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:

CASE NOS: 22357

APPLICATION OF MANZANO LLC FOR
APPROVAL OF A PRESSURE MAINTENANCE
PROJECT AND AUTHORIZATION TO INJECT,
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS
EXAMINER HEARING
DECEMBER 2, 2021
SANTA FE, NEW MEXICO

This matter came on for virtual hearing before the New Mexico Oil Conservation Division, HEARING OFFICER WILLIAM BRANCARD and TECHNICAL EXAMINERS DEAN McCLURE and DYLAN ROSE-COSS on Thursday, December 2, 2021, through the Webex Platform.

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A P P E A R A N C E S

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I N D E X

E X H I B I T I N D E X

HEARING EXAMINER BRANCARD: For our final item on the agenda, Number 66, Case 22357, Manzano LLC.

MS. HARDY: Mr. Examiner, Dana Hardy with the Santa Fe office of Hinkle Shanor on behalf of Manzano LLC.

HEARING EXAMINER BRANCARD: Thank you. Are there any other interested persons here for case 22357?

(No audible response.)

HEARING EXAMINER BRANCARD: Hearing none, so Mr. Rose-Coss will be with us and Mr. McClure is also here. If Mr. Rose-Coss isn't asking the tough questions, he will jump in.

MS. HARDY: Thank you. And I do have Manzano's witnesses available if there are questions.

HEARING EXAMINER BRANCARD: That's excellent. Thank you. So please proceed.

MS. HARDY: Thank you. Manzano seeks an order approving a pressure maintenance project for the injection of produced gas through the Vince BGH Number 1 Well into the San Andres formation in a project area comprised of the SE/4 of Section 30, Township 9 South, Range 35 East in Eddy County, and authorizing Manzano to convert the Vince BGH Number 1 from a producer to an injector.

The proposed injection will provide pressure maintenance support for Manzano's other wells in the project area and will also allow Manzano to attempt to eliminate

flaring.

In support of the application we provided the affidavits of landman Nick McClelland, geologist John Worrall and engineer Mike Hanagan.

Mr. McClelland's affidavit is provided as Exhibit A. He provides background on the project and addresses the relevant land matters.

Manzano's C-108 is provided as Exhibit A-2 to Mr. McClelland's affidavit. Page 32 of the C-108 provides a map of the project area and identifies the surface and mineral ownership interest. There are no other operators within the one half mile area of review.

Exhibit A-3 to Mr. McClelland's affidavit is a hearing notice letter and associated return receipts. Notice was also published. We did have several of the certified mail letters that were returned, but we did timely publish notice, and the affidavit of publication is provided as Exhibit A-4.

Mr. Worrall's affidavit is provided as Exhibit B. He summarizes the geology issues and discusses the structure map, isopach map and cross sections that are contained in the C-108. He states that the project area is well suited for pressure maintenance operation. He explains that there are no water wells within one mile of the proposed injection well.

Mr. Worrall concludes that the injection operations will not impair the hydrocarbon bearing zones and that the injection fluids will be confined to the injection interval.

Mr. Hanagan's affidavit is Exhibit C, and discusses engineering and operations matters related to the project. He provides as Exhibit C-1 a decline curve, showing the production will decline in the absence of pressure maintenance support.

He also explains that without approval of this application, Manzano will likely have to plug its three wells in the project area due to the lack of available options to dispose of produced gas.

The last page of his Exhibit C-1 is a map that shows the location of the wells in relation to the nearest pipeline which is unavailable.

Manzano's three witnesses all testify that Manzano's proposal will protect correlative rights and prevent waste.

And Manzano would like to request an expedited order in this case, if possible, because otherwise it's my understanding that they will need to shut in their wells in January due to the lack of options for the disposal of produced gas.

And I also wanted to mention that I did submit an

amended exhibit packet yesterday. When I was preparing for the hearing I determined that a few pages of the C-108 that we had submitted on Tuesday had been omitted. I think it was a scanning problem. And so we provided the C-108 yesterday in a complete amended packet even though that's the only change in the update.

So with that, I would move the admission of Exhibits A, B and C, and Manzano's witnesses are available for questions.

HEARING EXAMINER BRANCARD: Thank you. I guess I will start with Mr. Rose-Coss.

TECHNICAL EXAMINER ROSE-COSS: Hi, yes. Thanks for being here today. Glad we were able to get this organized. So let me first touch on the proposed spacing units for the order. Can you -- someone be able to kind of review or summarize how that was determined and what the proposal is?

MR. WORRALL: Yeah, Dylan. Are you talking about the size of the project area -- this is John Worrall.

REPORTER: If you guys can identify yourselves before you speak, that would help the court reporter. Thank you.

HEARING EXAMINER BRANCARD: Ms. Hardy, can we get your witnesses sworn in at this point?

MS. HARDY: Yes, that's what I was going to

request.

