

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 WPX ENERGY
PRODUCTION, LLC FOR AN EXCEPTION
TO NMAC 19.15.34.13(C), RIO
ARRIBA COUNTY, NEW MEXICO

CASE NO. 15644

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

March 16, 2017

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
PHILLIP GOETZE, TECHNICAL EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, March 16, 2017, 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.

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APPEARANCES

FOR APPLICANT WPX ENERGY PRODUCTION, LLC:

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(9:46 a.m.)

EXAMINER JONES: Let's go back on the record this morning and call Case Number 15644, application of WPX Energy Production, LLC for an exception to NMAC 19.15.34.13(C), Rio Arriba County, New Mexico.

Call for appearance.

MR. FELDEWERT: May it please the Examiners, Michael Feldewert, with the Santa Fe office of Holland & Hart, appearing on behalf of the Applicant. I have one witness here today.

EXAMINER JONES: Any other appearances?
Will the witness please stand?

DONALD R. KNIGHT,
after having been first duly sworn under oath, was questioned and testified as follows:

DIRECT EXAMINATION

BY MR. FELDEWERT:

Q. Would you please state your name, identify by whom you're employed and in what capacities?

A. Donald Russell Knight, senior production foreman for WPX Energy, Aztec.

Q. And, Mr. Knight, how long have you been a senior production foreman?

A. Six years with WPX.

1 Q. Is that in the San Juan Basin?

2 A. Yes, sir.

3 Q. How many years of experience do you have in the
4 industry?

5 A. 30.

6 Q. And what parts of the country?

7 A. Primarily San Juan Basin.

8 Q. And as a result of your position within the
9 company, do you oversee the produced water recycling
10 facility that is the subject of this application?

11 A. Yes, I do.

12 Q. If I turn to what's been marked as WPX Exhibit
13 Number 1, is this the permit -- or not the permit -- the
14 registration that was filed and approved by the Division
15 for this particular facility?

16 A. Yes, it is.

17 Q. And, for example, if I look at the --

18 MR. FELDEWERT: Mr. Examiners, this is
19 two-sided.

20 Q. (BY MR. FELDEWERT) If I look at the fourth
21 page, we see that this registration was approved by the
22 Division on August 19th, 2015; is that right?

23 A. That's correct.

24 Q. Okay. Now, Mr. Knight, are you aware that the
25 Division requires that 20 percent of the total fluid of

1 **this facility to be used every six months?**

2 A. Yes, I am.

3 **Q. After this permit or registration was approved,**
4 **did the company utilize the facilities for completion**
5 **operations in 2015?**

6 A. Yes, we did.

7 **Q. How many completions?**

8 A. Three.

9 **Q. When did those take place?**

10 A. The fall of 2015, so October through December.

11 **Q. Okay. And then was there an event that**
12 **occurred in December?**

13 A. Yes. Due to a heavy snow load, the bird
14 netting on top of the facility collapsed. The openings
15 in the netting were too small to support that snow load.

16 **Q. And did the poles likewise come down with the**
17 **netting?**

18 A. Yes, they did.

19 **Q. If I turn to what's been marked as WPX Exhibit**
20 **Number 2, is this a timeline of events that have**
21 **occurred at this facility since this netting issue that**
22 **you described here in December? And does this timeline**
23 **take us through today, March of 2017?**

24 A. Yes, it does.

25 **Q. Would you explain to the Examiners what**

1 **happened during this time frame?**

2 A. The timeline starts off at the failure of the
3 net and the falling-over of the support poles in
4 December of 2015.

5 And then January of 2016 through March of
6 2016, we continued to add produced water to that pond to
7 support the completion effort of the 642, which was
8 conducted in March.

9 In April, early April, we had a meeting
10 with the Aztec OCD Office to discuss the pond and a
11 suspected failure of the outside-most liner layer of
12 pond -- or of the facility. We were given a 20-day
13 window to evacuate the water from the pond, which we
14 did.

15 Then in May, we did a visual inspection of
16 the liner at the facility and found six scuff marks
17 where the poles had actually shifted over and scuffed
18 the outermost liner.

19 **Q. These are the poles from the netting?**

20 A. Yes, sir.

21 **Q. Okay. Did you observe any obvious holes at**
22 **that time?**

23 A. More of a scuff, not necessarily a tear or, you
24 know, a blatant hole. It was scuff marks of a
25 reinforced liner.

