

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. 20140
PERMIAN, LLC FOR APPROVAL OF A
SALTWATER DISPOSAL WELL IN LEA
COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

May 16, 2019

Santa Fe, New Mexico

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

This matter came on for hearing before the New Mexico Oil Conservation Division, Phillip Goetze, Chief Examiner; Leonard Lowe, Technical Examiner; and David K. Brooks, Legal Examiner, on Thursday, May 16, 2019, 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

FOR APPLICANT NGL WATER SOLUTIONS PERMIAN, LLC:

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1 (8:28 a.m.)

2 EXAMINER GOETZE: My turn.

3 EXAMINER LOWE: This morning we're going to
4 start out with Mr. Phillip Goetze, with Case Number
5 20140, NGL Water Solutions Permian, LLC for approval of
6 a saltwater disposal well in Eddy County.

7 Call for appearances.

8 MS. BENNETT: Good morning. Deana Bennett
9 on behalf of NGL Water Solutions Permian, LLC, the
10 Applicant in this case, and I have one witness with me
11 here today.

12 MS. ANTILLON: Andrea Antillon on behalf of
13 the State Land Office. I don't have any witnesses. I
14 just have a statement to make at the end.

15 EXAMINER LOWE: And Mr. Phillip Goetze will
16 be our examiner.

17 EXAMINER GOETZE: I'll take it away.

18 The witnesses that are here, would you
19 please raise your hand and be sworn in by the court
20 reporter?

21 NEEL L. DUNCAN,
22 after having been first duly sworn under oath, was
23 questioned and testified as follows:

24

25

1 DIRECT EXAMINATION

2 BY MS. BENNETT:

3 Q. Good morning. Good morning, Mr. Duncan. Will
4 you please state your name for the record?

5 A. Neel Lawrence Duncan.

6 Q. And, Mr. Duncan, have you previously testified
7 before the Division?

8 A. Yes, I have.

9 Q. And, Mr. Duncan, who are you employed by?

10 A. Integrated Petroleum Technologies.

11 Q. And have you been retained by NGL Water
12 Solutions Permian?

13 A. I have.

14 Q. And what are your responsibilities for NGL?

15 A. Development and drilling in southeast New
16 Mexico for SWDs.

17 Q. And so your area of expertise for NGL covers
18 the area that's the subject matter of this application?

19 A. Yes.

20 Q. And a moment ago, you testified that you
21 previously testified before the Division. Were your
22 credentials accepted as a matter of record?

23 A. Yes, they were.

24 MS. BENNETT: With that, I would like to
25 tender Mr. Duncan as an expert in saltwater disposal

1 matters.

2 EXAMINER GOETZE: Ms. Antillon?

3 MS. ANTILLON: No objection.

4 EXAMINER GOETZE: He is so qualified.

5 MS. BENNETT: Thank you.

6 Q. (BY MS. BENNETT) I've handed out a packet of
7 exhibits to the examiners, and let's turn to Tab 1 in
8 the exhibits. And, Mr. Duncan, is Tab 1 the application
9 for the Quintana well, which is the subject matter of
10 Case Number 20140?

11 A. Yes, for 20140.

12 Q. And what does NGL seek in this application?

13 A. We seek an SWD well, the ability to drill and
14 operate an SWD in the -- in the Devonian?

15 Q. And this well is in Eddy County; is that right?

16 A. That's correct.

17 Q. And does NGL seek approval of the use of 7-inch
18 tubing inside the surface and intermediate casings and
19 then a 5-1/2-inch tubing?

20 A. Yes. The final completion will have a
21 7-inch-by-5-1/2-inch tapered string, with the smallest
22 casing being 7-5/8, 39 pounds, so we have adequate
23 clearance for fishing.