HEARING EXAMINER BRANCARD: Can each of them identify themselves first, please? I see all three of them there.

MR. WORRALL: My name is John Worrall. I'm with Manzano.

MR. McCLELLAND: Nick McClelland, land manager.

MR. HANAGAN: Mike Hanagan, engineering operations.

HEARING EXAMINER BRANCARD: All right. Gentlemen, can you raise your right hands. Do you swear the testimony you're about to give or may give is the truth and nothing but the truth?

WITNESSES: (Collectively.) Yes.

HEARING EXAMINER BRANCARD: Please proceed. Mr. Worrall, I believe, was about to answer the question. Is that correct?

MR. WORRALL: Yes. Dylan, would you repeat your question so I can make sure I answer correctly?

TECHNICAL EXAMINER ROSE-COSS: Sure. I just kind of wanted a summary for the record of what the spacing unit is proposed to be and how that was decided upon, and maybe some discussion about some of the kind of reservoir, reservoir confinement within the area.

MR. WORRALL: Okay. I will try to address that.

The area that we proposed is the SE/4 of Section 30. Our wellbore that we are proposing to inject in is in the NW SE of Section 30. And there is an older San Andres well that is now uneconomic.

And so we are proposing to take the gas from the Rag Mama and the Sodbuster and inject it into that well. The reservoir is the same as the zone of which we are producing the gas from. It's the San Andres P1 dolomite, and it's a very low permeability reservoir, probably about a one millidarcy zone.

And we believe that the area of this is -- the maximum that will be affected by this injection, primarily because when we fracked the Rag Mama with a large amount of sand, I don't know how many pounds, we did not see any communication to the injection well. So it's going to take time for that gas to affect a very large area at all. So we limited it to the SE/4 of Section 30.

TECHNICAL EXAMINER ROSE-COSS: Where is the -- where in relationship is this other wellbore, the surface hole location and the downhole location in relation to this injector well?

MR. WORRALL: The Rag Mama is along the E/2 E/2 of Section 30 and the E/2 NE of Section 19. So it's directly east one-quarter mile, the lateral is. And the lateral is placed in the P1 dolomite, the same zone as the

injection.

TECHNICAL EXAMINER ROSE-COSS: So roughly a half mile away, or quarter mile away from each other within the subsurface?

MR. WORRALL Correct, quarter mile away.

TECHNICAL EXAMINER ROSE-COSS: And what about the other wells. The proposal is for -- for produced gas from two wells injected into the third, and then that injected gas will support the continued production of the two producers?

MR. WORRALL: Yes. The other well is located in the E/2 W/2 of Section 21. As such it's about a mile and a quarter to the NE of the injection well. They are identified both on the area of review map.

TECHNICAL EXAMINER ROSE-COSS: Okay, thank you. And I will give it to Mr. McClure at this point. In terms of this unit here, did you -- you had raised a question to Mr. McClure about the size of the proposal of the unit? Did you have any concerns with it?

TECHNICAL EXAMINER McCLURE: Yeah, I was gonna say, per rule they need to require the entirety of the spacing unit of their production well. So their project area is going to have to be amended. As to whether we consider that a major modification of their application, I'm not sure at this juncture.

MR. WORRALL: Okay. So to --

TECHNICAL EXAMINER ROSE-COSS: Go ahead.

MR. WORRALL: To clarify, you are asking us to amend the size of the project area to include the 240 acres of the wellbore, plus the 40 acres of the injection well? Is that what you're saying?

TECHNICAL EXAMINER McCLURE: I was going to say, you could include your SE/4, and then include your E/2 E/2 and then your E/2 of your SE/4. But at a minimum, I think you would be looking at your 40 acres that is currently assigned, I guess, to that well. Once it's an injection well it's no longer dedicated acreage. And then also you would have to include the spacing unit for your production well at minimum.

MR. WORRALL: Okay.

HEARING EXAMINER BRANCARD: Ms. Hardy, what Mr. McClure is referring to is regulation 19.15.26.8F, and then 1 and 2, which is sort of where we establish the concept of the project area for pressure maintenance units.

TECHNICAL EXAMINER McCLURE: You are exactly right. I didn't site it, but, yes, those are the ones I'm referring to.

HEARING EXAMINER BRANCARD: That's what we need compliance with for this application. Mr. McClure, did you have other questions?

TECHNICAL EXAMINER McCLURE: Well, I do have other questions. I think Mr. Rose-Coss might have extra questions, too. I'm assuming you want us to continue regardless of the modification. Correct, Mr. Brancard?

HEARING EXAMINER BRANCARD: Yeah, I mean, we are here. We have the application in front of us, we have the witnesses, so let's try to get as much information as we can today. Mr. Ross-Coss, were you going to continue?

TECHNICAL EXAMINER ROSE-COSS: Well, on the same point regarding this notice and the spacing area, does that -- or this project area, does that change the notice requirements? Does it become a half mile from the edges of this project area, or are we still looking at a half mile from the proposed injection wellbore?

