

3 IN THE MATTER OF THE HEARING CALLED
4 BY THE OIL CONSERVATION DIVISION FOR
5 THE PURPOSE OF CONSIDERING:

6 APPLICATION OF NEW MEXICO SALT CASE NO. 14960
7 WATER DISPOSAL CO., INC. FOR
8 AUTHORIZATION TO INJECT,
9 LEA COUNTY, NEW MEXICO.

10 REPORTER'S TRANSCRIPT OF PROCEEDINGS
11 EXAMINER HEARING
12

13 BEFORE: DAVID K. BROOKS, CHIEF EXAMINER
14 RICHARD EZEANYIM, TECHNICAL EXAMINER
15 PHILLIP GOETZE, TECHNICAL EXAMINER

16 March 7, 2013

17 Santa Fe, New Mexico

18 This matter came on for hearing before the
19 New Mexico Oil Conservation Division, David K. Brooks,
20 Chief Examiner, Richard Ezeanyim, Technical Examiner and
21 Phillip Goetze, Technical Examiner, on Thursday, March
22 7, 2013, at the New Mexico Energy, Minerals and Natural
23 Resources Department, 1220 South St. Francis Drive,
24 Porter Hall, Room 102, Santa Fe, New Mexico.

25 REPORTED BY: Mary C. Hankins, CCR, RPR
New Mexico CCR #20
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1 (8:24 a.m.)

2 EXAMINER BROOKS: Call Case Number 14960,
3 application of New Mexico Salt Water Disposal Company,
4 Inc. for authorization to inject. And we do not have --
5 for some reason, there is no county name on the title of
6 this case, but it appears it's Eddy County.

7 Is that correct?

8 MR. LARSON: Lea.

9 EXAMINER BROOKS: Lea County. Okay.
10 Case Number 14960, application of New
11 Mexico Salt Water Disposal Company, Inc. for
12 authorization to inject, Lea County, New Mexico.

13 Call for appearances.

14 MR. LARSON: Morning, Mr. Examiner. Gary
15 Larson for New Mexico Salt Water Disposal Company.

16 EXAMINER BROOKS: Are there any other
17 appearances?

18 MR. JOHNSON: Justin Johnson, the lease
19 fee, on behalf of Diamond And Half, Incorporated.

20 EXAMINER BROOKS: Good morning, gentlemen.
21 Witnesses?

22 MR. LARSON: I have two witnesses.

23 EXAMINER BROOKS: And I understand you
24 (indicating) plan to be a witness?

25 MR. JOHNSON: (Indicating.)

1 EXAMINER BROOKS: Witnesses please stand,
2 identify themselves for the record, and the court
3 reporter will administer the oath.

4 MR. MCMINN: Rory McMinn, New Mexico Salt
5 Water Disposal.

6 DR. HAVENOR: Kay Havenor, consulting
7 geologist.

8 MR. JOHNSON: Justin Johnson, Diamond And
9 Half, Incorporated.

10 (Mr. McMinn, Dr. Havenor and Mr. Johnson
11 sworn.)

12 EXAMINER BROOKS: Be seated.

13 Mr. Larson, you may proceed.

14 RORY MCMINN,
15 after having been previously sworn under oath, was
16 questioned and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. LARSON:

19 Q. Morning, Mr. McMinn. Would you state your full
20 name for the record?

21 A. Rory McMinn.

22 Q. Where do you reside?

23 A. Lincoln, New Mexico.

24 Q. And what is your position with New Mexico Salt
25 Water Disposal Company?

1 A. I'm vice president.

2 Q. Could you briefly summarize your educational
3 and oil and gas professional background?

4 A. I have a Bachelor's of Business from West Texas
5 State A&M. I'm third generation oil field. I have
6 extensive experience in well servicing, well drilling
7 and well completions. I have experience in both
8 upstream and downstream operations project management,
9 which includes well drilling, completions, production,
10 gathering system development through mainline FERC and
11 DOT-regulated interstate and intrastate pipeline
12 construction management, refinery risk management,
13 infill electrification of oil field through
14 FERC-regulated intrastate and interstate main power line
15 development and construction.

16 I'm a former Chaves County Commissioner,
17 former New Mexico Public Regulation Commissioner, former
18 member of the Renewable Energy Transition Authority of
19 New Mexico.

20 Q. And what is New Mexico Salt Water requesting in
21 its application?

22 A. To plug back to the Glorieta and dispose of
23 oil-field produced water into that.

24 Q. And what's the history of the State 28 Number 1
25 Well?

1 A. The well was originally drilled by Tipperary in
2 1977. Tipperary declared the well a dry hole. The
3 wellbore was taken over by New Mexico Salt Water
4 Disposal who then changed the operator of the wellbore.

