

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 GOODNIGHT MIDSTREAM CASE NO. 20558
PERMIAN, LLC FOR APPROVAL OF A
SALTWATER DISPOSAL WELL, LEA COUNTY,
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

June 14, 2019

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
Friday, June 14, 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.

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APPEARANCES

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1 (11:46 a.m.)

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

4 In an effort to get through the Goodnight
5 Midstream applications, we are going to their last case,
6 Case Number 20558, application of Goodnight Midstream
7 Permian, LLC for approval of a saltwater disposal well,
8 Lea County, New Mexico.

9 Call for appearances.

10 MR. RANKIN: Mr. Examiner, Adam Rankin with
11 the law firm of Holland & Hart, appearing on behalf of
12 the Applicant in this case. We will have four
13 witnesses.

14 MS. ANTILLON: Andrea Antillon on behalf of
15 the State Land Office. No witnesses.

16 EXAMINER GOETZE: And these are the same
17 witnesses?

18 MR. RANKIN: Same witnesses.

19 EXAMINER GOETZE: So they have been sworn
20 in already.

21 MR. RANKIN: Mr. Examiner, in order to
22 expedite the presentation of this case, we ask that the
23 testimony of our first witness, Mr. Grant Adams, be
24 incorporated from Case 20555.

25 EXAMINER GOETZE: Any objections?

1 MS. ANTILLON: No objections.

2 EXAMINER GOETZE: Therefore, the testimony
3 from Case 20555, with the first witness, will be
4 incorporated into 20558.

5 MR. RANKIN: We ask also that Exhibit A be
6 admitted to the record at this time. It's the same
7 exhibit that Mr. Adams presented in Case Number 20555.

8 MS. ANTILLON: No objection.

9 EXAMINER GOETZE: Very good.

10 Then Exhibit A from Case 20558 shall be
11 incorporated into the record.

12 (Goodnight Midstream Permian, LLC Exhibit A
13 is offered and admitted into evidence.)

14 MR. RANKIN: Thank you.

15 I would like to call my second witness,
16 Mr. Nate Alleman.

17 EXAMINER GOETZE: First, the examiner would
18 like a copy of the exhibits.

19 NATHAN ALLEMAN,
20 after having been previously sworn under oath, was
21 questioned and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. RANKIN:

24 Q. Mr. Alleman, will you please state your full
25 name for the record?

1 A. Nathan Alleman.

2 Q. And by whom are you employed?

3 A. ALL Consulting.

4 Q. Have you previously testified before the
5 Division and had your credentials as an expert in
6 saltwater disposal permitting and regulatory matters
7 accepted as a matter of record?

8 A. Yes, I have.

9 Q. Are you familiar with the C-108 application
10 that was in this case?

11 A. I am.

12 MR. RANKIN: Mr. Examiner, I would retender
13 at this time Mr. Alleman as an expert in SWD permitting
14 and regulatory matters.

15 MS. ANTILLON: No objection.

16 EXAMINER GOETZE: He is so qualified.

17 Q. (BY MR. RANKIN) Mr. Alleman, before you is an
18 exhibit packet, and turning to what's been marked as
19 Exhibit B, will you review with the examiners what it is
20 that Goodnight Midstream is seeking in this case?

21 A. Goodnight Midstream is seeking authorization to
22 drill and inject into the Yaz 28 SWD No. 1.

23 Q. Will you review for the examiners -- will you
24 turn to Tab Number 1 -- the location of the proposed Yaz
25 injector well?

1 A. The Yaz 28 SWD No. 1 is 230 feet from the north
2 line and 236 feet from the east line of Section 28,
3 Township 21 South, Range 36 East in Lea County,
4 New Mexico.

5 Q. And is that location reflected on this exhibit
6 the same currently for the proposed well?

7 A. It is.

8 Q. And what are the proposed injection -- what's
9 the proposed injection formation and intervals for this
10 well?

11 A. We are proposing to inject into the San Andres
12 and Glorieta at depths from 4,630 feet to 6,100 feet.

13 Q. And would that be through an open hole or
14 completed perforation in this well?

15 A. This would be cased and perforated.

16 Q. What are the proposed average injection rates
17 and maximum injection rates for this well?

18 A. The proposed average injection rate is 15,000
19 barrels of water per day, and the maximum injection rate
20 will be limited by the injection pressure.