TECHNICAL EXAMINER McCLURE: I was going to say, unless of course we believe there is a geological reason, I guess, that the gas is not going to escape the project area, then I would assume that the argument of the boundary conditions is because there is no production in the immediate vicinity anywhere close in the San Andres formation.

So, yes, I would argue that, yes, the notice is going to have to be extended to that project area or half mile around, and also will include the State Land Office, at the minimum, has to be noticed even if there is no other

working interest owners or anything in the other areas.

But having said that, I don't know if the applicant is thinking that their gas ain't going to escape that project area or not and what the -- how that determination has been made. I don't know what the thought process is there. I didn't see that concept or that topic mentioned in their exhibits, I guess.

TECHNICAL EXAMINER ROSE-COSS: Yeah, could we have a discussion about that just for the record. Does Manzano believe that the injected gas will be confined to this project area both laterally and vertically if their -- that is, like what are the proposed upper and lower flow boundaries to the injection. And laterally is it -- will this injection -- injected gas stay within the project area?

MR. WORRALL: Yes, sir. So the injection wells in the P1 dolomite, I think you should have an exhibit on the geology showing the map, the zone pinches out to the north into tight anhydrite, the faces change above it. The P1 dolomite, the same thing, it is confined by the P1 anhydrite.

We have already shown with the Rag Mama frac job not even affecting us 40 acres away that this is a very tight, complex reservoir. We don't expect much migration of gas. It'll take time to even affect the Rag Mama next door.

So, Mike, do you have any more you want to

comment on that? I do not believe there is any reason to expect we are going to get out the project area with this modest amount of gas.

TECHNICAL EXAMINER ROSE-COSS: Perfect. Thanks for clarifying that for the record then. And I suppose now that we're -- this can segue into the next topic, and I imagine it says it in your application, but could you explain for us the volumes of gas you are expecting to inject? Or how will the operation, the day-to-day operation of this well run?

And do you anticipate -- so with the volume and the kind of reservoir situation being as it is, do you anticipate at least at some point there being a positive effect, neutral effect, or negative effect on the neighboring Rag Mama well?

MR. WORRALL: The volume we are currently producing is 129 MCF of gas per day. It may go up slightly as you have a GOR that increases over time. So we are proposing an average of 150 MCF a day. We are asking for a maximum proposed rate of 1000 in case additional wells are drilled over time.

The more gas you inject, the more positive effect you will have. When you repressurize an oil reservoir that's a solution gas drive, you are putting more gas back into solution over time which helps drive oil to the

wellbore. That's a pretty well-known fact.

So there is no negative influence. There can be a positive influence over time to oil production.

TECHNICAL EXAMINER ROSE-COSS: Perfect. And so currently this 129 MCF is simply being flared; is that correct?

MR. WORRALL: Yes, it is. There is no other option that we have.

TECHNICAL EXAMINER ROSE-COSS: And I suppose that's been looked into, the cost of a pipeline isn't feasible?

MR. HANAGAN: Yeah, this is Mike Hanagan speaking. The pipeline, there was a pipeline to this location when it was previously an Atoka well with sweet gas. Once it was put into the San Andres, the pipeline (unclear) the gas (unclear) about 20 percent, I think it's 10 percent nitrogen, and 12, 13 percent CO2. So the gas well, that pipeline was -- it was (unclear) it has since been abandoned.

So what pipe actually exists in this area is not currently in use, and also gas is off, you know, off spec pipeline quality gas. So we don't even have a choice to say we are going to build 50 miles of pipeline to get it somewhere. It's just offset gas. All we can do is process it out, which we really don't have that option with 130 MCF

a day.

TECHNICAL EXAMINER ROSE-COSS: Okay, I see. Thank you. That helps me segue into the next series of questions. Is this -- can we speak to the kind of offset gas with a certain amount of nitrogen and CO2 contents, do we expect any issues with corrosivity in the proposed injection well? And are there -- can you speak to the corrosion prevention plan, the kind of well integrity, long term of the injection well injected with the gas?

MR. HANAGAN: The CO2 is potentially corrosive, but we haven't noticed it so far, but we will still have lined tubing and a plastic coated packer, also. So I don't expect there to be any corrosion impact.

TECHNICAL EXAMINER ROSE-COSS: There won't be any treatment of the gas prior to injection to diminish any corrosive aspects of the gas or potential?

MR. HANAGAN: No, we don't anticipate needing to do that.

TECHNICAL EXAMINER ROSE-COSS: I see, okay. Can you talk a little bit about how this -- what sort of infrastructure will need to be put in place and how the well will be operated to create setting up the project?

MR. HANAGAN: Yes. It's fairly simple. We have an existing flowline from the Sodbuster well over to the east that's carrying fluid from the Rag Mama to the tank

battery. That line will be reversed around to be used as the gas line comes back to the Vince, and the Rag Mama production will be put into the Vince battery.