5 New Mexico Salt Water Disposal then ran
6 pipe. It drilled out the Devonian as an open hole
7 completion as a disposal well. The well has operated
8 continuously as a Devonian disposal well up until
9 September of 2012, when we experienced a downhole issue
10 that was determined to be a failure of the fiberglass
11 tubing.

12 Q. And does New Mexico Salt Water currently have
13 authorization to inject from the Division?

14 A. We do and have had since April of 1978.

15 Q. And is there a particular order that grants
16 that?

17 A. It is SWD 2060 -- 206-0.

18 Q. And has New Mexico Salt Water been continuously
19 injecting produced water since 1978?

20 A. We have.

21 Q. Can you please identify what's been marked as
22 Exhibit Number 1?

23 EXAMINER BROOKS: Excuse me, Mr. Larson, is
24 your witness here testifying as an expert or merely as a
25 fact witness?

1 MR. LARSON: Fact witness.

2 EXAMINER BROOKS: Okay. You may proceed.

3 Q. (BY MR. LARSON) Could you identify Exhibit
4 Number 1?

5 A. Yes. That's a letter from the Hinkle law firm
6 to the State Land Office. It's the group of letters and
7 receipts that were sent out notifying the parties.

8 Q. And the Hinkle law firm prepared those at your
9 direction?

10 A. That is correct.

11 Q. And are the letters and the return receipts
12 that comprise Exhibit 1 true and correct copies of those
13 letters?

14 A. Yes, they are true and correct copies.

15 Q. And I next ask you to identify what's been
16 marked as Exhibit 2.

17 A. That is the map of the area that was included
18 in the C-108 filed in this application.

19 Q. And did you prepare this map?

20 A. I did.

21 Q. And it is part of your application?

22 A. It is.

23 Q. And are there any producing or injection wells
24 that are currently being operated in the half-mile area
25 of review?

1 A. There are no other producing or injection wells
2 within the area for review.

3 Q. And there is a Yates well indicated there.
4 What is the status of that well?

5 A. That well has been plugged. It was drilled to
6 a depth of 100 feet.

7 Q. Has it been cemented throughout?

8 A. It has.

9 Q. And who owns the surface of the area of review?

10 A. The State of New Mexico.

11 Q. And does New Mexico Salt Water have a State
12 Land Office easement for the injection well?

13 A. Yes, we do.

14 Q. And what is the current status of the easement?

15 A. The current status is that we have a temporary
16 right of entry permit so that we can access the wellbore
17 in order to determine the viability of coming up the
18 hole depending upon the -- whether we're successful on
19 this application or not.

20 Q. And why are you in a temporary status with the
21 State Land Office?

22 A. The annual fee for the -- for the access -- we
23 determined that we needed 120 days to make the
24 determination as to whether we could be successful in
25 coming up the hole from the Glorieta, so we applied for

1 and received a temporary.

2 Q. And was part of that thinking getting Division
3 approval to change the interval?

4 A. It was, yes, sir.

5 Q. And when does your temporary access terminate?

6 A. Approximately April -- I think it's the 18th.

7 Q. Would you request the Examiner to make a
8 decision in timely fashion, so you can resolve the
9 easement issue?

10 A. Yes, we would so request.

11 Q. And why is New Mexico Salt Water asking to
12 change the injection interval?

13 A. We've had -- as I mentioned earlier, we've had
14 downhole failure of the fiberglass tubing. We've been
15 unsuccessful in latching onto that tubing and removing
16 it and the packer that's downhole. We would like to
17 plug back to the next zone that would be -- that we
18 would like to inject into, which is the Glorieta.

19 Q. And what impact has the mechanical problems of
20 the well had on New Mexico Salt Water's business?

21 A. It's caused us to have to reject business from
22 several of the trucking companies that have been
23 accessing our disposal system prior to this.

24 Q. And in the approximately 35 years that
25 New Mexico Salt Water has operated this well, have there

1 ever been any problems with the casings in this well?

2 A. There have been none.

3 Q. And has it passed all MIT tests?

4 A. Yes.

5 Q. What is the maximum injection pressure
6 requested in the application?

7 A. We're requesting 1,167 psi at surface.

8 Q. How does that compare with New Mexico Salt
9 Water's current authorization to inject?

10 A. The current authorization on SWD Order 206-0 is
11 at 2,680 pounds maximum of the surface.

12 Q. And based on that injection pressure, what
13 would be the maximum volume of produced water that New
14 Mexico Salt Water would inject?