1 Q. What did you do after that?

2 A. We repaired the scuff marks.

3 Q. I mean -- hold on. When you say "we," was it
4 WPX, or was there another company that came in?

5 A. We hired the original vendor that installed the
6 liner. They came out and did the repair of the scuff
7 marks and also inspected the seams of the liner.

8 Q. Okay. And what happened after that?

9 A. Then we went through the course of the
10 summer -- let me back up just a little bit.

11 During that repair period, we also removed
12 the netting. It had to be replaced. So we were waiting
13 from May through late August for the netting to arrive
14 so we could re-install. So we were more or less in
15 suspension at that time.

16 Q. At that point, while you were in this period
17 waiting for the netting to arrive, did you discuss with
18 the OCD a method to confirm the integrity of the liner
19 after the scuff marks had been repaired?

20 A. Yes. To take advantage of the precipitation,
21 the rainfall, that had accumulated in the bottom of the
22 facility, we added a green dye to that water and also
23 pumped a leak detection, and we saw no green dye in the
24 water recovered from the leak detection.

25 Q. So no evidence of any leakage in the facility

1 after these repairs had been made?

2 A. That's correct.

3 Q. Okay. And was there a point in time, then,
4 during this time frame when you were able to again begin
5 refilling the facility?

6 A. Yes. In October, we received permission from
7 the Bureau of Land Management to use audio and visual
8 bird and bat deterrence to get to keep the birds out of
9 the facility while we re-introduced produced water into
10 the facility.

11 Q. And at some point in time, were you able to
12 finally get the netting back from the vendor with the
13 right size holes --

14 A. Yes, we did.

15 Q. -- to get that netting installed?

16 A. Yes, we did.

17 Q. When did that take place?

18 A. November.

19 Q. What was the situation with the facility as of
20 March 2nd of 2017? How much water had you been able to
21 put back into the facility, and what was the status of
22 the facility at that time?

23 A. We put in approximately 121,000 barrels of
24 produced water, plus precipitation into the facility.

25 Q. How does that relate to the total capacity of

1 **the facility?**

2 A. It's a little more than 20 percent, about
3 one-fifth -- a little more than one-fifth.

4 **Q. Did you stop filling the facility at that time?**

5 A. We did.

6 **Q. Why?**

7 A. So we could further examine the integrity of
8 the liner. So we would stop the inflow and test and
9 make sure that the leak detection didn't increase in
10 output.

11 **Q. And how did you -- this is now this month,**
12 **right?**

13 A. Yes, sir.

14 **Q. Okay. How did you conduct that test? What did**
15 **you do and -- first off, what did you do, and was it**
16 **with the oversight of the OCD?**

17 A. Yes. We did suspend the inflow on March 2nd,
18 as stated. We pumped the leak detection, which is the
19 void area between the outermost liner layer and the
20 second liner layer. We pump that volume out and time
21 it. Then last week we did collect samples at the
22 request of the OCD, and the duration of the pump time is
23 declined, you know, over the course of the week.

24 **Q. So what does that tell you?**

25 A. That there is no failure in the liner.

1 Q. Okay. Are you awaiting approval now from the
2 OCD, then, to continue refilling the facility?

3 A. Yes, we are.

4 Q. And these events that you described, are they
5 reflected on Exhibit Number 2?

6 A. Yes.

7 Q. Okay. All right. During this period of time
8 reflected on Exhibit Number 2, did the company obtain an
9 extension of this continuous use requirement from the
10 Division's district office?

11 A. Yes.

12 Q. And do you know when that exception expires?

13 A. Yes, March 31st of this month.

14 Q. And did you seek an additional extension from
15 the Division's district office?

16 A. We did.

17 Q. And what did they tell you?

18 A. We were instructed that we would need to come
19 to hearing to pursue that extension.

20 Q. All right. Okay. So at this point, am I
21 correct that the facility has about one-fifth of its
22 total capacity filled?

23 A. Yes, that's correct.

24 Q. And you are awaiting approval from the Division
25 to proceed with filling the facility?

1 A. That's correct.

2 Q. Once approved by the Division to continue
3 refilling, do you expect to use the volume in this
4 facility for completion purposes?

