

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 NGL WATER SOLUTIONS                      CASE NO. 16426  
PERMIAN, LLC TO AMEND ADMINISTRATIVE  
ORDERS SWD-1724 AND SWD-1711 FOR  
SALTWATER DISPOSAL WELLS IN EDDY  
COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

October 4, 2018

Santa Fe, New Mexico

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

This matter came on for hearing before the New Mexico Oil Conservation Division, Michael McMillan, Chief Examiner, Phillip Goetze, Technical Examiner, and David K. Brooks, Legal Examiner, on Thursday, October 4, 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  
                  New Mexico CCR #20  
                  Paul Baca Professional Court Reporters  
                  500 4th Street, Northwest, Suite 105  
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APPEARANCES

FOR APPLICANT NGL WATER SOLUTIONS PERMIAN, LLC:

JENNIFER L. BRADFUTE, ESQ.  
DEANA M. BENNETT, ESQ.  
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1 (1:52 p.m.)

2 EXAMINER McMILLAN: The next case is 16426,  
3 application of NGL Water Solutions Permian, LLC to amend  
4 Administrative Order SWD-1724 and SWD-1711 for saltwater  
5 disposal wells in Eddy County, New Mexico.

6 Call for appearances.

7 MS. BRADFUTE: Mr. Examiner, Jennifer  
8 Bradfute and Deana Bennett, with the Modrall, Sperling  
9 Law Firm, on behalf of NGL.

10 EXAMINER McMILLAN: Any other appearances?  
11 Please proceed.

12 MS. BRADFUTE: Mr. Examiner, this case is  
13 asking to amend tubing sizes in two different saltwater  
14 disposal wells that have been approved by the Division.  
15 It's similar to other cases that have been presented to  
16 the Division in the past to increase tubing sizes,  
17 similar to the cases that we just heard involving NGL.

18 NGL did have a pre-hearing conference with  
19 the Division on this matter, and they have prepared  
20 affidavits from all of their experts who are providing  
21 opinions about the amendment of the tubing sizes in  
22 these cases, which are included in this notebook. And  
23 we have brought one witness to testify about the tubing  
24 size who has previously been sworn in.

25 EXAMINER McMILLAN: Please proceed.

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NEEL L. DUNCAN,

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

DIRECT EXAMINATION

BY MS. BRADFUTE:

Q. Good afternoon.

A. Good afternoon.

Q. Mr. Duncan, you were sworn in this morning during the hearing. Do you recognize that you're still under oath?

A. Yes.

Q. Could you please state your name for the record?

A. Neel L. Duncan.

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

A. Integrated Petroleum Technologies or technically New IPT, Inc., since we've capitalized.

Q. And similar to the two previous cases that were heard today, have you been retained by NGL to look at the saltwater disposal wells which are the subject matter of this application?

A. Yes, I have.

Q. Okay. And have you been previously qualified as an expert witness to testify before the Oil Conservation Division?

1           A.    Yes.

2           Q.    And does your area of responsibility for NGL  
3 include the area of southeastern New Mexico where these  
4 wells are going to be located?

5           A.    Yes.

6                       MS. BRADFUTE:  I'd like to tender  
7 Mr. Duncan as an expert witness in saltwater disposal  
8 well operations and engineering.

9                       EXAMINER McMILLAN:  So qualified.

10          Q.    (BY MS. BRADFUTE) Mr. Duncan, could you please  
11 turn to Exhibit Number 1 in the packet in front of you?  
12 And if you actually turn to the second page of this  
13 exhibit, is this a copy of NGL's application in Case  
14 Number 16426?

15          A.    Yes, it is.

16          Q.    Could you please explain what NGL is seeking in  
17 this application?

18          A.    The original order specified 5-1/2 by 4-1/2  
19 tubing, I believe, and we are asking for 7-inch by  
20 5-1/2.

21          Q.    And is NGL also requesting for the approval of  
22 a maximum daily injection rate of 50,000 barrels of  
23 water?

24          A.    Yes.

25          Q.    Could you please turn to Exhibit 2?

1 A. Yes.

2 Q. Does Exhibit 2 contain the Administrative Order  
3 SWD-1711 approving injection for -- let me locate the  
4 well name -- for the Alpha SWD Well No. 2?

5 A. Yes.

6 Q. Okay. So NGL had already received and approved  
7 an administrative order for this well, correct?

8 A. That's correct.

9 Q. And if you could please turn to Exhibit Number  
10 3, does Exhibit Number 3 contain the Administrative  
11 Order SWD-1724 approving the Striker 1 SWD Well No. 1?