24 Q. And behind the application in Exhibit 1, is
25 that the C-108 that was submitted by NGL's consultant?

1 A. Yes, it is.

2 Q. So Exhibit 1 contains the application and the
3 C-108; is that accurate?

4 A. That's correct.

5 Q. Okay. Well, let's turn now to what's behind
6 Tab 2. And Tab 2 is an affidavit of Scott Wilson; is
7 that correct?

8 A. That is correct.

9 Q. And has Scott Wilson been retained by NGL?

10 A. Yes, he has.

11 Q. And is Scott Wilson a petroleum engineer?

12 A. He's a petroleum engineer, reservoir engineer
13 specialty, with Ryder Scott.

14 Q. And has he testified before the Division?

15 A. Yes, he has, and his qualifications were
16 accepted.

17 Q. And has Mr. Wilson prepared a study for this
18 proposed well?

19 A. Yes.

20 Q. And is his study behind his affidavit --

21 A. Yes. It's behind the affidavit.

22 Q. And does Mr. Wilson study both the increased
23 tubing -- the impact of an increased tubing size, as
24 well as model the dispersion of the injected fluids, as
25 well as the increased pore pressure?

1 A. Yes, he does. And there is no risk of
2 fracturing due to the additional rate from the larger
3 tubing size, and the fluids stay within one mile of the
4 well --

5 Q. Thank you.

6 A. -- according to his work.

7 Q. And he models more than just the proposed well;
8 is that right?

9 A. Yeah. He turns on all the wells that we know
10 about.

11 Q. So it includes current wells and proposed wells
12 in his model?

13 A. Yes.

14 Q. And now let's turn to Exhibit 3. Is Exhibit 3
15 the affidavit of Dr. Kate Zeigler?

16 A. Yes.

17 Q. And who is Dr. Zeigler?

18 A. Dr. Zeigler is a geologist who has testified
19 before this Commission before, and her qualifications
20 have been accepted. And she's retained by NGL to study
21 the confinement of fluids in the -- what we call the
22 Devonian.

23 Q. And has she prepared a study that she attaches
24 to her affidavit?

25 A. Yes, she has.

1 Q. And is her study included in Exhibit A behind
2 her affidavit?

3 A. Yes.

4 Q. And does she look at fault lines in the area?

5 A. She does.

6 Q. And does she look at the geologic formation to
7 determine whether there are permeability barriers above
8 and below the targeted injection zone?

9 A. Yes, she does.

10 Q. And what has she concluded about those
11 permeability barriers?

12 A. She has concluded that injection is confined
13 above by the Woodford Shale and below by some amount of
14 Montoya.

15 Q. And has she looked to see whether this proposed
16 well and its operations would impact hydrocarbons above
17 the permeability barrier?

18 A. Yes.

19 Q. And what has she concluded with respect to
20 that?

21 A. It will not impact hydrocarbons above the
22 permeability barrier.

23 Q. And has she also looked at potential impacts on
24 freshwater sources?

25 A. Yes.

1 Q. And what are her conclusions about the impact
2 on freshwater sources?

3 A. Injection here will not impact freshwater
4 resources.

5 Q. Thank you.

6 Let's turn now to Tab 4, please. Is Tab 4
7 an affidavit prepared by Dr. Steven Taylor?

8 A. Yes, it is.

9 Q. And has Dr. Taylor been retained by NGL?

10 A. Yes, he has.

11 Q. And what does Dr. Taylor do for NGL?

12 A. He operates NGL's seismic network in North
13 Dakota, Colorado, New Mexico and Texas.

14 Q. And so he actually has installed seismic
15 monitoring devices near NGL's SWD wells?

16 A. Yes, he has.

17 Q. Including in New Mexico?

18 A. Including in New Mexico.

19 Q. And he's testified before the Division before,
20 hasn't he?

21 A. Yes, he has.

22 Q. And his credentials were accepted as a matter
23 of record?

24 A. Yes, they were.

25 Q. And he has included a study with his affidavit,

1 **too; is that right?**

2 A. Yes, he has.

3 **Q. And has he also reviewed and included a study**
4 **by FTI Platt Sparks?**

5 A. Yes, he has. Todd Reynolds, at FTI Platt
6 Sparks, prepared the fault slip analysis based on the
7 Zoback, Stanford model.