And so there will be no new facilities required other than putting in the compression necessary to put in -- that will be a fairly small, two-stage compressor (unclear) and we can duplicate that as we need to if there is some pressure, additional pressure requirements. But as of right now we are anticipating only needing one of those two-stage compressors and no additional surface infrastructure.

TECHNICAL EXAMINER ROSE-COSS: Right. And what if any modification needs to happen at the wellhead down or downhole?

MR. HANAGAN: You know, we will have an injection head downhole, we will have a packer in place, with both packer and plastic coated tubing going into that, and that's all we'll have to do because currently the well has a pump jack and (unclear) take the rods out and put in the necessary coated tubing into the packer, so minimal action needed there.

TECHNICAL EXAMINER ROSE-COSS: I see, perfect. Good to know. You know, I think that was the extent of a certain line of my questioning. I think I'm going to pass the microphone at this point to Dean and see what other questions come to mind as Dean goes.

TECHNICAL EXAMINER McCLURE: Sounds good. I guess the question I had is, trying to keep this in somewhat order and somewhat (unclear) questions, you reference that you don't think that your gas will extend beyond the project area in the immediate future. But over the life of this project, do you still foresee that to be the case, and is the argument for that because it's one millidarcy? What's your thought process there?

MR. WORRALL: Well, the reservoir, it's a tight reservoir. The pressure sync is gonna push the gas to the Rag Mama, no doubt, because that's the well that's being produced, and so the idea is that the gas will be driven preferentially in that direction.

Over time, we've produced a lot of fluid out of there. This volume of gas has got a lot of volume to replace, I don't think we'll ever get there. To answer your question, we have produced over a million barrels of fluid already from this Rag Mama well, and this volume of gas is compressed. It's not going to replace that for a very long time.

TECHNICAL EXAMINER McCLURE: Well, having said that, I was going to say, has there been any of these plugged wells that are in the San Andres that has also produced a significant amount and as there may not -- you may not have your initial reservoir pressure in other areas,

not just from your production wells, if that makes sense, for your Rag Mama, I mean.

MR. WORRALL: Not directly near there. The San Andres, this is the first economic efforts made by drilling these horizontal wells. This is a project that beforehand there have been people that have tested it and haven't produced a lot of fluid. It's only by fracking it and drilling a horizontal well that we are able to drill this Rag Mama well which we did back in 2017.

MR. HANAGAN: This is Mike Hanagan. There are no vertical producers -- producers in the San Andres or current producers within a mile and a half and maybe even further, so there is nothing other than the Vince itself which is also (unclear) volume of fluid out of the San Andres, but there are another no other San Andres producers in the area.

TECHNICAL EXAMINER McCLURE: I think there was like five or six plugged wells in your half mile radius there, and I thought some of them might have been San Andres. Maybe I'm wrong there.

I guess, regardless of that, what my concerns are, I mean, we are talking millidarcies, not microdarcies or nanodarcies like in the typical non-conventional reservoirs, I guess. So with that thought process in mind, I guess something I would like to see is some sort of modeling or some sort of calculations to see exactly how far

we would be looking for what you perceive to be the duration of this project. Are we assuming 20 years? 30 years? What's your thought process there?

MR. HANAGAN: Well, I mean the San Andres has been going for quite a while, but it's a very low rate for the 15 or 20 years. I mean the primary volume is going to be pushed out here within the next three years, in less than five years.

TECHNICAL EXAMINER McCLURE: Well, correct, but you are going to be injecting for the entire duration of your production as your main route of where your produced gas is going to be going?

MR. HANAGAN: Correct.

TECHNICAL EXAMINER McCLURE: So essentially your, your duration for this project, we would assume, to be the same as the length of the -- of the life of both of the -- of your production well there; correct?

MR. HANAGAN: Correct. As oil falls, so does gas fall. Production of the gas will fall in accordance with how your oil falls. So if you have a 2000 GOR right now, at the end of the day you are making 5 MCFs a day and two barrels of oil a day, there's not much gas to be injected.

TECHNICAL EXAMINER McCLURE: Unless you get break-through at some point and increase your GOR, but I guess that's a concern for later. I guess it would be a

thought process, in theory that would be years from now.

TECHNICAL EXAMINER ROSE-COSS: Dean, I'm going to step in for a second. Is there any plans to drill additional horizontal wells within the project area in the San Andres?

MR. WORRALL: Right now we do not have any current plans because the market conditions don't indicate it's profitable to do that. Right now our plans is to try to continue to produce these two oil wells and produce the 70 barrels of oil a day that we produce.

MR. HANAGAN: And without the ability to inject the gas, we can't drill another well unless we get an APD approved because we don't have a market.

TECHNICAL EXAMINER ROSE-COSS: I see. And so that's the -- so Rag Mama horizontal is the other well that's producing, it's a vertical well, and it's not producing as much; correct?