21 Q. And how about this injection system, is it an
22 open or closed injection system?

23 A. Closed injection system.

24 Q. It will be a commercial disposal well?

25 A. Correct.

1 Q. Now, what's the status of the lands at issue in
2 this case?

3 A. It is private surface and federal minerals.

4 Q. And has the company prepared an exhibit, a
5 C-108, that was filed for administrative approval in
6 this case?

7 A. That is correct.

8 Q. Is that marked as Exhibit B in your exhibit
9 packet?

10 A. It is.

11 Q. And is that prepared by Thomas Schumacher with
12 MidCon Resource Group, LLC?

13 A. Yes, ma'am.

14 Q. And it was done so at the request and on behalf
15 of Goodnight Midstream?

16 A. That's correct.

17 Q. And did Goodnight Midstream provide information
18 and business records, as well as did MidCon Resource
19 Group rely on publicly available information in its
20 preparation of this C-108?

21 A. It did.

22 Q. And have you reviewed the information and the
23 data that was prepared by MidCon Resource Group in this
24 C-108?

25 A. We did.

1 Q. Is the C-108 complete, and does it contain all
2 the information required for approval of this injection
3 well?

4 A. It does.

5 Q. Is this an expansion of an existing project or
6 a new proposed well?

7 A. A new project.

8 EXAMINER GOETZE: Adam, speak up for the
9 reporter, please --

10 MR. RANKIN: Oh, thank you.

11 EXAMINER GOETZE: -- and witnesses.

12 Q. (BY MR. RANKIN) Who are the parties that were
13 entitled to notice in this case?

14 A. The parties that were notified were the
15 landowner, Dasco Cattle Company, and the mineral
16 owner -- sorry -- the leaseholders and oil and gas well
17 operators within one-half mile.

18 Q. Turning to what's been marked as Tab 3, does
19 this exhibit depict the area of review?

20 A. It does.

21 Q. Will you review for the examiners what it
22 shows?

23 A. The large red circle shows a two-mile radius
24 that shows all the leases within two miles, and the
25 smaller blue circles shows all the leases --

1 leaseholders within one-half mile.

2 Q. And the next page behind that map, what does it
3 show?

4 A. The radii are the same in terms of size, but
5 this -- this map shows oil and gas wells in the area,
6 specifically oil and gas wells within the one-half-mile
7 radius.

8 Q. Okay. And the next map behind that shows the
9 lease tracts within that half-mile area of review?

10 A. That's correct.

11 Q. Turning to Tab 12, is this a description of the
12 procedure that was undertaken to identify the parties
13 who were entitled to notice within that half-mile area
14 of review of this proposed well?

15 A. It is.

16 Q. Have you reviewed the procedures that were
17 undertaken to identify all the notice parties?

18 A. We have.

19 Q. Is it your opinion that they filed the correct
20 procedures and correctly identified each of the parties
21 entitled to notice within the area of review?

22 A. Yes.

23 Q. And is the next page behind that a
24 description -- a letter that reviews the history and
25 some of the factors that were identified while they were

1 conducting the land work to identify the notice parties?

2 A. Yes.

3 Q. And after that, is there a list of all the
4 parties that were identified as requiring notice under
5 this application?

6 A. Yes.

7 Q. And behind Tab 13, is that a letter that was
8 sent to each of the parties identified as with prior
9 notice giving them notice of this application and
10 administrative filing?

11 A. It is.

12 Q. And behind that, is that a copy of all the
13 green cards, the green-card receipts, reflecting that
14 each of those parties received notice?

15 A. It is.

16 Q. And behind Tab 14, is that a copy of the
17 Affidavit of Publication reflecting that Goodnight
18 Midstream published notice of this administrative
19 notification in the newspaper in the county where the
20 well is located?

21 A. It is.

22 Q. In your opinion, Mr. Alleman, did Goodnight
23 Midstream undertake a good-faith effort to locate and
24 identify each of the correct parties and their valid
25 addresses for all the parties entitled to notice for

1 this case?

2 A. They did.

3 Q. Were there any unlocatable interest owners,
4 that is, owners that did not have a valid or correct
5 address?

6 A. No.

7 Q. To the best of your knowledge, were all the
8 addresses valid and correct?

9 A. That's correct.

10 Q. Now, Exhibit C in that exhibit packet before
11 you, is that a copy of the affidavit that was prepared
12 by my office reflecting that we provided notice to the
13 parties who had protested the administrative application
14 in this case?

