believe, and we are asking for 7-inch by
20 5-1/2.

21 Q. And is NGL also requesting for the approval of
22 a maximum daily injection rate of 50,000 barrels of
23 water?

24 A. Yes.

25 Q. Could you please turn to Exhibit 2?

1 A. Yes.

2 Q. Does Exhibit 2 contain the Administrative Order
3 SWD-1711 approving injection for -- let me locate the
4 well name -- for the Alpha SWD Well No. 2?

5 A. Yes.

6 Q. Okay. So NGL had already received and approved
7 an administrative order for this well, correct?

8 A. That's correct.

9 Q. And if you could please turn to Exhibit Number
10 3, does Exhibit Number 3 contain the Administrative
11 Order SWD-1724 approving the Striker 1 SWD Well No. 1?

12 A. Yes, it does.

13 Q. And these approvals were done administratively,
14 correct?

15 A. That is correct.

16 Q. Were there any objections made by affected
17 parties who were notified of these administrative
18 applications?

19 A. No.

20 Q. And you previously discussed the tubing size
21 that was approved in each of those orders, correct?

22 A. Yes.

23 Q. And could you just refresh what size of tubing
24 had previously been approved?

25 A. 5-1/2- and 4-1/2-inch tubing as a tapered

1 string.

2 Q. And NGL is still requesting to use a tapered
3 string here, right?

4 A. Yes.

5 Q. It's just asking to change the size?

6 A. It's a larger tapered string. Yes.

7 Q. Larger tapered string, 7-inch by 5-1/2 inches?

8 A. That's correct.

9 Q. Could you please explain NGL's reasons for
10 requesting a larger tubing size?

11 A. Mostly here to reduce friction pressure and
12 produce a -- allow a little bit more of the water to be
13 injected at the lower pressure.

14 Q. And how are these wells going to be spaced out?
15 Are they going to be located close together, or are they
16 going to comply with the area of review established by
17 the OCD?

18 A. They comply with the guidance of the NMOCD.

19 Q. And they will not be located closer than one
20 mile to another disposal well within the area?

21 A. That is correct.

22 Q. Okay. Can you please explain the casing that
23 will be used for both of the wells?

24 A. The casing we will finish with is 7-5/8,
25 39-pound, high-intensive casing. That's a liner. And

1 the upper casing string that will be seen by the tubing
2 is 9-5/8.

3 Q. And similar to the previous cases, has NGL
4 worked with Scott Wilson, a reservoir engineer, to
5 obtain a study of the injection intervals?

6 A. Yes, we have.

7 Q. And has Mr. Wilson previously testified before
8 the Division?

9 A. Yes, he has.

10 Q. And were his credentials accepted and made part
11 of the record?

12 A. Yes.

13 Q. And Mr. Wilson prepared an affidavit in this
14 matter; is that correct?

15 A. Yes, that's correct.

16 Q. If you could please turn to Exhibit Number 4,
17 does Exhibit Number 4 contain Mr. Wilson's affidavit?

18 A. Yes, it does.

19 Q. In this affidavit, does Mr. Wilson confirm that
20 increasing the tubing sizes for these wells will reduce
21 friction in the wellbores?

22 A. Yes, he does.

23 Q. And does Mr. Wilson also confirm that using
24 increased tubing sizes will only have a very small
25 impact on pore pressures in the formation?

1 A. Yes.

2 Q. Is it Mr. Wilson's opinion that the increased
3 tubing sizes will not cause fractures in the formation?

4 A. Yes, it is.

5 Q. And does Mr. Wilson also perform a study
6 looking at models trying to target the migration of
7 fluids that are injected into these wells?

8 A. Yes.

9 Q. And in that study, does he conclude that over a
10 20-year period, the majority of fluids injected into the
11 well will stay within a mile of where the wellbores are
12 located?

13 A. Yes.

14 Q. Has NGL also retained a geologist in this
15 matter to review the geology for where the wellbores
16 will be located?

17 A. Yes, Kate Zeigler.

18 Q. And Ms. Zeigler has previously testified before
19 the Division, correct?

20 A. Yes.

21 Q. And her qualifications have been accepted and
22 made part of the record?

23 A. Yes.

24 Q. Has Ms. Zeigler executed an affidavit for this
25 case?

1 A. Yes, she has.

2 Q. If you could please turn to Exhibit Number 5,
3 does Exhibit 5 contain Ms. Zeigler's affidavit?

4 A. Yes.

5 Q. And in this affidavit, does Ms. Zeigler find
6 that the areas where the wells are going to be located
7 are suitable for injection at the increased rates that
8 are being requested?

9 A. Yes.

10 Q. And does Ms. Zeigler also find that there is a
11 permeability barrier both above and below injection
12 zones?

13 A. Yes.

14 Q. Could you please turn to Exhibit 6? Did NGL
15 also obtain a declaration from Steven Taylor in this
16 matter?

17 A. Yes, we did.

18 Q. And does Mr. Taylor confirm in his affidavit
19 that he conducted a seismic activity study in the areas
20 where the wells will be located?

