

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

IN THE MATTTTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:

Application of FAE II Operating, LLC,  
for Reinstatement of Injection  
Authority and Authorization to Convert  
Producing Wells to Injectors for  
Waterflood Operations,  
Lea County, New Mexico

Case No. 22134

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

THURSDAY, SEPTEMBER 9, 2021

SANTA FE, NEW MEXICO

This matter came on for hearing before the  
New Mexico Oil Conservation Division, William  
Brancard, Esq. Hearing Examiner, Baylen Lamkin and  
Kurt Simmons, Technical Examiners, on September 9,  
2021, via Webex Virtual Conferencing Platform hosted  
by New Mexico Department of Energy, Minerals and  
Natural Resources

Reported by: Mary Therese Macfarlane.  
New Mexico CCR #122  
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A P P E A R A N C E S

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1 (Time noted 11:02 a.m.)

2 EXAMINER BRANCARD: With that, can we move to  
3 the next case, 22134.

4 MS. HARDY Yes. Thanks, Mr. Examiner. Dana  
5 Hardy on behalf of FAE II Operating, LLC.

6 EXAMINER BRANCARD: Any other interested persons  
7 in Case 22134? (Note: Pause.) Hearing none.

8 I don't know how much of this overlaps with  
9 what you just presented Ms. Hardy, but please proceed.

10 MS. HARDY: Thank you. I'll be brief. Some of  
11 it does overlap.

12 FAE seeks to reinstate injection authority  
13 FOR four wells in its Blackbeard South Waterford project  
14 within the Seven Rivers and Queen Formations.

15 This acreage is located in Sections 3, 4, 9  
16 through 11, 13 through 15, 17, and 20 through 24, in  
17 Township 23 South, Range 36 East in Lea County.

18 FAE also seeks to convert a produced  
19 water-disposal well to an injective for waterflood  
20 operations.

21 We have provided the testimony of three  
22 witnesses, and they are available.

23 I can go ahead and give a brief overview of  
24 the project and the exhibits.

25 This project was initially approved in 1974

1 through Order R-4819. It was expanded had in 1975, 1984,  
2 and again in 1984 to include additional injection wells,  
3 and those Order numbers were R-4819A and WFX 522.

4 Like the project we discussed earlier, this  
5 project has involved production since it was approved, and  
6 FAE acquired the project in June of 2021 and seeks to  
7 reinstate injection authority to convert wells to the  
8 Waterford Flood Project.

9 We've provided exhibits from three  
10 witnesses. Mr. Lehrbass is the Director of Land. He  
11 provides all of the standard land exhibits, and Exhibit  
12 A-5 is the C-108.

13 He also discusses Notice of the hearing in  
14 Exhibit A-6 to A-7, which was also provided to the State  
15 Land Office.

16 Ms. LaMarro's Self-Affirmed Statement is  
17 Exhibit B. She provides a Type Log, Cross Section, and a  
18 Produced Water Analysis.

19 Mr. Song's Self-Affirmed Statement is  
20 Exhibit C, and he discusses the wellbore schematics,  
21 injection pressure and perforations, and provides the same  
22 exhibits that he provided with the prior case, including a  
23 Production Graph and a Production Economic Summary. He  
24 concludes that the proposal is economically and  
25 technically feasible and would result in an increased EUR.

1                   So with that I would request the witnesses  
2 be qualified as experts in their fields, that their  
3 exhibits be accepted, and that the case be taken under  
4 advisement.

5                   And the witnesses are available if the  
6 Division has questions. Thank you.

7                   EXAMINER BRANCARD: Thank you.

8                   I take it these are the same witnesses as  
9 the prior case?

10                  MS. HARDY: Yes, they are, Mr. Examiner.

11                  EXAMINER BRANCARD: So they have all been  
12 admitted as experts and sworn in, so we will go to Mr.  
13 Lamkin.

14                  EXAMINER LAMKIN: Thank you.

15                                   HUXLEY SONG,  
16                   previously sworn, testified as follows:

17                                   CROSS EXAMINATION

18 BY EXAMINER LAMKIN:

19           **Q. So for the injection well that you guys wish, or**  
20 **the disposal well that you wish to convert to an injection**  
21 **well, do you know what the date of last injection in that**  
22 **well was?**

23           A. Sorry, which well is that?

24           **Q. Whichever well that disposal well that you wish**  
25 **to convert to injection. I don't have the name right off**

1 the top of my head. Let me see.

2 I guess more importantly, does it still  
3 have valid injection authority, or has it been, you know,  
4 temporarily shut in for a period of time?

5 A. Yes. So unlike the previous project we just  
6 discussed, this area has had more injectors active over  
7 the most recent years. Those wells would include the  
8 State "A" A/C-1 No. 118, the State "A"A/C-1, No. 119, the  
9 State "A"A/C-1 No. 121 and the State "A"A/C-3 No 12. All  
10 of those injectors have been active over the last couple  
11 of years.

12 Q. I guess the point I was trying to get to was:  
13 In the disposal well have you guys seen any pressure  
14 buildup in the reservoir that would indicate that, you  
15 know, the maximum allowable surface pressure is being  
16 reached, or that, you know, the water is not being  
17 dispersed very well in the formation?

18 A. Yes. None of the wells inject above the  
19 standard allowable 0.2 psi per foot, plus the water  
20 gradient in the tubing. But yes, over time -- you know,  
21 the initial injection pressure was very low, and just over  
22 time I think in any injection operation pressure just  
23 builds as you put more molecules in the reservoir.