15 A. It is.

16 Q. And the next page of that exhibit, is that a
17 copy of the letter that went out to those parties who
18 had protested?

19 A. Yes.

20 Q. And the following page of that, is that a
21 tracking sheet reflecting that we sent those notices by
22 certified mail and that those parties actually received
23 and signed for those notices?

24 A. It is.

25 MR. RANKIN: Mr. Examiner, at this time I

1 would move the admission of Exhibit B into the record at
2 this time.

3 EXAMINER GOETZE: Ms. Antillon?

4 MS. ANTILLON: No objection.

5 EXAMINER GOETZE: Exhibit B is so entered.

6 (Goodnight Midstream Permian, LLC Exhibit B
7 is offered and admitted into evidence.)

8 MR. RANKIN: No further questions,
9 Mr. Examiner. I pass the witness.

10 EXAMINER GOETZE: Ms. Antillon?

11 MS. ANTILLON: No questions.

12 EXAMINER GOETZE: I have no questions, but
13 I would suggest that your consultant in North Dakota --
14 the town is called Hobbs, not Hubb, so next time you say
15 the Hubb-News, take a little more effort. But that's
16 okay. You've done it in every case.

17 MR. RANKIN: Okay.

18 EXAMINER GOETZE: Thank you very much.

19 MR. RANKIN: With that, Mr. Examiner, I
20 would ask that Mr. Alleman be dismissed, and we would
21 call our next witness, Mr. Steve Drake.

22 EXAMINER GOETZE: Please.

23

24 STEVE DRAKE,

25 after having been previously sworn under oath, was

1 questioned and testified as follows:

2 DIRECT EXAMINATION

3 BY MR. RANKIN:

4 Q. Mr. Drake, will you please state your full name
5 for the record?

6 A. Steve Drake.

7 Q. And have you -- by whom are you employed?

8 A. Goodnight Midstream.

9 Q. Have you previously testified before the
10 Division today and had your credentials as an expert
11 petroleum geologist accepted as a matter of record?

12 A. Yes, I have.

13 Q. Are you familiar with the C-108 application
14 that was filed in this case?

15 A. Yes, I am.

16 Q. Have you a conducted a study of the lands and
17 geology in the surrounding areas?

18 A. Yes.

19 MR. RANKIN: Mr. Examiner, at this time I
20 would retender Mr. Drake as an expert in petroleum
21 geology.

22 MS. ANTILLON: No objection.

23 EXAMINER GOETZE: He is so qualified.

24 Q. (BY MR. RANKIN) Mr. Drake, would you please
25 review for the examiners what the proposed injection

1 interval and zones are for this proposed well?

2 A. We're proposing to inject into the San Andres
3 and Glorieta Formations from 4,630 feet down to 6,100
4 feet.

5 Q. Flipping to what's been marked as Tab Number 8
6 in Exhibit B, which is part of the C-108, does this tab
7 and the information behind it reflect all the geologic
8 information -- or the geologic information that's
9 required by the C-108 in this case?

10 A. Yes, it does.

11 Q. Will you review for the examiners what the
12 stratigraphy is in the area and again with an emphasis
13 on the proposed injection intervals and zones?

14 A. We have the Rustler Formation and Salado down
15 to about 3,000 feet, then the Yates, Seven Rivers,
16 Queen, Penrose and Grayburg down to about 4,000 feet.
17 The San Andres starts around 4,000 and extends down to
18 5,700. And then the Glorieta, which would have a top
19 around 5,700, would extend down to 6,350.

20 Q. Have you prepared a cross-section log or other
21 exhibit that helps depict these zones?

22 A. Yes, I have. It should be behind --

23 Q. Tab 9.

24 A. -- 9.

25 Q. Mr. Drake, will you please review what that

1 **exhibit shows and, in particular, review for the**
2 **examiners the geologic strata that helps seal off the**
3 **zone and point out the injection interval here?**

4 A. Okay. This exhibit has the log from our Ted
5 well, which is also located in Section 28. This well
6 was drilled in July of 2018. We had designed the Ted
7 well to inject into the Lower San Andres and Glorieta,
8 but much to our surprise, when we drilled into the Upper
9 San Andres, we had a massive loss of circulation at
10 about 4,600 feet and drilled the next 250 feet of San
11 Andres at extremely low bottom-hole pressures. We feel
12 that this is the result of the extraction by the water
13 supply wells in the area. We were surprised it extended
14 this far away. So we are two-and-a-half,
15 three-and-a-half miles from the nearest water supply
16 well, and yet the pressure in the Upper San Andres
17 porosity interval was massively depleted.