MR. HANAGAN: The other well is also a horizontal well called the Sodbuster. They are both horizontal wells.

TECHNICAL EXAMINER ROSE-COSS: Okay. And are they both 2017, is that what you said?

MR. HANAGAN: I believe that's correct. 2017, maybe the second one was 2018.

TECHNICAL EXAMINER ROSE-COSS: Okay. That was the end of my interruption, Dean. I don't know if you have

more questions.

TECHNICAL EXAMINER McCLURE: Yeah. What is the -- do you know what the initial reservoir pressure was and what your current reservoir pressure is in the vicinity of the -- of your horizontal well and the vicinity of the injection well?

MR. HANAGAN: I believe it was at 13 hundred pounds was the initial reservoir pressure. 14-, 1500 pounds is what John is handing me here.

MR. WORRALL: Yeah, read Number 3 there.

MR. HANAGAN: We have that (unclear) I know when we did an injection test, we put down that we anticipate 500 pound injection pressure. We have pumped into this well to check to see what it would take, and we were getting the rate of a 100 MCF at 300 pounds. So that comes up -- let's see, we had the original calculation for bottom hole pressure of 17 hundred pounds.

TECHNICAL EXAMINER McCLURE: That was your initial -- I'm sorry, your initial reservoir was about -- you calculate to be about 17 hundred; is that correct?

MR. HANAGAN: Correct.

TECHNICAL EXAMINER McCLURE: And then currently your -- it was taking 100 MCF at 300 surface. Is that correct as well?

MR. HANAGAN: Correct.

TECHNICAL EXAMINER McCLURE: Okay. Do you have the calculation -- I guess, when we are talking about the injection of gas, I mean, obviously it would have took a (unclear) analysis, but do you have a rough estimate, I guess, of what you think your current bottom hole pressure is then?

MR. HANAGAN: I think it's still around 12- or 13 hundred pounds. I don't think it's declined a whole lot, but I have not done a calculation on it.

TECHNICAL EXAMINER McCLURE: But you just estimate it about 12 hundred, something like that now?

MR. HANAGAN: Uh-huh.

TECHNICAL EXAMINER McCLURE: Okay. Do you know about how many years do you think it would be before you start seeing an increase in production from your -- from your Rag Mama well?

MR. HANAGAN: I believe there is going to be no effect until possibly -- possibly a minimal effect, but I personally don't anticipate seeing any real effect. If we have any effect, it will be positive, but likely, more likely neutral.

TECHNICAL EXAMINER McCLURE: So I'm trying to think of how to phrase my next question. I guess your, your application, you're applying for essentially a pressure maintenance EUR project, but you don't think you are going

to see a benefit to your production wells?

MR. HANAGAN: Well, we hope to. Well, the reason we're applying there is there is no category for this to fit into. The pressure maintenance is what most appropriate fit. It's really hard to make the case that we are going to be impacting anything more than 1000 feet away.

TECHNICAL EXAMINER McCLURE: Having said that, though, your Rag Mama is less than 1000 feet; correct?

MR. HANAGAN: It's 1225 feet to very nearest one.

TECHNICAL EXAMINER McCLURE: I guess, if we were to run the assumption that your perceived additional production for your Rag Mama is relatively minor, then is your current thought process that your current allocation for your Rag Mama will be continued? I'm going to assume your current pooling agreement is based on a per-acre basis within that spacing unit; is that correct?

MR. HANAGAN: Yes.

TECHNICAL EXAMINER McCLURE: So then your allocation for this project area would be identical to your current pooling agreement which is based on an acreage basis of the spacing unit for your Rag Mama; is that correct?

MR. HANAGAN: I believe so.

TECHNICAL EXAMINER McCLURE: Do you plan on changing -- do you plan on changing your allocation from what you are currently doing; correct?

MR. HANAGAN: No.
TECHNICAL EXAMINER McCLURE: You're not?
MR. HANAGAN: We do not plan on changing.
TECHNICAL EXAMINER McCLURE: And currently you are allocating on an acreage basis within that spacing unit; correct?
MR. HANAGAN: Correct.
TECHNICAL EXAMINER McCLURE: Okay. I think that answers my question there. In regards to your cross section that you have, I'm assuming you have a larger or higher resolution file of that; is that correct?
MR. HANAGAN: Yes, of course.
TECHNICAL EXAMINER McCLURE: I was just wondering if you could go ahead and submit that to us as well. It's a little bit hard to read it, I guess, on the current PDF.
MR. WORRALL: Sure. Would you like me to send it as like a JPG that you can scale up. I believe you can use the zoom to make it larger or smaller.
TECHNICAL EXAMINER McCLURE: Oh, yeah, yeah. I was going to say, as long as the original image is a high enough resolution. I was going to say the current PDF, even if you do zoom it up, I mean, it's hard to make any -- it gets -- it's blurry when you zoom it up currently. But, yeah, as long as the original image is high enough resolution, which I'm assuming a JPG would be, then that

should be sufficient.

