

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:

AMENDED APPLICATION OF NGL WATER
SOLUTIONS PERMIAN, LLC FOR APPROVAL
OF A SALTWATER DISPOSAL WELL IN LEA
COUNTY, NEW MEXICO.

CASE NO. 16439,
16441

Consolidated with

AMENDED APPLICATION OF NGL WATER
SOLUTIONS PERMIAN, LLC FOR APPROVAL
OF A SALTWATER DISPOSAL WELL IN EDDY
COUNTY, NEW MEXICO.

CASE NO. 16442

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

October 18, 2018

Santa Fe, New Mexico

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

This matter came on for hearing before the
New Mexico Oil Conservation Division, Phillip Goetze,
Chief Examiner, and David K. Brooks, Legal Examiner, on
Thursday, October 18, 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

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1 (10:50 a.m.)

2 EXAMINER GOETZE: All right. Let's go back
3 on the record.

4 My name is Phillip Goetze. I am the
5 hearing examiner for three cases on Docket Number 43-18.

6 Let us start with Case Number 16439,
7 amended application of NGL Water Solutions Permian, LLC
8 for approval of a saltwater disposal well in Lea County,
9 New Mexico.

10 Call for appearances.

11 MS. BRADFUTE: Mr. Examiner, Jennifer
12 Bradfute, with the Modrall, Sperling Law Firm. And here
13 with me is Deana Bennett, on the behalf of the
14 Applicant.

15 MR. PADILLA: Ernest L. Padilla
16 representing Fulfer Oil & Cattle, LLC.

17 MR. McMILLAN: Mr. Examiner, Seth McMillan,
18 Montgomery & Andrews, here on behalf of Devon.

19 MS. BRADFUTE: And, Mr. Examiner, we'd like
20 to present this case along with Case Numbers 16441 and
21 16442. All of the parties have worked out most of their
22 issues related to these cases prior to the hearing
23 today.

24 EXAMINER GOETZE: Very good. So we will go
25 ahead and consolidate with Case Number 16441, amended

1 application of NGL Water Solutions Permian, LLC for
2 approval of a saltwater disposal well in Lea County, New
3 Mexico, and Case Number 16442, amended application of
4 NGL Water Solutions Permian, LLC for approval of a
5 saltwater disposal well in Eddy County, New Mexico.

6 And both parties agree to the
7 consolidation?

8 MR. PADILLA: Yes.

9 MR. McMILLAN: Yes.

10 EXAMINER GOETZE: Thank you, gentlemen.

11 MR. PADILLA: And, Mr. Examiner, we don't
12 have any witnesses or intend to present any evidence or
13 any testimony.

14 EXAMINER GOETZE: We will give you the
15 opportunity to ask questions, though.

16 MR. PADILLA: (Indicating.)

17 EXAMINER GOETZE: Please proceed.

18 MS. BRADFUTE: Mr. Examiner, I have one
19 witness here with me today, and we're ready for him to
20 be sworn in.

21 EXAMINER GOETZE: Yeah. He can be sworn
22 in, please.

23 (Mr. Duncan sworn.)

24 MS. BRADFUTE: Mr. Examiner, before I begin
25 my questioning, the three cases that are going to be

1 presented today involve matters that were presented
2 during a pre-hearing conference with yourself, and David
3 Brooks briefly attended for a short time. There has
4 been one slight change in Case Number 16442 as a result,
5 with an agreement with Devon Energy Company to the
6 location of the Red Road well. And you will hear
7 testimony today that that location has also been
8 presented to the BLM, and the BLM did not have any
9 objections. But that's the one change that I did want
10 to point out before we begin.

11 With that, I'll begin my questions.

12 NEEL L. DUNCAN,

13 after having been previously sworn under oath, was
14 questioned and testified as follows:

15 DIRECT EXAMINATION

16 BY MS. BRADFUTE:

17 **Q. Could you please state your name?**

18 A. Neel Lawrence Duncan.

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

20 A. Integrated Petroleum Technologies.

21 **Q. And, Mr. Duncan, have you been retained by NGL**
22 **to conduct a study of the saltwater disposal wells that**
23 **are the subject matters of these applications?**

24 A. Yes, I have.

25 **Q. And what has been the subject matter of your**

1 study for NGL?

