

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

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

APPLICATION OF PINON MIDSTREAM,
LLC TO AMEND COMMISSION ORDER
NO. R-21455-A TO INCREASE THE
MAXIMUM DAILY INJECTION RATES
FOR THE INDEPENDENCE AGI #1 AND
#2 WELLS, LEA COUNTY, NEW
MEXICO.

CASE NO. 22977

PINON MIDSTREAM, LLC'S PRE-HEARING STATEMENT

PINON MIDSTREAM, LLC (“**Piñon**”) (OGRID 330718), the applicant in the above-referenced case, submits this Pre-Hearing Statement pursuant to the rules of the Oil Conservation Commission (the “**Commission**”).

APPEARANCES

APPLICANT

Pinon Midstream, LLC

ATTORNEY

Michael H. Feldewert, Esq.
Adam G. Rankin, Esq.
Julia Broggi, Esq.
Paula M. Vance
Holland & Hart, LLP
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421
(505) 983-6043 Facsimile

OTHER PARTIES

New Mexico Oil Conservation Division

ATTORNEY

Jesse Tremaine
Assistant General Counsel
New Mexico Energy Minerals and
Natural Resources Department
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505
(505) 231-9312
jessek.tremaine@state.nm.us

APPLICANT'S STATEMENT OF THE CASE

Piñon (OGRID 330718) seeks to amend Commission Order No. R-21455-A (the “**Order**”) to increase the aggregate maximum daily injection rate of treated acid gas (“**TAG**”) for disposal through the Independence AGI #1 and #2 wells from 12 MMSCFD to 20 MMSCFD.

The Independence AGI #1 well (API No. 30-025-48081; “**Independence AGI #1**”) is an existing vertical well with a surface and bottom hole location approximately 829 feet from the north line and 1,443 feet from the west line (Unit C) of Section 20, Township 25 South, Range 36 East, NMPM, Lea County, New Mexico. It was originally approved by the Commission as an acid gas injection (“**AGI**”) well for the disposal of TAG under the Order in Case No. 21381.

The Order authorized a maximum daily TAG injection rate of 12 MMSCFD into the target injection interval within the Devonian and Silurian formations from a depth of approximately 16,230 to 17,900 feet deep. The Order also required a second AGI well to be approved and capable of receiving volumes of TAG “equal to or greater than the volumes approved for injection into” the Independence AGI #1. *See* Order No. R-21455-A, ¶ 18.

Under the terms of the Order, Pinon timely filed an administrative C-108 application for a redundant injection well, the Independence AGI #2 well (API No. 30-025-49974; “**Independence AGI #2**”), and together with Independence AGI #1, the “**Independence AGI Wells**”), which will be a deviated well with a surface location approximately 1,180 feet from the north line and 1,578

feet from the west line (Unit C) and a bottom hole location approximately 1,033 feet from the south line and 2,132 feet from the west line (Unit L) in Section 20, Township 25 South, Range 36 East, NMPM, Lea County, New Mexico. It will inject into the same target reservoir as Independence AGI #1, from approximately 16,080 to 17,683 feet deep within the Devonian and Silurian formations. In the C-108 application, Pinon sought authority to inject up to an aggregate of 20 MMSCFD of TAG between the Independence AGI Wells.

The Order authorized the New Mexico Oil Conservation Division (the “**Division**”) to approve an administrative C-108 application for the required second well “that is capable of receiving volumes of TAG that is equal to or greater than the volumes approved for injection into the Independence AGI Well No. 1.” See Order No. R-21455-A, ¶ 18. The Division issued its approval through administrative order SWD-2462 on March 31, 2022. In its administrative order, however, the Division determined the aggregate maximum rate of injection for both Independence AGI Wells is limited to 12 MMSCFD under the Order and that the Division does not have authority to administratively increase the aggregate maximum daily injection rate of TAG to 20 MMSCFD.