MR. WORRALL: I can resend that JPG. I would be glad to.

TECHNICAL EXAMINER McCLURE: Sounds good.

MR. WORRALL: (Inaudible.)

TECHNICAL EXAMINER McCLURE: I'm sorry, what?

MR. WORRALL: Would you like a hard copy of that, a bigger scale --

TECHNICAL EXAMINER McCLURE: Back in the day we would have, but now we are mostly on the digital, and myself and Dylan are in different offices now, so it would be better to have the digital. We probably don't have a use for the paper like we would have in the old days, I guess, but old days being two years ago. But, no, no, just the digital should be fine.

MR. WORRALL: You bet.

TECHNICAL EXAMINER McCLURE: Thank you, sir. I guess I don't really have any other questions. I think it looks like most of my other questions you kind of resolved through Mr. Rose-Coss like talking about like our reservoir drive and stuff like that.

I guess the things that I would like to see submitted would be just a calculation of how -- and have several different scales or several different -- let me restart. A calculation of how far you think your pressure

is actually going to reach from your injection well over different durations, but just your best estimate as to what your injections are going to be, like towards the scale of like, five, ten, 20 years. And just a table should be fine, unless you want to put it in a graph as well, it's whatever you are thinking there, but I think a table should be fine.

Also a lease map that includes the leases surrounding the new project area because I know currently your lease map like doesn't show what -- like I'm assuming your fee leases up in that Section 19, around that current lease, I believe, it's not including that. So if you could just also send a new updated lease map with the additional leases that were not originally included.

MR. WORRALL: Okay. So what -- just to clarify, is our project area no longer the SE/4 quarter?

TECHNICAL EXAMINER McCLURE: That is absolutely correct. You are required to have your project area include the spacing unit for your Rag Mama.

MR. WORRALL: Okay.

TECHNICAL EXAMINER McCLURE: And then I think at minimum we would be looking at the 40 acres, but I think you could include your -- or the 40 acres that is currently dedicated to your proposed injection well, but I think it would be reasonable to have your SE border that you currently have and then just add in your extra acreage

that's also in the Rag Mama, if that makes sense.

MR. WORRALL: It does.

TECHNICAL EXAMINER McCLURE: And then just the lease map for those leases surrounding that project area. And then additionally, as already mentioned, I mean, just kind of re-prefacing the stuff to submit to us, also that cross section we just discussed. I'm sorry, I know we just discussed it, but add it to the list here.

In addition, being aware, I guess, that it may be a significant period of time before the gas reaches the boundaries of your project area, I think, to cover all bases, we should still provide notice to those surrounding -- to the leases -- to the leaseholders or the affected persons, I should say, for the area surrounding the project area, which will include the state land office. I don't know if your other -- I'm sorry, go ahead.

MR. WORRALL: So the new project area will include the E/2 E/2 and the part going up in the 19, and what's the notice area around that? Just the 40 acres on each side, or how do we determine that notice area?

TECHNICAL EXAMINER McCLURE: You know, I think it's just the 40 acres on each side, I believe. If Mr. Brancard or Rose-Coss wants to correct me on that, I think it's the 40 acres surrounding it rather than the half mile.

MS. HARDY: I have a question or a comment on that. It's been my understanding with respect to secondary recovery projects that we would notice the parties within half mile of the injection well, and that was -- that was done here regardless of whether the project are is expanded.

TECHNICAL EXAMINER McCLURE: Well, correct me if I'm wrong, but in those EUR projects is it not also argued that there is some sort of boundary condition that prevents it from extending beyond the project area?

I mean, that there would be my only concern is that right there. And if, I mean, my thought process is, I don't think there is other production in the surrounding area in San Andres, but I mean that's not to say that the leaseholders, the affected person may not have plans to drill in it sometime in the future, so essentially they could have a concern with the project area. I'm not sure there.

But to answer your question, I think you're correct, in some circumstances, maybe many circumstances, I think the notice might only be within the project area, but I don't know if that would qualify in this instance.

HEARING EXAMINER BRANCARD: I think we should -- we'll discuss internally and get back to you about notice.

MS. HARDY: Okay, thank you.

UNIDENTIFIED: Just real quick, I don't see the

land office -- we don't have the -- it still won't be within the area, so what is the requirement for the land office?

TECHNICAL EXAMINER McCLURE: The lease that is directly SE of the SE/4. It's the corner lease there.

UNIDENTIFIED: (Inaudible.)

TECHNICAL EXAMINER McCLURE: I was going to say, it's right on the boundary if you are half a mile from the injection well. But Mr. -- based on what Mr. Brancard just said, I think we are holding off on the additional notice for now. Is that correct, Mr. Brancard?

HEARING EXAMINER BRANCARD: Yes. We'll figure it out and let you know, let the applicant know.