24 So we have seen that, but the pressure is  
25 still under the standard OCD allowable.

1           **Q. Do you guys have any idea do you anticipate**  
2 **being able to flood without coming back for an injection**  
3 **pressure increase?**

4           A. Yes. I think we currently have two water floods  
5 in place that we put in over the last several years, and  
6 in both cases permeability will dictate how fast our  
7 pressure will rise, permeability and pore volume.

8                   In one of our two projects we had to come  
9 back within a year as permeability tighter and the pore  
10 volume was a little bit lower, and we had to do separate  
11 tests. And we worked with Mr. Goetze and Mr. McClure on  
12 that to get our injection pressure increased.

13                   And in our other project our permeability  
14 and pore volume is higher, so we expect that it would take  
15 longer before we would have to come back and do separate  
16 tests.

17                   So it would really depend on the  
18 permeability of the reservoir.

19           **Q. Then in Exhibit A-4 it appears that the water**  
20 **flood that you guys are trying-to reinstate overlaps a**  
21 **waterflood operated by a different company in the same**  
22 **formation. Have you guys had any discussions with them**  
23 **about conflicts involving pore space, or do you foresee**  
24 **that being an issue at any point?**

25           A. Yes. We have not had any conversations with



1    them but we do have producers in between our northernmost  
2    injectors and that other waterflood that you are  
3    referencing. I believe it is the Seven Rivers -- looking  
4    at the waterflood -- Seven Rivers-Queen unit operated by  
5    BXT. We do have a producer between, you know, our  
6    injector and the (inaudible) of that waterflood.

7                    But you are correct, we would be  
8    waterflooding in that exact same interval that has been  
9    waterflooded in that area for a decade.

10                   EXAMINER LAMKIN: I think I'm done with what I  
11    had for this one, although once again I will reach out in  
12    the course of the review if I have any other ones.

13                   WITNESS SONG: Yes, sir. Thank you, Mr. Lamkin.

14                   EXAMINER LAMKIN: Thank you.

15                   EXAMINER BRANCARD: I think the number of the  
16    disposal well that you're converting is the State A-116.

17                   MS. HARDY: I believe that's correct.

18                   MR. SONG: Okay. Let me look that one up for  
19    you and get you the last injection date.

20                   So the last injection date that I show was  
21    September of 2018 on that well.

22                   EXAMINER LAMKIN: Okay. I think that covers all  
23    my questions. Thank you.

24                   MR. SONG: Thank you.

25                   EXAMINER BRANCARD: Thank you. Mr. Simmons, any

1 questions?

2 EXAMINER SIMMONS: Not at this time. Thank you.

3 EXAMINER BRANCARD: Ms. Hardy, did you have  
4 anything else on this matter?

5 MS. HARDY: Just had one request, and it would  
6 actually pertain to the prior case, as well, 22133, and  
7 that would be just it would be helpful if in the Order we  
8 could have clarification on adding additional injection  
9 wells administratively within the project area.

10 I know that's often included in Orders, and  
11 these projects were expanded previously through the  
12 addition of injection wells, but I didn't see that  
13 provision actually included in any of the original Orders.

14 That was it for my presentation.

15 EXAMINER BRANCARD: Thank you.

16 Are there any other interested persons for  
17 Case 22134? (Note: Pause.)

18 I see in the audience Mr. Biernoff from the  
19 State Land Office. I don't know if the Land Office has  
20 anything to add in these cases.

21 MR. BIERNOFF: Mr. Brancard, we don't at this  
22 point in time, and I don't think we received sufficient  
23 information from the Applicant to really be able to  
24 evaluate their plans to have anything meaningful to say.

25 I will note that we have asked FAE to

1 return wells that it's operating to production or to plug  
2 them, because the company has a pretty large number of  
3 inactive wells under its operatorship. So conceptually  
4 we're interested in wells being returned to production and  
5 interested in FAE's plans for doing that.

6 But as one of FAE's witnesses noted, the  
7 company has really just approached our office in a pretty  
8 preliminary fashion.

9 EXAMINER BRANCARD: Thank you. Appreciate that.

10 For the court reporter that was Ari  
11 Biernoff from the New Mexico State Land Office.

12 With that I will accept the exhibits into  
13 the record and we will take this case under advisement,  
14 and as usual with the note that we may come back to the  
15 Applicant with some questions and ask for further  
16 information to assist in our drafting an Order here.

17 Thank you.

18 MS. HARDY: Thank you very much.

19 (Time noted 11:14 a.m.)

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1 STATE OF NEW MEXICO )  
2 : ss  
3 COUNTY OF TAOS )  
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5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico Reporter  
7 CCR No. 122, DO HEREBY CERTIFY that on Thursday,  
8 September 9, 2021, the proceedings in the above-captioned  
9 matter were taken before me; that I did report in  
10 stenographic shorthand the proceedings set forth herein,  
11 and the foregoing pages are a true and correct  
12 transcription to the best of my ability and control.

13 I FURTHER CERTIFY that I am neither employed by  
14 nor related to nor contracted with (unless excepted by the  
15 rules) any of the parties or attorneys in this case, and  
16 that I have no interest whatsoever in the final  
17 disposition of this case in any court.

18 /s/ Mary Macfarlane  
19 \_\_\_\_\_

20 MARY THERESE MACFARLANE, CCR  
21 NM Certified Court Reporter No. 122  
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