5 A. Yes, we do.

6 Q. And do you anticipate that the company will use
7 at least 20 percent of the fluid capacity of this
8 facility over the next six months?

9 A. Yes, we do.

10 Q. Why?

11 A. We have an active drilling -- an active
12 approved drilling program for six months in the Rosa
13 Unit, which would be completed using this water.

14 Q. And when do you intend to commence that
15 drilling program?

16 A. May of 2017.

17 Q. Okay. And then, thereafter, you will be
18 starting your completion process to utilize the fluids
19 in this facility?

20 A. That is correct.

21 Q. Who is the surface owner of this acreage where
22 the facility is located?

23 A. The BLM.

24 Q. Has the BLM been contacted about this request
25 for an extension of the 20 percent fluid-use

1 requirement?

2 A. Yes, they have.

3 Q. If I turn to what's been marked as WPX Exhibit
4 Number 3, is this an affidavit prepared by my office
5 with the attached letter providing notice of this
6 hearing to the Bureau of Land Management?

7 A. Yes, it is.

8 Q. And in addition to that, have company
9 representatives been in contact with the Bureau of Land
10 Management about this hearing and its desire to receive
11 an additional extension to the continuous use
12 requirements?

13 A. Yes.

14 Q. And if I turn to what's been marked as WPX
15 Exhibit Number 4, is this an email from Mr. Jeffrey
16 Tafoya to individuals in your company indicating that
17 they fully support WPX's application here to extend the
18 time frame for the 20 percent use requirement?

19 A. Yes, it is.

20 Q. Okay. Mr. Knight, will the approval of this
21 application avoid the closure actions and the costs that
22 would otherwise be triggered by the failure to utilize
23 20 percent of the fluid?

24 A. Yes.

25 Q. And will approval of this application allow the

1 company to utilize this facility for completion
2 operations that are planned over the next six months?

3 A. Yes.

4 Q. And will approval of this application,
5 Mr. Knight, avoid the surface disturbances that will be
6 associated with temporary water storage facilities for
7 these anticipated completion operations?

8 A. Yes.

9 Q. And finally, Mr. Knight, will approval of this
10 application allow the company to efficiently and
11 effectively and safely recycle produced water for
12 completion operations?

13 A. Yes, it will.

14 Q. Were WPX Exhibits 1 through 4 prepared by you
15 or compiled under your direction and supervision?

16 A. Yes.

17 MR. FELDEWERT: Mr. Examiner, I would move
18 admission into evidence of WPX Exhibits 1 through 4.

19 EXAMINER JONES: Exhibits 1 through 4 are
20 admitted.

21 (WPX Energy Production, LLC Exhibit Number
22 1 through 4 are offered and admitted into
23 evidence.)

24 MR. FELDEWERT: And that concludes my
25 examination of this witness.

1 EXAMINER JONES: Phil?

2 EXAMINER GOETZE: We'll let you go first.

3 CROSS-EXAMINATION

4 BY EXAMINER JONES:

5 Q. Can you give me some background on this -- on
6 the permit and the actual facility? Am I correct to
7 assume it's a produced water facility?

8 A. Yes. It's a produced water recycling facility.

9 Q. Okay. And it would hold something like 500,000
10 barrels of produced water?

11 A. Yes, sir.

12 Q. Was there a test done to make sure the soils
13 weren't collapsible underneath, and all the engineering
14 work was done to ensure that the facility would not --
15 the liners would stay competent?

16 A. As far as I know, yes. I know there was an
17 engineering design done.

18 Q. Okay. Were you there during the construction
19 of the facility?

20 A. No, sir.

21 Q. When was this constructed?

22 A. In the fall of 2015.

23 Q. Okay.

24 A. I think it commenced -- I'd have to look at the
25 dates, but I believe it was August or September of 2015.

1 **Q. Okay. And the produced water coming in the**
2 **facility is from WPX operations?**

3 A. Yes, sir.

4 **Q. Only WPX operations?**

5 A. We have augmented the volume with fresh water
6 and -- yes, fresh water.

7 **Q. So what kind of waters are going in? What's in**
8 **those waters?**

9 A. They're primarily Fruitland coal, is the bulk
10 of the origin.

11 **Q. So they've got some coal fines maybe, some of**
12 **them?**

13 A. Yes. Uh-huh.

14 **Q. And the TDS of the water would be what? What**
15 **would be a good average?**

16 A. I don't have that information in front of me.
17 I hate to speak that without --

18 **Q. But it's Fruitland coal water?**

19 A. Primarily. I mean, there is an issue of
20 Mesaverde-Dakota. Some think it's water, but it's
21 primarily Fruitland coal.