2 A. To ensure these applications are proper and --
3 is part of it.

4 Q. Do you work on applications and engineering
5 matters for NGL?

6 A. Yes. I run their drilling and completions
7 program.

8 Q. And have you previously testified before the
9 Division?

10 A. Yes.

11 Q. And were your credentials as an operations
12 specialist and an engineer accepted and made part of the
13 record?

14 A. Yes.

15 Q. And does your area of responsibility for NGL
16 include the area of southeastern New Mexico?

17 A. Yes.

18 Q. And are you familiar with the applications that
19 have been filed?

20 A. I am.

21 Q. Are you familiar with the saltwater disposal
22 wells which are the subject matter of these
23 applications?

24 A. Yes.

25 MS. BRADFUTE: I'd like to tender

1 Mr. Duncan as an expert witness in operations and
2 engineering matters.

3 EXAMINER GOETZE: He is so qualified.

4 Q. (BY MS. BRADFUTE) Mr. Duncan, could you please
5 turn to Exhibit Number 1 in the book in front of you,
6 and could you please explain what this document is?

7 A. This is the application for C-108 for --
8 interval.

9 Q. Okay. And attached to this application, there
10 is a C-108 form included as Exhibit 8, correct?

11 A. Yes.

12 Q. And you have previously discussed this C-108
13 and application with the Division?

14 A. Yes, we have.

15 Q. If you could please turn to Exhibit Number 2,
16 does Exhibit Number 2 include the application for the
17 Minuteman SWD No. 1 well?

18 A. Yes, it does.

19 Q. And have you previously discussed this
20 application and the attached C-108 form with the
21 Division?

22 A. Yes.

23 Q. And could you please turn to Exhibit Number 3?
24 Does Exhibit Number 3 contain the application and
25 related C-108 form for the Red Road SWD No. 1 well?

1 A. Yes, it does.

2 Q. Have you previously met with the Division
3 concerning this application?

4 A. Yes.

5 Q. Can you please explain generally what NGL is
6 seeking in these three applications to the examiner?

7 A. We are seeking approval of the injection wells,
8 and also we are asking for the tubing to be 7-inch by
9 5-1/2 tapered string.

10 Q. And is NGL also seeking the approval of a
11 maximum injection rate of 50,000 barrels of water per
12 day?

13 A. Yes.

14 Q. I stated briefly at the opening of this hearing
15 that NGL has moved the location of one of the proposed
16 wells, correct?

17 A. Yes.

18 Q. And that is the Red Road well?

19 A. That is correct.

20 Q. If you could please turn to Exhibit 4, does
21 Exhibit 4 include a plat which shows a new survey
22 location for the Red Road well?

23 A. Yes.

24 Q. And this plat has not been completed and
25 submitted to the Division yet; is that right?

1 A. That's correct.

2 **Q. Why was this plat prepared?**

3 A. We were asked by Devon to move the location to
4 accommodate their need for a drilling island.

5 **Q. Okay. And Devon had drilling plans within the**
6 **section where this well will be located?**

7 A. Yes, they did. And we worked that out with
8 Devon.

9 **Q. Okay. And NGL feels comfortable committing to**
10 **this location?**

11 A. Yes.

12 **Q. Were there any additional parties who needed to**
13 **be notified about this change of location?**

14 A. Just the BLM. We worked with the BLM.

15 **Q. But all of the parties who originally received**
16 **notification of NGL's application for this well are the**
17 **same parties that were entitled to notice?**

18 A. Yes. Yes, they are. They are, yes.

19 **Q. Approximately how far was this location moved?**

20 A. As I recall, about 150 feet. I don't remember
21 exactly.

22 **Q. Okay. And if you turn the pages within this**
23 **exhibit --**

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CROSS-EXAMINATION

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BY EXAMINER GOETZE:

Q. Well, before we go, let's take a look-see. The original application and C-108 says 510 from the south line and 1,167 from the east line. So I'm seeing a little bit closer to the east line by 100 feet, but we've moved about 500 feet.