18 So our proposal in the new well is to
19 include that zone for disposal. We did not include it
20 in the Ted. So now we're looking to perforate from
21 4,630 in the upper porosity member, as well as the lower
22 porosity member and the Glorieta in the new well. The
23 Ted was drilled into the Leonard because there were no
24 other wells in the area to give us a stratigraphic top,
25 so we extended into that formation. The Yaz will stop

1 before we get there because the lower part of the
2 Glorieta in the Ted well was very tight. Although we do
3 have perforations in that interval, very little water
4 goes into it, if any, in the lower part of the Glorieta.
5 The Upper Glorieta has very good porosity.

6 I've highlighted here with colors the
7 intervals where the porosities are low, dolomites and
8 anhydrites with porosities less than 3 percent. We have
9 two barriers near the top of the San Andres. We have
10 the middle San Andres barrier, which is almost 200 feet
11 thick, and then we have the lower San Andres limestones
12 which are between 200 and 250 feet thick. We feel that
13 those will isolate and prevent flow between porosity
14 members.

15 Q. As for the lower zone, I think your testimony
16 was that the Leonard functions as an effective barrier
17 for downward migration --

18 A. That is correct.

19 Q. -- out of the Glorieta zone?

20 A. Yeah.

21 Q. And based on this analysis of the -- and your
22 loss of circulation within the San Andres, it's your
23 opinion that these intervals within the zones will be
24 capable of receiving the volumes and the rates of
25 injection that you're proposing for this well?

1 A. That's correct.

2 Q. And you've examined the geology and the
3 engineering in the area and have satisfied yourself that
4 there is no hydrologic connection between the injection
5 zones and any sources of fresh water?

6 A. We have done that work, and we do not see any
7 connections to fresh water.

8 Q. And you've included in this case a statement to
9 that effect behind Tab Number 11?

10 A. That is correct.

11 Q. Mr. Drake, let's talk a little bit about
12 protection of hydrocarbons and production in the area.
13 Are there any productive hydrocarbon zones within that
14 area?

15 A. There are. The Seven Rivers and Queen produce
16 gas.

17 Q. And those are above the injection interval
18 here?

19 A. They are above the injection interval.

20 Q. And they're within how far, what distance of
21 your injection well here?

22 A. They would overlap with it. They're in the --
23 do we have a producing --

24 Q. I don't think we do in this case.

25 A. Yeah.

1 Q. But they're within the area of --

2 A. They are in the area.

3 Q. How about hydrocarbons below the injection
4 zone?

5 A. There are no hydrocarbons being produced
6 deeper.

7 Q. So in your opinion -- based on the stratigraphy
8 and the geologic seals, is it your opinion that any
9 shallower production will be protected against the --
10 any impairments from injection into this well?

11 A. I believe that we will be a significant
12 distance below the production. We will not inhibit
13 there or damage their production in any way. The
14 greater formation is between the producing intervals and
15 the San Andres. It is also a -- aquifer. It does also
16 have anhydrite barriers within the Grayburg. So we are
17 5- to 600 feet below the Queen.

18 Q. Now -- and moving over to fresh water, are
19 there freshwater zones and are there freshwater-bearing
20 formations within the area of this proposed well?

21 A. Yes, I believe there are. We did sample -- I
22 think it was one well.

23 Q. And is that -- are those zones -- the shallower
24 zones, do they refer to those as the Red Beds in this
25 area?

1 A. That is correct, which would be very shallow,
2 up in the 1- to 200-foot range.

3 Q. In your opinion, have you identified any
4 sources of fresh water or drinking water below that
5 zone?

6 A. We have not.

7 Q. Are those zones effectively sealed off
8 geologically from your injection interval?

9 A. Yes, they are.

10 Q. And in this case, is the Ogallala High Plains
11 Aquifer within any reasonable distance of your proposed
12 injection?

13 A. It's more than six miles off to the northeast.

14 Q. And speaking of fresh water, are there any
15 wells that Goodnight was able to able to identify within
16 the one-mile area of review? I think they may have been
17 marked behind -- let's see what exhibit. Behind Tab
18 Number 9. Where is that map?