15 A. 3,500 barrels per day.

16 Q. And do you have an estimate of the average
17 number of barrels?

18 A. We average around 1700 barrels per day.

19 Q. And has New Mexico Salt Water Disposal had any
20 releases from its surface system?

21 A. Yes, we have. Since 1978, we've had several
22 releases.

23 Q. And has New Mexico Salt Water addressed the
24 releases?

25 A. We have. We have some that are ongoing and

1 some that are currently in discussions with the
2 Environmental Division of the OCD, as of a meeting as
3 current as December 2012.

4 Q. And has New Mexico Salt Water also made
5 upgrades to its surface system?

6 A. We have. We have changed out piping. We have
7 upgraded all of the piping in the system to a
8 higher-pressure poly pipe. We have removed --
9 completely removed a dump station that we call Dump
10 Station 11. We have revamped and changed the main
11 access dump station on the county road west of the
12 crossroads where we receive water.

13 Q. And when you say dump station, that's where the
14 trucks carry the water?

15 A. Correct.

16 Q. And would it be fair to say that New Mexico
17 Salt Water has addressed all the issues in the system
18 that caused the release?

19 A. At this point in time, we have, yes.

20 MR. LARSON: Mr. Examiner, I move the
21 admission of Exhibits 1 and 2.

22 EXAMINER BROOKS: Any objection?

23 I'm sorry, I've forgotten your name.

24 MR. JOHNSON: Justin Johnson.

25 EXAMINER BROOKS: Johnson?

1 MR. JOHNSON: Yes, sir.

2 MR. LARSON: May we give him a minute to
3 review? I'm sorry.

4 EXAMINER BROOKS: Yeah.

5 (Pause in proceedings.)

6 MR. JOHNSON: Can I speak?

7 EXAMINER BROOKS: Yeah. Do you have any
8 objection to the admission of those exhibits?

9 MR. JOHNSON: Yes.

10 EXAMINER BROOKS: Okay. Go ahead.

11 MR. JOHNSON: My objection to New Mexico
12 Salt Water Disposal coming up in this existing hole that
13 they have, that they've used for 35 years -- there's
14 been numerous leaks at this site. Their disposal well
15 has stopped up, backed up --

16 EXAMINER BROOKS: Well, excuse me,
17 Mr. Johnson. All we're talking about now is whether or
18 not to admit these exhibits into evidence. You can
19 present your case at a later time.

20 MR. JOHNSON: Okay. I'll do that later
21 then.

22 EXAMINER BROOKS: Exhibits 2 and 3 will be
23 admitted then.

24 MR. LARSON: I'm sorry. It's 1 and 2.

25 EXAMINER BROOKS: I only have a 1. Oh,

1 this is --

2 MR. LARSON: 1 is the notice letters.

3 EXAMINER BROOKS: Exhibits 1 and 2 are
4 admitted. You didn't tell me 3.

5 MR. LARSON: I'll enter that through --

6 EXAMINER BROOKS: 1 and 2 are admitted.

7 (New Mexico Salt Water Disposal Exhibits
8 Numbers 1 and 2 were offered and admitted
9 into evidence.)

10 MR. LARSON: And that's all I have for
11 Mr. McMinn.

12 EXAMINER BROOKS: Very good.

13 Now it's your turn if you want to
14 cross-examine Mr. McMinn, Mr. Johnson. And you may go
15 over here to the other counsel table at the other side.

16 MR. JOHNSON: New Mexico Salt Water
17 Disposal has been in business for 43, 44 years, more or
18 less, on Diamond And Half, Incorporated, and it has been
19 a constant leak.

20 EXAMINER BROOKS: What you need to do now
21 is ask questions of this witness.

22 MR. JOHNSON: Just ask any questions?

23 EXAMINER BROOKS: Is that a question?

24 CROSS-EXAMINATION

25 BY MR. JOHNSON:

1 Q. Where did you find water sand -- the closest
2 water sand that's pumpable water at I-28 [sic]?

3 MR. LARSON: The question is to be directed
4 to the witness.

5 Q. (BY MR. JOHNSON) Do you know where water sand
6 is?

7 A. I'm sorry, I cannot answer the question. I
8 would defer to our next witness, Dr. Havenor.

9 MR. JOHNSON: Well, that's my number one
10 concern on this particular disposal well site. I have a
11 domestic water well approximately a half mile away
12 downgradient and then a livestock water well a half mile
13 away downgradient. And I do have a concern due to the
14 fact the well's been there for many, many years, and the
15 quality of the casing -- I have no idea how good the
16 casing is in it. I know it's overflowed and backed up
17 numerous times, but I'm very concerned about my water.

18 EXAMINER BROOKS: Well, you may ask any
19 questions you want to ask of the witness.

20 Q. (BY MR. JOHNSON) Has anybody addressed that,
21 protecting of the freshwater zone?

22 A. Mr. Johnson, I did address it when the question
23 was asked of me as to whether the wellbore has passed
24 the MIT test, and the answer is: Yes, it has.