A. 500 feet, yeah.

Q. So you're moving 500 feet north?

A. Yeah.

Q. So you're moving farther away from the concentration we have already?

A. Yes, that's correct.

Q. Okay. Fine.

EXAMINER GOETZE: Please proceed.

MS. BRADFUTE: Thank you.

CONTINUED DIRECT EXAMINATION

BY MS. BRADFUTE:

Q. If you turn to the second page of Exhibit Number 4, there is an email chain included on this page and the following two pages with Chris Weyand at Lonquist and Jim Rutley at the Bureau of Land Management; is that correct?

A. That's correct.

Q. And this email chain indicates that the BLM was

1 provided notice of the new location on Friday, October
2 12th; is that correct?

3 A. That's correct.

4 Q. And if you look at the very last page of this
5 exhibit, it includes a diagram; is that right?

6 A. Yes. And that was our -- with the blue area --
7 the blue rectangle is -- was where we were asked to move
8 our well into.

9 Q. Okay. So that sounds good.

10 So the blue rectangle -- if you could
11 identify which blue rectangle you're looking at on this
12 diagram.

13 A. The one on the left side.

14 Q. On the left side. And it's not the -- there is
15 a blue circle with a blue rectangle on the right side
16 and it says "NGL SWD well."

17 A. Oh, sorry. It's the -- well, there were so
18 many emails back and forth on working this out.

19 (Laughter.)

20 EXAMINER GOETZE: Sorry doesn't help us
21 so -- okay. Yes.

22 THE WITNESS: Thank you.

23 Q. (BY MS. BRADFUTE) Yes. And that indicates the
24 area where the well has been moved to, and this was the
25 diagram that was exchanged just in the recent days with

1 **Devon and NGL, correct?**

2 A. Yes, that's correct.

3 **Q. And this diagram outlines where Devon is**
4 **planning to conduct some of its operations and plans to**
5 **propose its pads, correct?**

6 A. Yes. Yes. We worked very hard on this back
7 and forth with Devon.

8 **Q. Okay. Could you please turn to Exhibit Number**
9 **5 in the notebook in front of you? Does Exhibit Number**
10 **5 contain three different maps that have been prepared**
11 **by the Division for the pre-hearing conference that was**
12 **held?**

13 A. Yes, it does.

14 **Q. And in meeting with the Division, did the**
15 **Division express concerns about the locations of these**
16 **wells?**

17 A. No.

18 **Q. And so all of the well locations as originally**
19 **proposed have ultimately been approved by the Division,**
20 **correct?**

21 A. Yes.

22 EXAMINER GOETZE: To clarify for the
23 record, we do not ultimately approve. We accept the
24 locations being adequate for review. Okay?

25 MS. BRADFUTE: Yes. Thank you, Mr. Goetze.

1 That is an appropriate -- yes -- qualification. Pardon
2 the language that I chose.

3 EXAMINER GOETZE: Leading the witness
4 again.

5 (Laughter.)

6 Q. (BY MS. BRADFUTE) Mr. Duncan, has NGL retained
7 a reservoir engineer to conduct a study of the
8 injections zones for these wells?

9 A. Yes, we have, Scott Wilson with Ryder Scott.

10 Q. And has Mr. Wilson previously testified before
11 the Division?

12 A. Yes, he has.

13 Q. And has Mr. Wilson provided an affidavit which
14 discusses his study of the location for each of the
15 wells that are being presented today?

16 A. Yes, he has, under Exhibit 6.

17 Q. Okay. And is Exhibit 6 an affidavit that
18 Mr. Wilson -- is the affidavit that Mr. Wilson prepared?

19 A. Yes.

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

23 A. Yes.

24 Q. And does he also confirm that using the
25 increased tubing sizes will have only a very small

1 impact on pore pressures in the formation?

2 A. Yes.

3 Q. And is it Mr. Wilson's opinion that the
4 increased tubing sizes will not cause fractures in the
5 formation?

6 A. Yes.

7 Q. Did Mr. Wilson also perform a study looking at
8 which model -- looking at models of the migration of
9 fluids that are injected into the wells?