19 A. Is it 9.

20 EXAMINER GOETZE: Number 10?

21 MR. RANKIN: Number 10. That's where I
22 was.

23 THE WITNESS: 10 is the map, but I don't
24 have the page for the wells.

25 Q. (BY MR. RANKIN) I can direct you to those.

1 A. Okay.

2 Q. So the map is -- behind Tab Number 10, is that
3 the map reflecting the location of the freshwater well
4 that was sampled within the one-half-mile area of
5 review?

6 A. That is correct.

7 Q. And is that marked by the yellow thumbtack?

8 A. It is.

9 Q. And if you flip back to Tab Number 9 and turn
10 the page past that cross section and then the page past
11 the description of the freshwater sources, are there
12 sample results for the well that are identified on that
13 map?

14 A. Yes. That is correct.

15 Q. Were there any other wells that Goodnight
16 Midstream identified that were not in the State
17 Engineer's database within the two-mile area?

18 A. I believe there was one more. Is that correct?

19 Q. I think there was at least one or two, but
20 those are identified in the C-108 as well; is that
21 correct?

22 A. Yes, the Phillips stock tank well.

23 Q. In your opinion, based on your view of the
24 geology and of the location of the depths of the
25 freshwater zones here, is it your opinion that injection

1 into this well will not impair, cause any damage or harm
2 to any freshwater or drinking water zones within the
3 area?

4 A. That is correct.

5 Q. Let's talk about what you're going to be
6 injecting here. As with the other cases, what are the
7 principal zones of production from which the produced
8 water will be originating?

9 A. It will originate in the Delaware Basin from
10 Bone Spring and Wolfcamp production, but we could be
11 receiving small amounts of water from other formations.

12 Q. Have you included an analysis of the water
13 chemistry for each of the zones from which you may be
14 injecting?

15 A. Yes, we have.

16 Q. And are those behind Tab Number 6?

17 A. Yes.

18 Q. If you flip through all those pages, those are
19 a collection of the water chemistry analyses for the
20 various wells producing from those zones?

21 A. Correct.

22 Q. And if you go to the end of that exhibit, you
23 have some of the water as an example of what you would
24 be injecting from your other injectors in the area?

25 A. That is correct. Yes.

1 Q. And behind Tab 7, are these water samples from
2 the injection intervals into which you will be
3 injecting?

4 A. That is correct. These are from the Ted.

5 Q. And based on the water chemistry for the source
6 zones and the reservoir injection zones, have you
7 identified any water chemistry compatibility issues that
8 would be of concern to your injection here?

9 A. We have not.

10 Q. And that's also based on your prior experience
11 commingling these waters in other projects?

12 A. Yes. We do have three functioning SWDs, and
13 they are not experiencing any scaling issues at this
14 time.

15 Q. Mr. Drake, based on your analysis of the
16 geology and review of the issues required for approval
17 for this injection well, is it your opinion that the
18 granting of this application will be in the interest of
19 conservation of resources, the protection against waste
20 and the protection of correlative rights?

21 A. Yes, it will.

22 MR. RANKIN: Mr. Examiner, at this time I
23 would pass the witness for questioning.

24 EXAMINER GOETZE: Ms. Antillon?

25 MS. ANTILLON: No questions.

1 CROSS-EXAMINATION

2 BY EXAMINER GOETZE:

3 Q. The only question I have -- are you familiar
4 with the original administrative application for this
5 well?

6 A. Yes.

7 Q. Okay. At that time you were looking at
8 including a much larger section, and we had hesitations
9 about it.

10 A. Yes. And that was communicated to us, and we
11 altered the plan.

12 Q. Okay. I just wanted to make sure that we had
13 gotten the communication across the reason why we did
14 it. We were nervous when we saw this, especially not
15 having much information for the Tubb, Drinkard and Abo
16 through here. So we appreciate the contraction of the
17 integral to something that we're more familiar and
18 trusting with.