25 Q. That's my only concern then.

1 EXAMINER BROOKS: Okay. Very good. I do
2 not have -- well, I have one question.

3 CROSS-EXAMINATION

4 BY EXAMINER BROOKS:

5 Q. What was the injection pressure you were
6 requesting?

7 A. 1,167 psi at that surface.

8 Q. Yeah. Does that conform to the Division's
9 .2 --

10 A. That is it, yes, sir.

11 Q. -- psi per foot of case?

12 A. Yes, sir.

13 Q. And what is the injection -- what is the
14 highest perforation you're going to be --

15 A. 5,588 feet.

16 Q. Okay. Very good.

17 EXAMINER BROOKS: Mr. Ezeanyim?

18 EXAMINER EZEANYIM: I wanted to get a
19 clarification of what is happening with the case. There
20 were three witnesses. I don't know what happened to the
21 third, but I think I'd rather get clarification now. I
22 thought --

23 Are you an attorney?

24 EXAMINER BROOKS: No, he is not an
25 attorney.

1 EXAMINER EZEANYIM: Okay. So you are a
2 different party?

3 EXAMINER BROOKS: He's a protestant.

4 EXAMINER EZEANYIM: Okay. Thank you.

5 So for me to know the time that I want to
6 ask questions, I might as well ask it now. I know you
7 are a fact witness, but I don't know what is fact or
8 not. I ask questions about geology or engineers or
9 something. So any question I have I can reserve until
10 we have --

11 What do you call somebody who's not a fact
12 witness?

13 EXAMINER BROOKS: An expert.

14 EXAMINER EZEANYIM: Yeah, expert.

15 EXAMINER BROOKS: Your next witness is
16 going to be your expert witness.

17 That's correct, right?

18 MR. LARSON: That's correct. Dr. Havenor
19 is an expert geologist.

20 EXAMINER EZEANYIM: Okay. Thank you.

21 EXAMINER BROOKS: Any questions of this
22 witness?

23 EXAMINER EZEANYIM: No.

24 EXAMINER GOETZE: No questions.

25 MR. LARSON: Nothing further.

1 EXAMINER BROOKS: You may step down.
2 You may call your next witness, Mr. Larson.

3 MR. LARSON: Dr. Havenor.

4 KAY HAVENOR, Ph.D.,
5 after having been previously sworn under oath, was
6 questioned and testified as follows:

7 DIRECT EXAMINATION

8 BY MR. LARSON:

9 Q. Morning, Dr. Havenor. Could you state your
10 full name for the record, please?

11 A. Kay Havenor.

12 Q. And where do you reside?

13 A. Roswell, New Mexico.

14 Q. And what is your educational background?

15 A. I have a Bachelor of Science in Geology from
16 Colorado College, a master's from the University of
17 Arizona and a Ph.D. from the University of Arizona.

18 Q. Is your Ph.D. in geology?

19 A. Yes.

20 Q. And are you a registered professional
21 geologist?

22 A. Yes, in Texas and Arizona.

23 Q. And have you previously been qualified as an
24 expert in geology in a Division hearing?

25 A. Yes.

1 MR. LARSON: Mr. Examiner, I request that
2 Dr. Havenor be qualified as an expert in geology and
3 hydrogeology for purposes of this hearing today.

4 EXAMINER BROOKS: Okay. He is so
5 qualified.

6 Do you want to ask him questions?

7 EXAMINER EZEANYIM: No.

8 EXAMINER BROOKS: He is so qualified.

9 Q. (BY MR. LARSON) Dr. Havenor, could you identify
10 what's been marked as Exhibit 3?

11 A. That is a proposed supplement to the original
12 C-108 application that was filed with the State. It is
13 more succinct in describing the items that are of
14 primary concern in the application.

15 Q. And you prepared the document?

16 A. I prepared this document, yes.

17 Q. And do you request the Examiner to
18 consider this supplementation?

19 A. Yes, I would request that.

20 Q. Can you please describe the geologic
21 characteristics of the proposed new injection interval
22 in the Glorieta Formation?

23 A. The Glorieta is primarily a sandstone,
24 oftentimes anhydritic or calcitic, of varying degrees of
25 porosity and permeability, but in the greater area has

1 been nonproductive of hydrocarbons.

2 Q. And do you feel it's a good candidate for
3 injection of produced water?

4 A. Yes. I feel that it is a good candidate for
5 injection.

6 Q. And in your opinion, is there any threat of
7 fracturing if New Mexico Salt Water injects at the
8 proposed maximum pressure?

9 A. Considering the overlying and underlying beds,
10 I see no risk of fracturing.

11 Q. And have you compared the produced water to be
12 injected to the formation water?

13 A. Yes. The supplemental addition has a chemical
14 breakdown on waters -- the closest waters that are
15 available to compare with the Glorieta.