MR. HANAGAN: Appreciate.

TECHNICAL EXAMINER McCLURE: And the additional thing that we are going to have to figure out is whether the change IN the project area is considered a major modification to the application. If that is the case, then it will require new notice, the whole kit and caboodle, new notice to everybody if that is considered to be a major modification.

TECHNICAL EXAMINER ROSE-COSS: I guess the only other -- go ahead, Dean.

TECHNICAL EXAMINER McCLURE: I was going to say, it is a major modification. So we will require new notice for everybody that you originally noticed at the very least.

And then we'll have to get back to you as to how far we need to extend that area beyond the project area, if at all.

But it will -- it is a major modification for changing the project area boundaries, and, as such, new notice will be required including your newspaper notice.

MR. HANAGAN: Respectfully, I was just wondering how you determined it was a major modification.

TECHNICAL EXAMINER ROSE-COSS: Well, just anything that is listed within the newspaper notice that is modified, those are all major modifications.

MR. HANAGAN: Okay, thank you.

TECHNICAL EXAMINER ROSE-COSS: Anything within the newspaper notice is changed, that qualifies it as a major. I know sometimes you think -- what I'm think about is if the change is more major than what the major modifications are, but that's my simplified understanding of what classifies something as major.

TECHNICAL EXAMINER McCLURE: I think it might be included in the statute based off this e-mail that Bill just sent me, so it might even go beyond that, the major modification. But, I'm sorry, that was the only other thing I had to add.

TECHNICAL EXAMINER ROSE-COSS: And the only thing that I would add that we would like to see in addition to what we already have is an H2s contingency plan, just

something in writing, as simple as it might be, or that no action is required, but -- but some discussion about H2s contingency safety plan for the project.

MR. HANAGAN: (Unclear) we have a plan in place, anyway.

TECHNICAL EXAMINER ROSE-COSS: Sure. I imagine you do.

MR. HANAGAN: You guys will get back with us as far as who it is we need to notice now?

HEARING EXAMINER BRANCARD: Yes. Was there anything else we were -- somebody asked about bottom hole pressures?

TECHNICAL EXAMINER McCLURE: I think they addressed that question. I don't think we need anything in addition.

HEARING EXAMINER BRANCARD: Okay.

MR. HANAGAN: We'll get this information to you here in the next week, as soon as possible.

TECHNICAL EXAMINER ROSE-COSS: Yeah, I don't think anything of what we requested will delay the drafting or -- or progress with any orders pending, in my mind, per se. But other than that, say we can take it under advisement, Mr. Brancard, I believe that's the next step.

HEARING EXAMINER BRANCARD: And Mr. Rose-Coss, Mr. McClure, is it okay for, you know, the applicant to be

e-mailing you to clarify what it is you are requesting so they can get you what's correct?

TECHNICAL EXAMINER McCLURE: I think they are actually going to have to because I think our system only accepts PDFs, I think. So I think e-mail is the only way for them to send some of this.

HEARING EXAMINER BRANCARD: Right. But I mean, if they have questions about what it is that we have asked.

TECHNICAL EXAMINER McCLURE: Oh, oh, oh, I apologize, yeah, I think that should be fine.

HEARING EXAMINER BRANCARD: Okay. Because I want to make sure that they are not wasting their time chasing down things we didn't want, and we are getting the things that we want, so --

MR. HANAGAN: Just to clarify real quickly. With this new notice (unclear) kick back off again at some point from the time -- is that correct or not?

TECHNICAL EXAMINER McCLURE: That would be correct. That would restart the notice period, which is also the reason, I'm not sure -- I will leave it to Mr. Brancard's discretion -- but I'm not sure we can take it under advisement. I don't know what the thought process is there, but it would restart the notice period. That is correct.

HEARING EXAMINER BRANCARD: Yeah, I'm going to

admit the exhibits that we have now, and I think the issue -- we need to resolve the issue about what further notice is required and to whom notice is required, and we will get back to you pretty quickly on that because that's pretty important in terms of the time frame moving forward.

(Exhibits admitted.)

MR. HANAGAN: Okay. Thank you.

MS. HARDY: Yes. That's what I was going to request, that we be able to submit the notice as soon as possible.

HEARING EXAMINER BRANCARD: Anything else, Mr. McClure, Mr. Rose-Coss?

TECHNICAL EXAMINER ROSE-COSS: Nothing further from me. Thank you.

TECHNICAL EXAMINER McCLURE: Nothing further from me, either. Thank you.

HEARING EXAMINER BRANCARD: Well, Ms. Hardy, I appreciate you having your witnesses available for this discussion. I think it's very helpful in these kinds of unique projects to kind of figure out what's going on, to see, you know, which square peg we have to put the round hole in, or however it works.

MR. HANAGAN: Just a question. Again, is there some -- is there other, is there anything within OCD on how to handle some of this reinjecting gas just for the purpose

of a gas injection well versus a pressure maintenance deal?