19 Other than that, I have no more questions
20 for this witness.

21 MR. RANKIN: Thank you, Mr. Examiner.

22 EXAMINER GOETZE: Thank you.

23 MR. RANKIN: I ask that Mr. Drake be
24 excused, and we would call our last witness,
25 Mr. Tomastik.

1 THOMAS E. TOMASTIK,
2 after having been previously sworn under oath, was
3 questioned and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. RANKIN:

6 Q. Good afternoon, Mr. Tomastik.

7 A. Good afternoon.

8 Q. Will you please state your full name for the
9 record?

10 A. Thomas E. Tomastik.

11 Q. By whom are you employed?

12 A. ALL Consulting.

13 Q. And what's your position with ALL Consulting?

14 A. Senior geologist and regulatory specialist.

15 Q. Are you familiar with the application that was
16 filed in this case?

17 A. Yes.

18 Q. Have you had your credentials as an expert in
19 petroleum engineering and SWD operations and design
20 previously accepted by the Division?

21 A. Yes.

22 MR. RANKIN: Mr. Examiner, at this time I
23 would retender Mr. Tomastik as an expert in petroleum
24 engineering and SWD design and operation.

25 EXAMINER GOETZE: Ms. Antillon?

1 MS. ANTILLON: No objection.

2 EXAMINER GOETZE: He is so qualified.

3 MR. RANKIN: Thank you, Mr. Examiner.

4 Q. (BY MR. RANKIN) Turning first to the
5 area-of-review issues, Mr. Tomastik, will you please
6 identify in Tab 3, Exhibit B before you -- skip to the
7 second page of that tab. There is an overview map
8 showing --

9 A. Exhibit B or A?

10 Q. Exhibit B, Tab 3. Oh, did that one maybe get
11 misplaced?

12 A. I've got Exhibit A.

13 Q. Oh, you're right. You're good. That's the
14 right spot.

15 A. That one.

16 Q. Review for -- for me, if you would,
17 Mr. Tomastik, the area of review identified on that map,
18 what it shows.

19 A. Yes. This map shows the half-mile area of
20 review, but also then shows a two-mile radius showing
21 all the wells located within both the half-mile and the
22 two-mile radius.

23 Q. And if you flip to Tab Number 4 in your exhibit
24 packet, does that reflect the tabulation of data for
25 each of those wells that you've identified in that

1 half-mile area of review?

2 A. Yes.

3 Q. And upon review of those wells, have you
4 identified any that are plugged and abandoned or any,
5 for that matter, that actually penetrate the injection
6 interval in this area?

7 A. None of those wells penetrate the injection
8 well -- or injection zone.

9 Q. And based on that, is it your opinion that
10 there is no risk or concern or need for remedial work of
11 any kind on any of these wells or that they will -- they
12 will not function as a conduit for -- for fluids out of
13 the injection zone?

14 A. Correct.

15 Q. Let's talk about the operation and well design
16 here. Flipping to, if you would, Tab Number 2 on your
17 exhibit packet, review for the examiners what the
18 proposed well construction and design is for this well.

19 A. Yes. Proposed well construction is drilling to
20 approximately 1,500 feet in a 12-1/4-inch hole and
21 setting 9-5/8 surface casing and cementing that back to
22 surface to cover the USVWs and all freshwater and
23 drinking water supplies, and then drilling the well to a
24 total depth of 6,200 feet and setting 6,200 feet of
25 7-inch casing and cementing that back to surface.

1 Q. And in this case, the tubing will be 4-1/2
2 inch; is that right?

3 A. And then after completion of the well, tubing
4 and packer will be run to approximately a depth of 4,600
5 feet, 4-1/2-inch injection tubing and packer.

6 Q. Now, let's talk about the operational
7 parameters for the well. Turning to Tab Number 5 in
8 your exhibit packet, just referring to that -- the
9 information there, will you review for the examiners
10 what the proposed rates and surface injection pressures
11 will be for this well?

12 A. The average daily injection rate is estimated
13 to be 15,000 barrels a day. The maximum daily injection
14 rate would be limited by the maximum allowable surface
15 injection pressure. The maximum allowable surface
16 injection pressure is calculated at 926 psi, and that's
17 based on the regulatory requirement of .2 psi per foot.

18 Q. In your opinion, is that a guidance -- or
19 mandated -- conservative for this area?

20 A. Yes.

21 Q. In your opinion, based on your review, can the
22 volumes that are expected to be -- that are estimated to
23 be injected here, can they be accepted by this well
24 without exceeding that surface injection pressure
25 limitation?

1 A. Yes.

2 Q. If Goodnight Midstream requires an increase in
3 injection pressure, will they request an OCD-witnessed
4 step-rate test to do so?