16 Q. And are there any other incompatibility issues?

17 A. I see no incompatibility issues.

18 Q. And have you checked the State Engineer records
19 for any domestic or livestock wells in the area?

20 A. Yes, I have. There are no recorded wells in
21 the State Engineer's Office. There have been a number
22 of applications for well drilling supplemental waters,
23 but there have been no completions or reports of them
24 actually having been delayed that I presume.

25 Q. And is the groundwater source in the area the

1 Ogallala?

2 A. The Ogallala is the only freshwater source.

3 Q. And in your opinion, is the Ogallala Aquifer
4 adequately protected from the New Mexico Salt Water
5 injection well?

6 A. Yes. There are two strings of casing, the
7 surface casing that is set at 427 feet and then cemented
8 to the surface. There is an eight and five-eighths inch
9 string set at 4,260 feet, and cement was circulated to
10 the surface on that. The four-and-a-half inch
11 production casing that was originally for the Devonian
12 was cemented back to a depth of -- I believe it was
13 3,000 and a few feet.

14 EXAMINER EZEANYIM: Where is the diagram
15 you are looking at?

16 A. Pardon?

17 EXAMINER EZEANYIM: Where is the diagram
18 you are looking at?

19 A. I'm not looking at a diagram. The diagram has
20 not yet been completed, but this is described on the
21 breakdown of casing and cementing, that history, this
22 page (indicating). It's a colored page that you have.

23 Q. (BY MR. LARSON) That's Exhibit Number 3?

24 A. Exhibit Number 3, yes.

25 Q. And are there any open faults or other

1 hydrologic connections between the proposed disposal and
2 wellbore and the Glorieta and the Ogallala Aquifer?

3 A. There are no known fractures or faults.

4 Q. And in your opinion, will New Mexico Salt
5 Water's proposed injection into the Glorieta present a
6 threat to protectable groundwater?

7 A. Definitely not. It's well cased and cemented
8 to the surface. It's protected with three strings of
9 casing, and it's safe.

10 Q. And in your opinion, will the injection present
11 any threat to hydrocarbon production?

12 A. No, because the Glorieta is characteristically
13 nonproductive of hydrocarbons in this general area.

14 MR. LARSON: Mr. Examiner, I move the
15 admission of Exhibit Number 3.

16 EXAMINER BROOKS: Okay. Exhibit Number 3
17 is admitted.

18 (New Mexico Salt Water Disposal Exhibit
19 Number 3 was offered and admitted into
20 evidence.)

21 MR. LARSON: That's all I have for
22 Dr. Havenor.

23 EXAMINER BROOKS: Did you wish to question
24 Dr. Havenor, Mr. Johnson?

25 MR. JOHNSON: No.

CROSS-EXAMINATION

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BY EXAMINER BROOKS:

Q. You said that the wellbore diagram has not yet been completed; is that correct? Is that what I heard you say?

A. Yes. It has not been -- it has not been completed. We know what it's going to be, but it hasn't been final to include in the -- the C-108 was originally submitted, and I came in after the submittal and have tweaked it.

Q. So the wellbore diagram in the C-108 does not represent exactly the way it's going to be completed; is that correct?

A. That's correct.

Q. At what point in time are we going to have a completed wellbore diagram?

A. By the end of this week.

Q. Okay.

EXAMINER BROOKS: Mr. Larson, we're going to request that you supplement the record by filing the final wellbore diagram.

MR. LARSON: Certainly. As soon as I have it, I'll file it.

Q. (BY EXAMINER BROOKS) The Glorieta is the formation into which you'll be injecting; is that

1 correct?

2 A. Yes, sir.

3 Q. This well was produced from the Devonian, you
4 said?

5 A. That's correct.

6 Q. And you're plugging it back to the Glorieta?

7 A. Yes. There were mechanical problems in the
8 hole, and the proposal is to set a 100-foot cement plug
9 at the top of the fiberglass tubing that cannot be
10 fished out, can't be bypassed. And that's at
11 approximately -- approximately 400 feet beneath the
12 lowest perforation that's proposed in the Glorieta.

13 Q. And what is the -- what overlies the Glorieta?

14 A. San Andres.

15 Q. Yeah, I would have expected that.

16 Is the characteristics of the San Andres --
17 to prevent communication from the Glorieta to the San
18 Andres?

19 A. No, it does not.

20 Q. Does not communicate?

21 A. No, it does not communicate.

22 Q. Okay.

23 EXAMINER BROOKS: Mr. Ezeanyim?

24 CROSS-EXAMINATION

25 BY EXAMINER EZEANYIM:

1 Q. Dr. Havenor, as you know -- Form C-108 for a
2 long time. We're not going to do anything at this
3 hearing until we get the Form C-108. As far as what you
4 just said, we don't have the Form C-108?