21 A. Yes.

22 Q. And as part of that study, did he look at
23 previous seismic activity in the area?

24 A. Yes.

25 Q. And did he find that there had not been a lot

1 of prior seismic activity in this area?

2 A. That is correct.

3 Q. Okay. And similar to the past cases, did
4 Mr. Taylor also work with FTI Platt Sparks to run the
5 fault slip probability tool analysis?

6 A. Yes.

7 Q. And did Mr. Taylor and FTI Platt Sparks both
8 find that there is very little risk of induced
9 seismicity in the areas where these wells will be
10 located?

11 A. Yes.

12 Q. Could you please turn to Exhibit Number 7?
13 Does Exhibit 7 contain a declaration obtained from
14 Stephen Nave?

15 A. Yes, it does.

16 Q. And is Mr. Nave a fishing expert in
17 southeastern New Mexico?

18 A. A very old, very crusty fishing expert, older
19 than anyone that's in this room, I believe.

20 (Laughter.)

21 EXAMINER BROOKS: Even Bill Carr?

22 (Laughter.)

23 MR. BRUCE: Possibly.

24 Q. (BY MS. BRADFUTE) Has Mr. Nave previously
25 testified before the Division?

1 A. Yes.

2 Q. And were his credentials accepted and made part
3 of the record?

4 A. Yes.

5 Q. And in this declaration, does Mr. Nave confirm
6 that he believes he could perform fishing operations in
7 the event of a tubing failure on these wells?

8 A. Yes.

9 Q. And does he testify that he believes there are
10 sufficient clearances so that he can complete such
11 operations?

12 A. Provided the casing is 39 pounds per foot or
13 less in the 7-5/8.

14 Q. Okay. And can you please turn to Exhibit
15 Number 8? Does Exhibit Number 8 contain an affidavit
16 prepared by NGL's counsel confirming that notice was
17 provided to all affected parties within a mile of where
18 the wells are located?

19 A. Yes.

20 Q. And in addition, did NGL also publish notice in
21 a paper of general circulation in the county where the
22 wells are located?

23 A. Yes.

24 Q. And is that Affidavit of Publication included
25 in the last page of the notice exhibit here?

1 A. Yes, it is.

2 Q. Were Exhibits 1 through 8 created by you or
3 prepared under your supervision or direction or compiled
4 from NGL's company business records?

5 A. Yes, they were.

6 Q. And, Mr. Duncan, in your opinion, does the
7 granting of this application promote the prevention of
8 waste and the protection of correlative rights?

9 A. Yes, it does.

10 MS. BRADFUTE: I'd like to move Exhibits 1
11 through 8 to be admitted into the record.

12 EXAMINER McMILLAN: Exhibits 1 through 8
13 may now be accepted as part of the record.

14 (NGL Water Solutions Permian, LLC Exhibit
15 Numbers 1 through 8 are offered and
16 admitted into evidence.)

17 MS. BRADFUTE: And that concludes my
18 questions.

19 EXAMINER GOETZE: Okay. So we originally
20 had a discussion about this. And so the content is
21 reflective of all the information that we had during our
22 conversation?

23 MS. BRADFUTE: Yes.

24 EXAMINER GOETZE: Very good.

25 So the content is -- and I inquired for the

1 application to increase the tubing size and also meet
2 our obligations for area of review.

3 One point of clarity, the Alpha SWD No. 2,
4 that has had a change in surface location.

5 MS. BRADFUTE: And that change in surface
6 location was in our application, and we notified based
7 on that.

8 EXAMINER GOETZE: Okay. Based on that. I
9 just want to make sure it's in the record.

10 MS. BRADFUTE: Yes. Thank you.

11 EXAMINER GOETZE: Other than that, I have
12 no other questions. Thank you.

13 EXAMINER McMILLAN: The only thing I'd like
14 to see is can you get a better copy of the updated
15 publication?

16 MS. BRADFUTE: Yes, we can.

17 EXAMINER McMILLAN: The affected parties
18 are cut off.

19 MS. BRADFUTE: Oh, the photocopy. Yes. We
20 will get a better photocopy.

21 EXAMINER McMILLAN: You did another case
22 where it wasn't very clear, so if you'll look at that.
23 And just email it.

24 MS. BRADFUTE: Yes, we will.

25 Thank you.

1 EXAMINER BROOKS: No questions.

2 MS. BRADFUTE: Okay. We request this case
3 be taken under advisement.

4 EXAMINER McMILLAN: So Case 16426 shall be
5 taken under advisement.

6 Thank you very much.

7 MS. BRADFUTE: Thank you.

8 EXAMINER McMILLAN: Thank you, Phil.

9 EXAMINER GOETZE: Thank you.

10 (Case Number 16426 concludes, 2:04 p.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 25th 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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