HEARING EXAMINER BRANCARD: I don't know. Mr. Rose-Coss, I assume we are starting to get suggestions from operators about how to do things. And I noticed we had several other projects dealing with sort of temporary stored major gas, but that's simply when there's sort of a breakdown in their system with taking the gas off that we allow them to inject it into wells temporarily so they don't have to flare it when they can't move it. But this, I believe, is a unique one, although, I doubt it will be the last one that we get.

Have you heard anything else, Mr. Rose-Coss, on this?

TECHNICAL EXAMINER ROSE-COSS: I don't know that it's completely unique, but as far as -- but it has enough unique characteristics that this is the first of its kind that we have come across. And it has been flagged and addressed in terms of the waste rules, and you know, we'll kind of be taking it into consideration going forward.

MR. HANAGAN: You have been helpful.

HEARING EXAMINER BRANCARD: Thank you.

MS. HARDY: Mr. Brancard, just -- I was going to ask for a clarification. I know the Division is supposed to determine who we would need to re-notice, but I wanted to clarify whether I need to file actually an amended

application or not.

HEARING EXAMINER BRANCARD: I wouldn't think so -- well, yeah, we'll think about that. Yeah, you may need an amended application. I was thinking you needed a new application, I don't think that's true, but you may need to have an amended application.

MS. HARDY: Okay. Because we would like to do that as soon as possible. I know the filing deadline is next week for the --

HEARING EXAMINER BRANCARD: Mr. McClure, I assume that we are talking about the project area issue here?

TECHNICAL EXAMINER McCLURE: As far as the modification? Is that what you're --

HEARING EXAMINER BRANCARD: The major change to the application is the change to the project area definition.

TECHNICAL EXAMINER McCLURE: Exactly. The only other change would be if there is additional notice to parties. So, yeah, that would be the only real omission, and then we just have this supplemental documentation, but I wouldn't say that would be a part of the amended application.

HEARING EXAMINER BRANCARD: Right, right. That's just post hearing submittals.

TECHNICAL EXAMINER McCLURE: Exactly. I was

going to say, the only other clarification I guess I was going to put out there, this application is being considered an EUR application, not a disposal well. Just making that simply clear. This is for beneficial use, EUR project. That's the only thing I was going to add. Thank you.

HEARING EXAMINER BRANCARD: Thank you. Ms. Hardy, anything else. Any questions?

MS. HARDY: Not from me, Your Honor.

HEARING EXAMINER BRANCARD: Thank you. I appreciate everyone's participation and efforts today. I hope we made some progress.

MR. HANAGAN: On this last segment there, so we have applied under a pressure maintenance project, not an EUR project; correct?

TECHNICAL EXAMINER McCLURE: The pressure maintenance is considered EUR.

TECHNICAL EXAMINER ROSE-COSS: There is separate check boxes on the C-108, so I believe PMX is the correct check box.

MR. HANAGAN: Okay, good. We don't need to change that, is all I'm trying to make sure.

TECHNICAL EXAMINER McCLURE: No, you're good.

MR. HANAGAN: Just asking.

TECHNICAL EXAMINER McCLURE: Just where it falls under the rule, it falls under the EUR project area, on that

side.

HEARING EXAMINER BRANCARD: In the grand scheme of things we classify pressure maintenance within the enhanced recovery universe.

TECHNICAL EXAMINER McCLURE: Exactly.

MR. HANAGAN: All right. Sure appreciate.

MS. HARDY: I do have one more question, Mr. Brancard. Since we have really two approvals requested, one is for the pressure maintenance project and one is to convert the Vince well to an injector, and the amendment would only relate to the project area, is it possible to go ahead and take the application under advisement with respect to the conversion of the Vince? We wouldn't be changing that.

HEARING EXAMINER BRANCARD: Well, it's only an injection well for a pressure maintenance project, so therefore it has to be part of the pressure maintenance project.

MS. HARDY: Okay. Thank you.

HEARING EXAMINER BRANCARD: Thank you.

MS. HARDY: Thank you.

TECHNICAL EXAMINER ROSE-COSS: Thank you, gentlemen. We'll be in touch.

HEARING EXAMINER BRANCARD: With that, let's -- if there are no other concerns raised by other any other

person which I'm interested in hearing, this is the end of the hearing on December 2, 2021. Thank you, all.

(Concluded.)

STATE OF NEW MEXICO

COUNTY OF BERNALILLO

REPORTER'S CERTIFICATE

I, IRENE DELGADO, New Mexico Certified Court Reporter, CCR 253, do hereby certify that I reported the foregoing virtual proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings to the best of my ability.

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

I FURTHER CERTIFY that the Virtual Proceeding was of reasonable quality.

Dated this 2nd day of December 2021.

/s/ Irene Delgado
_____
Irene Delgado, NMCCR 253
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