5 EXAMINER BROOKS: Well, we do have the Form
6 C-108. They're changing the wellbore.

7 EXAMINER EZEANYIM: Well, that's true, but
8 if you change the wellbore diagram, it might affect a
9 lot of things, from my experience in doing that.

10 I was surprised that you didn't come with
11 that diagram. So I would advise you to submit a new
12 Form C-107.

13 EXAMINER BROOKS: 108.

14 EXAMINER EZEANYIM: I mean Form C-108.

15 Because once you've changed it -- you told
16 us you tweaked it when you came in, the wellbore
17 diagram, and that might be the crux of the matter here.
18 If you tweak it, using that tweak, please submit a
19 different Form C-108. It depends on what the wellbore
20 diagram of that engaging well is. You know, he asked a
21 very important question. That's why when I was
22 looking -- I don't expect it here, but I wanted to see
23 the diagram to see whether that is really going to be an
24 injection well or not.

25 A. With your permission, sir, this is a draft copy

1 of that diagram. And if there is any way we can submit
2 this or get some copies to them, it will show
3 essentially what is being done. There are a few things
4 I would like to add like formation tops and things like
5 that, but those are not relevant to the completion
6 itself.

7 MR. LARSON: If I might approach, I can
8 show it to you.

9 EXAMINER EZEANYIM: Well, he's (indicating)
10 the Examiner. I'm just asking questions.

11 MR. LARSON: Sure.

12 EXAMINER BROOKS: Mr. Ezeanyim, would you
13 like to have his draft for purposes of questioning? It
14 would seem to me we want his final.

15 EXAMINER EZEANYIM: Yeah, we want the
16 final.

17 EXAMINER BROOKS: I mean, for the record, I
18 don't see any need to bring the draft up, unless you
19 need it to question him.

20 EXAMINER EZEANYIM: No. I don't need it
21 for questioning.

22 Q. (BY EXAMINER EZEANYIM) Of course, please
23 complete the Form C-108. It depends on that diagram.
24 That's all I really need. We're not going to use the
25 original one, which you have tweaked. We're not going

1 to use that. We are going to have a complete C-108,
2 because this is important to us. So we're not going to
3 admit that now. I know it's good, because he has been
4 dealing with it, you know. It's really surprising to me
5 that Form C-108 wasn't brought out today. Today is the
6 hearing. We need to look at that Form C-108 if it is
7 different from what we have in the file. If you sent me
8 the file, I could have looked at it and come in for
9 hearing, but since it's different, especially the
10 wellbore diagram, we need to have Form C-108 -- the
11 different Form C-108. That's where we start for
12 evaluating the activity of this well.

13 Now, Dr. Havenor, I appreciate it. Like I
14 said, usually your work, as you submit them, they are
15 very good. Don't get me wrong. We just like to use the
16 submitted Form C-108 in this hearing.

17 There are a lot of questions I have here to
18 clarify the information because of -- you know, some
19 people -- we have to do our work, you know. We have to
20 do our work as far as the oil and gas, you know, and the
21 rest is up to you guys to fight it, or we need to start
22 with --

23 Tell me why you want to go from Devonian to
24 the Glorieta? Why are you doing that? Why the
25 Glorieta?

1 A. Well, the problem is, there is a string of
2 tubing that is lost in the bottom of the hole. And the
3 hole is, essentially, stopped up, and we can't fish it
4 out.

5 Q. Okay. Go ahead. So that's why you want to
6 plug back and go to the Glorieta, right?

7 A. Yes. We -- we just need to put some cement in
8 there and seal off that bottom part.

9 Q. You can do that, then, when you start
10 evaluating the Glorieta, right? Most part of the
11 Glorieta is not productive at that location, because if
12 you say productive zone, that would be more information
13 than I would need. But I understand that some of this
14 Glorieta -- that's your benefit. However, we still have
15 issues.

16 Now, this is a commercial injection well,
17 right?

18 A. Yes.

19 Q. Where are the water -- produced water coming
20 from? Which formation are they coming from?

21 A. Well, it's coming from the shallow, and I have
22 to defer this to Mr. McMinn as to where his trucks are
23 generally obtaining their water.

24 Q. But did you -- okay. You got the water. You
25 did the water analysis, wherever they are coming from,

1 right? Did you do the water analysis comparing them
2 with the Glorieta Formation? You did that?

3 A. Yes. And if the production is San Andres or
4 deeper than Yeso, then the water qualities will be
5 completely compatible with those in the Glorieta. The
6 deeper waters are actually tending to be, chloride-wise,
7 fresher than the Yeso and the San Andres waters. So the
8 comparison is relatively good.