8 **Q. And so Dr. Taylor, when he's doing his**
9 **analysis, he looks at desktop reviews, literature and**
10 **his own seismic monitoring; is that right?**

11 A. That's correct.

12 **Q. And then Mr. Reynolds uses well-known tool**
13 **developed by Stanford University?**

14 A. That's correct.

15 **Q. And according to Dr. Taylor's review of those**
16 **two studies, what are his conclusions about induced**
17 **seismicity from the proposed well?**

18 A. Really that the risk is very, very low.

19 **Q. And does Dr. Taylor opine about whether there**
20 **is little seismic activity in the area where the well is**
21 **proposed?**

22 A. Yes. There historically has been a little bit
23 of seismic activity, low magnitude, but that's more of a
24 function of increased monitoring than anything else.

25 **Q. Thank you.**

1 Let's turn now to Exhibit 5 -- or Tab 5.

2 Is Tab 5 an affidavit prepared by me on behalf of NGL
3 Water Solutions regarding notice that was given in this
4 case?

5 A. Yes, it is.

6 Q. And does it have a document showing the parties
7 to whom notice was sent followed by a document showing
8 the status of mailings and then followed by an Affidavit
9 of Publication showing that notice of this hearing was
10 given on December 26th, 2018?

11 A. Yes, it does. It's all quite legible, too.

12 Q. Great.

13 MS. BENNETT: Well, with that, I have no
14 more questions for Mr. Duncan, and I'd like to move the
15 admission of Exhibits 1 through 5 and their attachments.

16 EXAMINER GOETZE: Ms. Antillon?

17 MS. ANTILLON: No objection.

18 EXAMINER GOETZE: Exhibits 1 through 5 are
19 so entered.

20 (NGL Water Solutions Permian, LLC Exhibit
21 Numbers 1 through 5 are offered and
22 admitted into evidence.)

23 MS. BENNETT: Thank you.

24 I have no further questions.

25 EXAMINER GOETZE: Mr. Brooks?

1 MR. BROOKS: No questions.

2 EXAMINER GOETZE: Mr. Lowe?

3 EXAMINER LOWE: No questions.

4 EXAMINER GOETZE: Okay. At this point we
5 do have a deficiency in this case.

6 MS. BENNETT: Okay.

7 EXAMINER GOETZE: In your review of the
8 underground sources of drinking water --

9 MS. BENNETT: Uh-huh.

10 EXAMINER GOETZE: -- you first say that the
11 Rustler is eroded, not present, and then we say it's
12 protected, so that right off is an issue. The Rustler
13 is present here.

14 The other thing is, in 2003, we did an
15 extensive report, the City of Carlsbad, for their
16 Airport well field, which is just north and adjacent to
17 your area. In 2004, Chi Operating lost a well and had a
18 blowout in town requiring 1,500 citizens to be
19 evacuated. And with that, the Division is under order
20 and agreement with the governor to provide the City of
21 Albuquerque any application for any type of well, to be
22 submitted to them for their review.

23 EXAMINER BROOKS: Albuquerque or --

24 EXAMINER GOETZE: I mean - excuse me.
25 Carlsbad. He knows where it is.

1 But the name of the gentleman is Richard
2 Aguilar. I can give you that. He's on the City of
3 Carlsbad Environmental Services website, and I'll also
4 given him a heads-up.

5 MS. BENNETT: Okay.

6 EXAMINER GOETZE: And the reason we're
7 asking this is pretty blatant, because there are only
8 three fields that provide water and you folks are
9 drilling into something which both has the potential for
10 loss of control, as what happened with Chi, as well as
11 maybe having an impact because these folks are running a
12 turbinate surface and this is part of their water
13 system. So I would ask you to provide Mr. Aguilar a
14 full C-108 --

15 MS. BENNETT: Certainly.

16 EXAMINER GOETZE: -- and then we'll go from
17 there and see what their comments are. I'd ask that
18 there be a written response. My understanding right now
19 is that Wood is their consultant.