22 **Q. Where are we located here? I'm totally devoid**
23 **of knowledge on this.**

24 A. Let me get to the maps.

25 **Q. Is this up close to the Rosa Unit?**

1 A. It's in the Rosa Unit. It's east of the Lake
2 Rosa Unit, located in Section 30.

3 **Q. So it's east of the Navajo Lake?**

4 A. Navajo Lake.

5 **Q. So east of the river?**

6 A. Uh-huh.

7 **Q. And how much -- how far from the river would it
8 be?**

9 A. I'd have to -- again, I need to research this
10 map a little bit and tell you, but it's quite a
11 significant distance, miles.

12 **Q. Okay. Okay. Yeah. Here's a picture of this.**

13 **Was this the application that you got --**
14 **Exhibit Number 1 was the application. Was the facility**
15 **constructed purely as per the application, or was there**
16 **some modifications done to the --**

17 A. To the best of my knowledge, it was constructed
18 to the application.

19 **Q. Okay. Okay. I better pass the witness here.**

20 EXAMINER BROOKS: No questions.

21 EXAMINER GOETZE: Come on. Not even one?

22 CROSS-EXAMINATION

23 BY EXAMINER GOETZE:

24 **Q. Hi, Mr. Knight. Thank you for coming.**

25 **The first question: We have here the March**

1 9th date in your timeline. We're looking at a sampling
2 of both containment fluids and the leak-detection
3 system. Have those results been made available to OCD?

4 A. Yes, they have.

5 Q. So they're at the District?

6 A. Yes, they are.

7 Q. Okay. And based upon that, the District felt
8 that there was no indication of leakage, that they were
9 not the same fluids?

10 A. As far as -- I've heard nothing back from the
11 district office.

12 Q. Oh, you have not heard anything. Okay.

13 We may request that you provide us a copy
14 of those results and provide an email to us, if you
15 could -- we'd appreciate it; so if the District has them
16 piled up -- we can also take a look at them.

17 MR. FELDEWERT: Okay.

18 EXAMINER JONES: Thank you.

19 EXAMINER GOETZE: Thank you.

20 Q. (BY EXAMINER GOETZE) So your water that you're
21 using for completing out of this facility, are you doing
22 any treatment before usage?

23 A. Yes.

24 Q. And what are you doing with the by-products of
25 that?

1 A. So far they've been precipitated into the pond
2 or into the settling tank that we feed into the facility
3 with.

4 **Q. So there is no separate disposal or --**

5 A. No.

6 **Q. It remains within the parameters of your**
7 **system?**

8 A. That's correct.

9 **Q. Let's see. The BLM identifies 18 wells that**
10 **are going -- were approved that are associated with this**
11 **facility, and the application has six. What is the**
12 **future? Are we talking about completing the six wells,**
13 **or are we looking at doing all 18, or what is the future**
14 **for this facility?**

15 A. Well, the immediate future being 2017, we will
16 complete the six wells to be drilled this year.

17 **Q. And then what happens after that is done?**

18 A. Then pending the next approved drilling
19 program, we will have the next set.

20 **Q. Are we looking at another extension at that**
21 **period of time?**

22 A. I can't speak to that.

23 **Q. Okay. So we do have plans out there in the**
24 **future, but we're going to have to wait to get done with**
25 **this drilling cycle to find out what the future holds?**

1 A. Yes, sir.

2 Q. Let's see. Are we using any of the flowback
3 that we're getting, going back into this produced water
4 facility, or are we using any SWDs associated with this,
5 or is this taking everything from your project?

6 A. The 2015 completions, we have flowed back to
7 this facility.

8 Q. And you anticipate doing the same thing with
9 this round?

10 A. Yes.

11 Q. And out of curiosity, the discussion of the
12 liner. It is a 45 mil liner. Usually they take a
13 little bit of effort to puncture.