9 Q. I understand what you're saying, but we still
10 need to do a water analysis to see what they are putting
11 in the Glorieta. Don't have to assume. You know, it
12 might be fresher at some part of the formation and
13 higher in other parts. The only way to handle it is to
14 do a water analysis compiled with where you are putting
15 it. You know, did you do that?

16 A. Well, we have submitted a water analysis on
17 this page (indicating).

18 Q. Oh. Okay. I will take a look at it. And
19 these are the waters you are bringing in?

20 A. Pardon?

21 Q. These are the waters you are talking [sic] to
22 put in the Glorieta, right?

23 A. It's representative of the waters in the area,
24 yes.

25 Q. And I know the Examiner asked you about the

1 formation, top and below, you know. And you see no
2 communication between the top formation and the lower
3 formation of the Glorieta? Nothing going forward?
4 Nothing?

5 A. That is correct, sir.

6 Q. And, therefore, you are the expert in geology
7 of the Glorieta in this area will be coupled [sic] with,
8 you know, porosity -- you know, because you are talking
9 about a large amount [sic] of water, because this is a
10 commercial -- this is a commercial investment. It's not
11 like a water disposal, where you just, you know, dispose
12 water; you put in for your lease. Since you can get the
13 water from whenever you want. Is that correct?

14 A. Yes, sir.

15 Q. Okay. Good. So we need to be careful in what
16 we're doing. We need to look at, you know, the well
17 initial construction. We need to -- I need to look at
18 the water -- water analysis and compare it with what you
19 are doing there. I need to look at a lot of things
20 because you have a different -- to inject.

21 What is the depth of the Devonian,
22 initially, where you are going? Do you have an idea how
23 deep?

24 A. Yes, 14,000 feet. That was the TD originally.

25 Q. What was the wellhead injection pressure at

1 that point, 14,000 feet?

2 A. I'm sorry?

3 Q. What is the injection pressure at 14,000 feet?

4 A. Well, it would be --

5 Q. Divide by two?

6 A. Yeah. 7,000 pounds.

7 Q. And, now, you are going to go to the Glorieta.

8 The Glorieta at that depth, you said -- I didn't get

9 that depth. What was that? 5,000?

10 A. Yes, 5,000.

11 Q. 5,000 what?

12 A. The top perforation is expected to be -- at top
13 of the Glorieta is 5,580, and the top perforation is
14 expected to be just below that.

15 Q. Okay. And in this area, they've been operating
16 that well for 35 years, right?

17 A. The Devonian well?

18 Q. Yeah. That's what was said in the testimony
19 from the fact witness. He said they've been operating
20 that well, SWD 206, for 35 years.

21 A. Yes, 35 years. Yes, that's correct.

22 Q. I mean, unless I'm not hearing. Is that
23 correct?

24 MR. LARSON: Yes.

25 Q. (BY EXAMINER EZEANYIM) Okay. Now, what are

1 your experiences -- this is important. Have you seen
2 any -- what have you seen in that 35 years that you've
3 been injecting into the Devonian? Do you have an idea?

4 A. It has historically been on a vacuum. Is that
5 what you're --

6 Q. No. Any advice you've taken -- first of all,
7 what is the depth of fresh water here?

8 A. The depth of fresh water?

9 Q. Yeah.

10 A. About 1,400 feet. That's the maximum depth.

11 Q. It's up to 1,400 feet --

12 A. Yeah, 1,400.

13 Q. -- in this area?

14 Interesting.

15 A. Approximate base of the Ogallala.

16 Q. I wish that I had that well diagram.

17 So why you are really here is to change
18 that injection interval? Otherwise, you are injecting
19 into the Devonian. You wouldn't be here, right? Is
20 that correct?

21 A. That's correct, sir.

22 Q. Whole new application?

23 A. Yes, sir.

24 Q. I have nothing further.

25 EXAMINER BROOKS: Nothing further of this

1 witness, then, Mr. Larson?

2 MR. LARSON: I have nothing further.

3 EXAMINER BROOKS: Very good. The witness
4 may step down.

5 Mr. Johnson, it will be your turn now.

6 JUSTIN JOHNSON,
7 after having been previously sworn under oath, was
8 questioned and testified as follows:

9 DIRECT EXAMINATION (NARRATIVE)

10 MR. JOHNSON: I trust that your casing and
11 everything you've described downhole is fine, but what
12 I'm still worried about is the water -- the Ogallala
13 water that I have. Within a half a mile of it being 40
14 feet deep is water sand. A gallon and a half a minute,
15 one of the wells is, and the other well, a second well,
16 is a very weak well. But it's Ogallala water.