10 A. Yes, he did.

11 Q. And in that study, did he conclude that over a
12 period of 20 years, the majority of fluids injected will
13 stay within a mile of where each of the wells will be
14 located?

15 A. Yes, a mile or less. Uh-huh.

16 Q. Has NGL also retained a geologist to review the
17 geology in the area where these wells will be located?

18 A. Yes, Kate Zeigler.

19 Q. Okay. And has Ms. Zeigler previously testified
20 before the Division?

21 A. Yes, she has.

22 Q. And has Ms. Zeigler also prepared an affidavit
23 which outlines her study and conclusions related to the
24 location of these wells?

25 A. Yes, provided in Exhibit 7.

1 Q. Okay. In Exhibit 7, does Ms. Zeigler find that
2 the areas where the wells are going to be located are
3 suitable for injection at increased rates?

4 A. Yes.

5 Q. And does she find that there is a permeability
6 barrier both above and below the injection zones which
7 prevent the migration of fluids injected into the
8 reservoir?

9 A. Yes.

10 Q. Could you please turn to Exhibit 8? Does
11 Exhibit 8 contain an affidavit that's been prepared by
12 Steven Taylor?

13 A. Yes.

14 Q. And who is Mr. Taylor?

15 A. He's a geophysicist in Los Alamos.

16 Q. And what does Mr. Taylor state within his
17 affidavit that he's provided?

18 A. He's confirming that we are -- we have very,
19 very low risk of creating induced seismic events with
20 these wells.

21 Q. And did NGL also work with consultants at FTI
22 Platt Sparks to run the fault slip probability tool
23 analysis?

24 A. Yes.

25 Q. And did Mr. Taylor review that analysis?

1 A. Yes, he did.

2 Q. And did Mr. Taylor and FTI Platt Sparks find
3 that there is very little risk of induced seismicity?

4 A. Yes.

5 Q. Could you please turn to Exhibit Number 9? Is
6 Exhibit Number 9 declaration that's been obtained from
7 Steve Nave?

8 A. Yes.

9 Q. And who is Mr. Nave?

10 A. He's a fisherman, owns a fishing tool company.

11 Q. And has Mr. Nave previously testified as an
12 expert fisherman before the Division and the Commission?

13 A. Yes, he has.

14 Q. And were his credentials accepted and made part
15 of the record?

16 A. Yes.

17 Q. In this declaration, does Mr. Nave conclude
18 that fishing operations will be possible on the wells if
19 they are drilled as requested in the C-108 forms?

20 A. Yes.

21 Q. Could you please turn to Exhibit Number 10? Is
22 Exhibit Number 10 an affidavit prepared by NGL's counsel
23 confirming that notification was provided to affected
24 parties in Case Numbers 16439, 16441 and 16442?

25 A. Yes, it is.

1 Q. And if you look at Tabs A, B and C behind this
2 affidavit, is there proof of mailing attached for each
3 of these cases, along with a chart that states whether
4 or not the mailings were delivered or returned?

5 A. Yes, there was. Yes, there is.

6 Q. And there were some returned mailings in these
7 cases, correct?

8 A. That's correct.

9 Q. Did NGL also publish notification in a
10 newspaper of general circulation within the county where
11 these wells will be located?

12 A. Yes. And you can read the whole thing in the
13 affidavit.

14 Q. Yes (laughter).

15 In your opinion, did NGL exercise
16 reasonable diligence in locating addresses to notify the
17 parties that were entitled to notification?

18 A. Yes.

19 Q. Mr. Duncan, in your opinion, does the granting
20 of these applications promote the prevention of waste
21 and the protection of correlative rights?

22 A. Yes.

23 Q. And were Exhibits 1 through 10 created by you
24 or prepared under your supervision and direction or
25 compiled from company business records?

1 A. Yes, they were.

2 MS. BRADFUTE: I'd like to tender Exhibits
3 1 through 10 into the record.

4 EXAMINER GOETZE: Mr. Padilla?

5 MR. PADILLA: No objection.

6 MR. McMILLAN: No objection.

7 EXAMINER GOETZE: Very well. Exhibits 1
8 through 10 are entered into the record.

9 (NGL Water Solutions Permian, LLC Exhibit
10 Numbers 1 through 10 are offered and
11 admitted into evidence.)