14 A. Uh-huh.

15 Q. What was it that really caused -- I mean, the
16 netting supports were of a construction that being
17 pulled down, they would impact that liner by -- I mean,
18 to scuff it is one thing. I mean, I've scuffed liners.
19 The other thing is you don't get a penetration with a
20 scuff in most cases. Were there other issues with
21 regard to seal seams and testing that wasn't done
22 properly?

23 A. No. Let me clarify the scuffing.

24 Q. Okay.

25 A. When the netting failed, not all of the support

1 poles fell over at the same time. There was a series of
2 them. When they took the weight, when they shifted,
3 they fell over. So when they did, the base piece of the
4 post itself is what actually what moved across the
5 liner. And it's as if you take a piece of steel and
6 drag it across your carpet. It gives it kind of a
7 scuffing. So as far as an obvious hole, we didn't see
8 any. But the scuff areas were sometimes a couple of
9 feet in diameter.

10 Q. So it was a large area that was impacted, but
11 it wasn't until testing that you saw there was a
12 penetration?

13 A. That's correct.

14 EXAMINER GOETZE: Just out of curiosity to
15 counsel, if these folks come back, do we anticipate
16 another type of application for an extension?

17 MR. FELDEWERT: Perhaps. Hopefully it
18 won't get to that point. If we do, there is -- you
19 know, there are a couple of thoughts how we would
20 proceed, but, you know, I'd be speculating at this
21 point.

22 EXAMINER GOETZE: Well, it looks like all
23 the questions asked by me have been asked by these
24 people up here.

25 MR. FELDEWERT: I do have some additional

1 questions, if I may.

2 EXAMINER GOETZE: Proceed.

3 REDIRECT EXAMINATION

4 BY MR. FELDEWERT:

5 Q. Mr. Knight, you talk about the scuff marks and
6 the fact that there was penetration. So there was
7 actually some leakage right through that initial liner
8 into the collection zone, the leak-detection system.

9 A. As evidenced by the run time of the
10 leak-detection pump.

11 Q. Okay. As a result, there were chlorides and
12 TDS components that made its way into the leak-detection
13 zone, correct?

14 A. That's correct.

15 Q. Okay. And those are still there?

16 A. The TDS and chlorides, yes.

17 Q. So when you get these results from these tests,
18 are they going to show that there are chlorides and TDSs
19 leak-detection zone?

20 A. Yes.

21 Q. And is that because that was from the initial
22 leak?

23 A. That's correct.

24 Q. They don't go away; they stay there throughout
25 a period of time, right?

1 in that liner be void between the outermost and second
2 liner layer, due to temperature, will evaporate,
3 condensate and will fall back in, if you will, to that
4 void area to be pumped out as it migrates across the
5 bottom of the facility. So I agree with your premise.
6 Eventually I would expect that, but I don't see that, in
7 my opinion, happening in the near future. I just don't.

8 **Q. You will not see enough of a chemical**
9 **difference to use it as a detection. So you're purely**
10 **relying now on the fact that the pump goes on and off as**
11 **an indicator that you do have a breach of the primary**
12 **liner?**

13 A. That's correct.

14 **Q. All right.**

15 **REDIRECT EXAMINATION**

16 BY MR. FELDEWERT:

17 **Q. And was the -- finally, was the initial breach**
18 **that was the cause of the falling post and scuff mark,**
19 **that was just to the primary liner?**

20 A. That's correct.

21 **Q. And that has since been repaired?**

22 A. Yes, it has.

23 **Q. And in your opinion, is there any indication**
24 **there that there is any concern about leakage from the**
25 **facility?**

1 And no green dye was seen in the leak detection.

2 Q. And you didn't use anybody that was color-blind
3 at that point?

4 A. No (laughter).

5 Q. No further questions. Thank you.

6 MR. FELDEWERT: Thank you.

7 EXAMINER GOETZE: And we will take this
8 case under advisement.

9 (Case Number 15644 concludes, 10:12 a.m.)

10 EXAMINER JONES: This is the end of the
11 hearing. The hearings are concluded.

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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.

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MARY C. HANKINS, CCR, RPR
Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2017
Paul Baca Professional Court Reporters