12 A. Yes, it does.

13 Q. And these approvals were done administratively,  
14 correct?

15 A. That is correct.

16 Q. Were there any objections made by affected  
17 parties who were notified of these administrative  
18 applications?

19 A. No.

20 Q. And you previously discussed the tubing size  
21 that was approved in each of those orders, correct?

22 A. Yes.

23 Q. And could you just refresh what size of tubing  
24 had previously been approved?

25 A. 5-1/2- and 4-1/2-inch tubing as a tapered

1 string.

2 Q. And NGL is still requesting to use a tapered  
3 string here, right?

4 A. Yes.

5 Q. It's just asking to change the size?

6 A. It's a larger tapered string. Yes.

7 Q. Larger tapered string, 7-inch by 5-1/2 inches?

8 A. That's correct.

9 Q. Could you please explain NGL's reasons for  
10 requesting a larger tubing size?

11 A. Mostly here to reduce friction pressure and  
12 produce a -- allow a little bit more of the water to be  
13 injected at the lower pressure.

14 Q. And how are these wells going to be spaced out?  
15 Are they going to be located close together, or are they  
16 going to comply with the area of review established by  
17 the OCD?

18 A. They comply with the guidance of the NMOCD.

19 Q. And they will not be located closer than one  
20 mile to another disposal well within the area?

21 A. That is correct.

22 Q. Okay. Can you please explain the casing that  
23 will be used for both of the wells?

24 A. The casing we will finish with is 7-5/8,  
25 39-pound, high-intensive casing. That's a liner. And

1 the upper casing string that will be seen by the tubing  
2 is 9-5/8.

3 Q. And similar to the previous cases, has NGL  
4 worked with Scott Wilson, a reservoir engineer, to  
5 obtain a study of the injection intervals?

6 A. Yes, we have.

7 Q. And has Mr. Wilson previously testified before  
8 the Division?

9 A. Yes, he has.

10 Q. And were his credentials accepted and made part  
11 of the record?

12 A. Yes.

13 Q. And Mr. Wilson prepared an affidavit in this  
14 matter; is that correct?

15 A. Yes, that's correct.

16 Q. If you could please turn to Exhibit Number 4,  
17 does Exhibit Number 4 contain Mr. Wilson's affidavit?

18 A. Yes, it does.

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

22 A. Yes, he does.

23 Q. And does Mr. Wilson also confirm that using  
24 increased tubing sizes will only have a very small  
25 impact on pore pressures in the formation?

1 A. Yes.

2 Q. Is it Mr. Wilson's opinion that the increased  
3 tubing sizes will not cause fractures in the formation?

4 A. Yes, it is.

5 Q. And does Mr. Wilson also perform a study  
6 looking at models trying to target the migration of  
7 fluids that are injected into these wells?

8 A. Yes.

9 Q. And in that study, does he conclude that over a  
10 20-year period, the majority of fluids injected into the  
11 well will stay within a mile of where the wellbores are  
12 located?

13 A. Yes.

14 Q. Has NGL also retained a geologist in this  
15 matter to review the geology for where the wellbores  
16 will be located?

17 A. Yes, Kate Zeigler.

18 Q. And Ms. Zeigler has previously testified before  
19 the Division, correct?

20 A. Yes.

21 Q. And her qualifications have been accepted and  
22 made part of the record?

23 A. Yes.

24 Q. Has Ms. Zeigler executed an affidavit for this  
25 case?

1 A. Yes, she has.

2 Q. If you could please turn to Exhibit Number 5,  
3 does Exhibit 5 contain Ms. Zeigler's affidavit?

4 A. Yes.

5 Q. And in this affidavit, does Ms. Zeigler find  
6 that the areas where the wells are going to be located  
7 are suitable for injection at the increased rates that  
8 are being requested?

9 A. Yes.

10 Q. And does Ms. Zeigler also find that there is a  
11 permeability barrier both above and below injection  
12 zones?

13 A. Yes.

14 Q. Could you please turn to Exhibit 6? Did NGL  
15 also obtain a declaration from Steven Taylor in this  
16 matter?

17 A. Yes, we did.

18 Q. And does Mr. Taylor confirm in his affidavit  
19 that he conducted a seismic activity study in the areas  
20 where the wells will be located?

21 A. Yes.

22 Q. And as part of that study, did he look at  
23 previous seismic activity in the area?

24 A. Yes.

25 Q. And did he find that there had not been a lot

1 of prior seismic activity in this area?

2 A. That is correct.

3 Q. Okay. And similar to the past cases, did  
4 Mr. Taylor also work with FTI Platt Sparks to run the  
5 fault slip probability tool analysis?