5 A. Yes.

6 Q. In your opinion, is the casing design and
7 operation that's proposed for this well and the cement
8 plan protective of the freshwater sources within the
9 area?

10 A. Yes.

11 Q. Let's talk about how Goodnight Midstream will
12 be monitor the integrity of the wellbore operations. Is
13 there a plan for that?

14 A. Yes. That would be done -- once the tubing and
15 packer has been set and the well demonstrates
16 mechanical-integrity testing by the standard annulus
17 pressure test, then an electronic SCADA system will be
18 installed on the wellhead so the injection tubing
19 pressure and the annular pressure will be monitored
20 continuously to maintain mechanical integrity.

21 Q. And prior to injection, will the company
22 undertake confirmation of any kind of cement job that's
23 been performed?

24 A. Yes. A cement bond log will be performed on
25 the 7-inch production casing.

1 Q. In your opinion, will the granting of this
2 application be in the best interest of conservation
3 resources and protection against waste and the
4 protection of correlative rights?

5 A. Yes.

6 MR. RANKIN: Mr. Examiner, at this time I
7 would pass the witness. I have no further questions.

8 EXAMINER GOETZE: Ms. Antillon?

9 MS. ANTILLON: No questions.

10 CROSS-EXAMINATION

11 BY EXAMINER GOETZE:

12 Q. Well, seeing how this is the fourth one you've
13 been up here for and it's a pretty basic design --

14 A. Sure.

15 Q. -- I don't have any questions. But I do thank
16 you for the effort to work with just the Glorieta and
17 the San Andres, and if you wish to move on to deeper
18 zones, that will be treated as a separate well.

19 A. Sure.

20 Q. That makes our lives a lot easier.

21 So on that note, I have no questions.

22 MR. RANKIN: With that, Mr. Examiner, we
23 ask that Case Number 20558 be taken under advisement by
24 the Division.

25 EXAMINER GOETZE: And the State Land Office

1 wishes to make a statement?

2 MS. ANTILLON: It does.

3 The State Land Office wants to say it's
4 reviewing this application and has concerns with the
5 saltwater disposal spacing and proximity to State Trust
6 Land.

7 MR. RANKIN: Mr. Examiner, I think I moved
8 the admission of Exhibits A, B and C.

9 EXAMINER GOETZE: I think we've got one
10 that's out there. I believe the last one, Number C --
11 Letter C has not been entered, but I didn't know if you
12 thought that was important, the notice.

13 MR. RANKIN: I will ask that -- I think we
14 reviewed it with Mr. Alleman, but I will ask that
15 Exhibit C be admitted to the record. It's my affidavit
16 reflecting that notice was provided to the parties who
17 objected to the administrative application.

18 MS. ANTILLON: No objection.

19 EXAMINER GOETZE: So in the midst of a
20 flurry of activity, we will go ahead and enter C into
21 record.

22 MR. RANKIN: Thank you.

23 (Goodnight Midstream Permian, LLC Exhibit C
24 is offered and admitted into evidence.)

25 EXAMINER GOETZE: And with that, Case

1 Number 20558 is taken under advisement.

2 Thank you very much, gentlemen, for your
3 patience.

4 MR. RANKIN: Thank you for your time.

5 (Case Number 20558 concludes, 12:17 p.m.)

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25 STATE OF NEW MEXICO

1 COUNTY OF BERNALILLO

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3 CERTIFICATE OF COURT REPORTER

4 I, MARY C. HANKINS, Certified Court

5 Reporter, New Mexico Certified Court Reporter No. 20,

6 and Registered Professional Reporter, do hereby certify

7 that I reported the foregoing proceedings in

8 stenographic shorthand and that the foregoing pages are

9 a true and correct transcript of those proceedings that

10 were reduced to printed form by me to the best of my

11 ability.

12 I FURTHER CERTIFY that the Reporter's

13 Record of the proceedings truly and accurately reflects

14 the exhibits, if any, offered by the respective parties.

15 I FURTHER CERTIFY that I am neither

16 employed by nor related to any of the parties or

17 attorneys in this case and that I have no interest in

18 the final disposition of this case.

19 DATED THIS 27th day of June 2019.

20

21

22 MARY C. HANKINS, CCR, RPR

23 Certified Court Reporter

24 New Mexico CCR No. 20

25 Date of CCR Expiration: 12/31/2019

Paul Baca Professional Court Reporters

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