20 I would also ask for you to attempt to get
21 a water sample from the Office of the State Engineer,
22 point of diversion, C-3445. It is possibly cost
23 gradient and the closest well that the State Engineer
24 has on record. I ask you to make an attempt to get a
25 water sample such that you can -- and just make record

1 of that.

2 THE WITNESS: As a baseline?

3 EXAMINER GOETZE: Yeah. Yeah. General
4 chemistry is what we normally ask for and what you
5 provide in your --

6 THE WITNESS: Uh-huh. Okay.

7 EXAMINER GOETZE: You are in an area which
8 is very tight and very susceptible, and we've had a
9 history of issues there with people dumping brine and
10 everything. So if you folks want to put a disposal well
11 in this area, you shall make the City of Carlsbad
12 knowledgeable of it, and you will also go ahead and
13 provide for, at least the closest person, some sort of
14 baseline. Okay?

15 THE WITNESS: Do you happen to have the API
16 number of the well that blew out?

17 EXAMINER GOETZE: I have a four-bound
18 volume in a court case. Yes.

19 THE WITNESS: Cool. I'll come up to your
20 office and --

21 EXAMINER GOETZE: No, you will not because
22 I'll be meeting with someone else, but I can send it to
23 you.

24 THE WITNESS: Okay. All right.

25 EXAMINER GOETZE: Okay? Other than that,

1 the application is complete with regards to whatever you
2 have asked for, and we have no conflicts with anything
3 else in the area.

4 THE WITNESS: Okay.

5 EXAMINER GOETZE: So I would ask for a
6 continuance.

7 At this time does the State Land Office
8 wish to enter something into record?

9 MS. ANTILLON: Right now or at the
10 continuance?

11 EXAMINER GOETZE: Sure, unless you have
12 questions.

13 MS. ANTILLON: I have no questions.

14 EXAMINER GOETZE: Okay. Then it's then
15 your opportunity.

16 MS. ANTILLON: Thank you.

17 The State Land Office just wants to say
18 that we are reviewing this application, and we do have
19 concerns with the saltwater disposal well spacing due to
20 its close proximity to State Trust Lands.

21 Thank you.

22 EXAMINER GOETZE: So put together the
23 information. Continuing, we will talk to the case
24 manager, and at least to the next continued docket, we
25 would recommend at this point.

1 MS. BENNETT: Uh-huh. Yes. Given that we
2 need to coordinate with the City of Carlsbad and for
3 purposes of efficiency, I think it might make sense to
4 continue it to the July continuance docket, as much as I
5 hate that because that's my birthday. So I better get a
6 cake; that's all I'm saying, because I can't bring you a
7 cake.

8 (Laughter.)

9 EXAMINER GOETZE: That's right.

10 MS. BENNETT: So I would request, if at all
11 possible, that it be continued to the July 25th docket
12 rather than the June 27th docket to allow us time to
13 coordinate with the City of Carlsbad and to be more
14 efficient in terms of noticing and continuance.

15 EXAMINER GOETZE: Just keep us informed,
16 too, of what happens.

17 MS. BENNETT: We will for sure.

18 EXAMINER GOETZE: If there is a roadblock
19 and we need to have a discussion, we'll figure it out.
20 Okay?

21 MS. BENNETT: We will for sure. Thank you
22 very much.

23 EXAMINER GOETZE: In the matter of Case
24 Number 20140, this case is continued to July -- what was
25 it?

1 EXAMINER BROOKS: 25th.

2 EXAMINER GOETZE: 25th. Mr. Brooks is
3 doing better than I am. That's scary.

4 EXAMINER BROOKS: It's early.

5 (Case Number 20140 concludes, 8:43 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 30th day of May 2019.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2019
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