12 MS. BRADFUTE: And that concludes my
13 questions for Mr. Duncan.

14 EXAMINER GOETZE: Mr. Padilla?

15 MR. PADILLA: No questions.

16 MR. McMILLAN: No questions, Mr. Examiner.

17 CONTINUED CROSS-EXAMINATION

18 BY EXAMINER GOETZE:

19 **Q. All right. Looks like we have increased the**
20 **risk assessment a little bit better. Thank you for**
21 **doing that.**

22 **It does show a profile putting in more of**
23 **the wells, so we appreciate that.**

24 **On your notice, I would ask you to remove,**
25 **in future, the Oil Conservation Division, my mailbox. I**

1 **am not an affected person.**

2 MS. BRADFUTE: I apologize (laughter).
3 That was an error on our office's part, and it has been
4 removed.

5 EXAMINER GOETZE: Well, my mailbox isn't
6 that big, and it gets full every morning.

7 **Q. (BY EXAMINER GOETZE) As far as the relocation**
8 **of the Red Road, you did say that it was the same**
9 **notification.**

10 MS. BRADFUTE: It is.

11 EXAMINER GOETZE: And you've done John
12 Rutley and all that. He can say, too.

13 Fine.

14 One last item -- well, actually, two. It
15 is my understanding that Fulfer and Devon have both come
16 to an agreement as far as the situation for these three
17 wells, or what is your position?

18 MR. PADILLA: We don't have a position one
19 way or the other, just an interested party in terms
20 of -- even though we're outside of the area of review,
21 my client has saltwater disposal wells in the area and
22 cattle ranching and other oil and gas production.

23 EXAMINER GOETZE: We recognize Mr. Fulfer
24 in many things he does endeavor, and so yeah. But no
25 questions regarding these three, just a general

1 appreciation?

2 MR. PADILLA: Just a general interest.

3 EXAMINER GOETZE: And Devon?

4 MR. McMILLAN: Devon had initially
5 objected, actually, to all three of these wells, but
6 we've subsequently reduced our agreement with respect
7 to -- let's see. In 16439 and 16441, we have a signed
8 letter agreement, and we withdraw any objection.

9 As to 16442, we have -- the parties are
10 executing a letter agreement in the next day or two, but
11 I think we have all of our issues resolved, and Devon
12 would therefore withdraw any objection.

13 EXAMINER GOETZE: Very good. Thank you.

14 Then the last item would be: Delving into
15 the location of the Minuteman, I just wanted to ask, you
16 are aware that OWL has made an application in that area,
17 and you've also made another application that area? I
18 would ask you to bear in mind that there is also an acid
19 gas well in that area and the competition associated
20 with that. They are currently injecting into the
21 Delaware Mountain Group, but it is possible that they
22 will want to consider going to Devonian also.

23 THE WITNESS: Yes. Where there are
24 acid-gas injection wells, as we discussed with you, we
25 have externally coated casing through the Delaware

1 Mountain Group.

2 EXAMINER GOETZE: Well, I'm thinking more
3 along the line of sharing the same reservoir.

4 THE WITNESS: Yes.

5 EXAMINER GOETZE: Knowing that we have the
6 Minuteman here --

7 MS. BRADFUTE: And, Mr. Goetze, OWL had
8 entered an appearance in the Minuteman case. They filed
9 an entry. I have been in discussion with their
10 attorney, and he told me that he was not going to have
11 any substantive questions today, and he has not appeared
12 here today.

13 EXAMINER GOETZE: Yes. Okay. As long as
14 all the parties are aware because the Division decision
15 is not the final solution.

16 So on that note, we will take Cases 16439,
17 16441 and 16442 under advisement.

18 Thank you very much.

19 MS. BRADFUTE: Thank you.

20 (Case Numbers 16439, 16441 and 16442
21 conclude, 11:10 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 29th 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
Paul Baca Professional Court Reporters

25