The Independence AGI Wells serve Pinon’s Dark Horse Gas Treatment Plant (the “**Plant**”), which has an anticipated disposal need of up to 20 MMSCFD of TAG. Accordingly, Pinon requires authority to increase the aggregate maximum daily injection rate of TAG between both of its Independence AGI Wells from 12 MMSCFD to 20 MMSCFD.

In evaluating the feasibility of injection operations at the proposed aggregate maximum daily injection rate of 20 MMSCFD of TAG, Pinon conducted additional work to revise the original geologic modeling and conduct additional simulations at the higher injection rates proposed. The model results confirm that operations of the Independence AGI Wells, at an aggregate maximum daily injection rate of 20 MMSCFD of TAG, can be maintained throughout

the entire 30-year simulation period without exceeding the Division-approved surface injection pressures for each well.

Fault Slip Probability simulations were also revised to assess the induced seismicity risk associated with the proposed increased injection rate. Results of additional fault slip probability simulations demonstrate that the Independence AGI Wells can be operated at an aggregate daily maximum injection rate 20 MMSCFD of TAG without producing significant risk of injection-induced seismic events or contributing significantly to the total risk of induced slip. Approval of this application will (i) increase the available H₂S and CO₂ treating capacity for natural gas produced in the area; (ii) prevent resource waste; (iii) significantly reduce the potential for flaring (on-site and in producing fields); and (iv) minimize the potential for atmospheric releases of H₂S and CO₂ associated with produced natural gas treated at the Plant.

APPLICANT'S PROPOSED EVIDENCE

WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Steven Green, Chief Executive Officer, Pinon Midstream, LLC	Approx. 20 mins.	<ul style="list-style-type: none"> • Exhibit A – Application • Exhibit B – Order No. R-21455-A • Exhibit C – Presentation (7 slides)
David A. White, M.S., Geology, Geolex, Inc. Geology, Hydrogeology, Seismic Interpretation/Fault-Slip, AGI Operation,	Approx. 1-1.5 hours	<ul style="list-style-type: none"> • Exhibit D – C-108 Application under SWD-2462 • Exhibit E – Presentation (47 slides) • Exhibit F – Hearing Notice • Exhibit G – Affidavit of Publication

PROCEDURAL MATTERS

Pinon's Exhibits A-G are being filed concurrently with this Prehearing Statement.

Respectfully submitted,

HOLLAND & HART LLP

By: 

Michael H. Feldewert, Esq.

Adam G. Rankin, Esq.

Julia Broggi, Esq.

Paul M. Vance, Esq.

Post Office Box 2208

Santa Fe, New Mexico 87504-2208

(505) 988-4421

(505) 983-6043 Facsimile

mfeldewert@hollandhart.com

agrarkin@hollandhart.com

jbroggi@hollandhart.com

pmvance@hollandhart.com

ATTORNEYS FOR PINON MIDSTREAM, LLC

CERTIFICATE OF SERVICE

I hereby certify that on September 1, 2022, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

Jesse Tremaine
Assistant General Counsel
New Mexico Energy Minerals and Natural
Resources Department
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505
(505) 231-9312
jessek.tremaine@state.nm.us

Attorney for New Mexico Oil Conservation Division



Adam G. Rankin

District I
 1625 N. French Dr., Hobbs, NM 88240
 Phone:(575) 393-6161 Fax:(575) 393-0720

District II
 811 S. First St., Artesia, NM 88210
 Phone:(575) 748-1283 Fax:(575) 748-9720

District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 Phone:(505) 334-6178 Fax:(505) 334-6170

District IV
 1220 S. St Francis Dr., Santa Fe, NM 87505
 Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

QUESTIONS

Action 140299

QUESTIONS

Operator: Pinon Midstream LLC 465 W. NM Highway 128 Jal, NM 88252	OGRID: 330718
	Action Number: 140299
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witnesses	Not answered.
Testimony time (in minutes)	Not answered.