6 A. Yes.

7 Q. And did Mr. Taylor and FTI Platt Sparks both  
8 find that there is very little risk of induced  
9 seismicity in the areas where these wells will be  
10 located?

11 A. Yes.

12 Q. Could you please turn to Exhibit Number 7?  
13 Does Exhibit 7 contain a declaration obtained from  
14 Stephen Nave?

15 A. Yes, it does.

16 Q. And is Mr. Nave a fishing expert in  
17 southeastern New Mexico?

18 A. A very old, very crusty fishing expert, older  
19 than anyone that's in this room, I believe.

20 (Laughter.)

21 EXAMINER BROOKS: Even Bill Carr?

22 (Laughter.)

23 MR. BRUCE: Possibly.

24 Q. (BY MS. BRADFUTE) Has Mr. Nave previously  
25 testified before the Division?

1           A.    Yes.

2           Q.    And were his credentials accepted and made part  
3 of the record?

4           A.    Yes.

5           Q.    And in this declaration, does Mr. Nave confirm  
6 that he believes he could perform fishing operations in  
7 the event of a tubing failure on these wells?

8           A.    Yes.

9           Q.    And does he testify that he believes there are  
10 sufficient clearances so that he can complete such  
11 operations?

12          A.    Provided the casing is 39 pounds per foot or  
13 less in the 7-5/8.

14          Q.    Okay.  And can you please turn to Exhibit  
15 Number 8?  Does Exhibit Number 8 contain an affidavit  
16 prepared by NGL's counsel confirming that notice was  
17 provided to all affected parties within a mile of where  
18 the wells are located?

19          A.    Yes.

20          Q.    And in addition, did NGL also publish notice in  
21 a paper of general circulation in the county where the  
22 wells are located?

23          A.    Yes.

24          Q.    And is that Affidavit of Publication included  
25 in the last page of the notice exhibit here?

1 A. Yes, it is.

2 Q. Were Exhibits 1 through 8 created by you or  
3 prepared under your supervision or direction or compiled  
4 from NGL's company business records?

5 A. Yes, they were.

6 Q. And, Mr. Duncan, in your opinion, does the  
7 granting of this application promote the prevention of  
8 waste and the protection of correlative rights?

9 A. Yes, it does.

10 MS. BRADFUTE: I'd like to move Exhibits 1  
11 through 8 to be admitted into the record.

12 EXAMINER McMILLAN: Exhibits 1 through 8  
13 may now be accepted as part of the record.

14 (NGL Water Solutions Permian, LLC Exhibit  
15 Numbers 1 through 8 are offered and  
16 admitted into evidence.)

17 MS. BRADFUTE: And that concludes my  
18 questions.

19 EXAMINER GOETZE: Okay. So we originally  
20 had a discussion about this. And so the content is  
21 reflective of all the information that we had during our  
22 conversation?

23 MS. BRADFUTE: Yes.

24 EXAMINER GOETZE: Very good.

25 So the content is -- and I inquired for the

1 application to increase the tubing size and also meet  
2 our obligations for area of review.

3 One point of clarity, the Alpha SWD No. 2,  
4 that has had a change in surface location.

5 MS. BRADFUTE: And that change in surface  
6 location was in our application, and we notified based  
7 on that.

8 EXAMINER GOETZE: Okay. Based on that. I  
9 just want to make sure it's in the record.

10 MS. BRADFUTE: Yes. Thank you.

11 EXAMINER GOETZE: Other than that, I have  
12 no other questions. Thank you.

13 EXAMINER McMILLAN: The only thing I'd like  
14 to see is can you get a better copy of the updated  
15 publication?

16 MS. BRADFUTE: Yes, we can.

17 EXAMINER McMILLAN: The affected parties  
18 are cut off.

19 MS. BRADFUTE: Oh, the photocopy. Yes. We  
20 will get a better photocopy.

21 EXAMINER McMILLAN: You did another case  
22 where it wasn't very clear, so if you'll look at that.  
23 And just email it.

24 MS. BRADFUTE: Yes, we will.

25 Thank you.

1 EXAMINER BROOKS: No questions.

2 MS. BRADFUTE: Okay. We request this case  
3 be taken under advisement.

4 EXAMINER McMILLAN: So Case 16426 shall be  
5 taken under advisement.

6 Thank you very much.

7 MS. BRADFUTE: Thank you.

8 EXAMINER McMILLAN: Thank you, Phil.

9 EXAMINER GOETZE: Thank you.

10 (Case Number 16426 concludes, 2:04 p.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 25th 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