17 And there's been countless leaks at this
18 particular station, disposal well, through the last 43
19 years, and that's my concern right there. Your casing
20 may be fine. The integrity of it, I'm sure, is fine.
21 But as far as your leak sites go within a half-mile
22 area, who's to tell me that's not going to leach down
23 into my fresh water? That's my concern. And you've
24 had, historically, numerous problems with this disposal
25 well. It has backed up countless times, and the only

1 records we have of it is after 1998, because New Mexico
2 Salt Water Disposal never would report them prior to
3 that. I did. I wrote it down. But these are the leak
4 sites (indicating). I don't know if anybody wants to
5 see it, but this is the area we're talking about
6 (indicating).

7 That's my concern, is my fresh water. If I
8 lose those two wells there, I'm done for, and we're
9 talking 40 feet.

10 MR. HAVENOR: Well, all I can suggest is
11 that --

12 EXAMINER BROOKS: Dr. Havenor, I believe
13 we've concluded your testimony. Mr. Johnson was
14 testifying, and if he's through --

15 MR. JOHNSON: Well, would anybody like to
16 see any of this? No?

17 EXAMINER BROOKS: Well, if you wish to
18 offer it in evidence, you should mark those pictures.

19 MR. JOHNSON: I think Dr. Havenor has seen
20 these photos.

21 EXAMINER BROOKS: Well, it's up to you. If
22 you want to offer them as exhibits, we'll allow
23 Mr. Larson to say whether he objects to their admission.

24 MR. JOHNSON: I don't want to offer them as
25 exhibits.

1 EXAMINER BROOKS: You do not want to offer
2 them?

3 MR. JOHNSON: Huh-uh. He has them.

4 EXAMINER BROOKS: Mr. Larson, do you wish
5 to question Mr. Johnson?

6 CROSS-EXAMINATION

7 BY MR. LARSON:

8 Q. Mr. Johnson, those are Google Earth maps, I
9 take it, that you have?

10 A. Uh-huh.

11 Q. Now, those release sites, were those from the
12 pipeline?

13 A. This is the I-28 only, the disposal well that
14 we're talking about at this point in time.

15 Q. And, again, were the releases from the pipeline
16 or from --

17 A. From the disposal well.

18 Q. And you say you reported them. What exactly
19 did you report?

20 A. To the OCD, actual leaks, just that it leaked
21 again, and this is prior to 1998. After 1998, you-all
22 started reporting to the OCD.

23 Q. Were those leaks at the surface?

24 A. They were right here (indicating). I mean,
25 they're on the surface. The well -- your actual

1 disposal well stopped up. I don't know exactly what the
2 problems were. Rory might. But it stopped up. It
3 would not take any more water. And it's happened I
4 don't know how many times. And when it doesn't take any
5 more water, it has to go somewhere. It comes back up
6 out of the pipe, and then the connection breaks maybe at
7 the top of the hole, and it spilled all over this area
8 (indicating).

9 Q. That's all I have.

10 CROSS-EXAMINATION

11 BY EXAMINER BROOKS:

12 Q. When did these leaks occur, Mr. Johnson?

13 A. Which one? I mean, it's all on the record with
14 the OCD in Hobbs. I know we've recorded all of those.
15 But the recent leaks, like I've told you, after 1998 --

16 Q. Yeah. You mentioned before 1998. 1998 is
17 quite a long time ago, so I'm curious about what's
18 occurred since 1998.

19 A. Well, it would be with the OCD in Hobbs, all
20 the -- what records they have, whatever has been
21 reported by New Mexico Salt Water Disposal and whatever
22 I've called in myself.

23 Q. And these were leaks out of a pipeline that
24 goes to this well?

25 A. No. It was a leak at the disposal site. They

1 had trouble with that disposal well taking water.

2 Q. Okay. They were at the well site?

3 A. At the well site. And for some reason or
4 another, it would not take water. It stopped up. And
5 it would not take water, and, therefore, it just backed
6 up and spilled, because it would not -- it would not go.
7 It would not vacuum. It would not go under pressure.

8 Q. And you don't know when these leaks have
9 occurred any time recently?

10 A. Recently, at this particular station, I-28 -- I
11 mean, I don't have the documentation with me. I'm going
12 to say the most recent one was 14 years ago.

13 Q. Okay. Very good. Thank you.

14 EXAMINER BROOKS: Mr. Ezeanyim?

15 EXAMINER EZEANYIM: From what you said
16 now -- I asked that question of Dr. Havenor, that in the
17 35 years that you've been operating that well, do you
18 see any problems? It's on the record. The answer was
19 no.

20 Now, the way I think is, most of this is a
21 closed system, right? I assume it's a closed system,
22 right?

23 DR. HAVENOR: Yes, sir.

24 EXAMINER EZEANYIM: Now, I don't know. We
25 are at a dead end here, because we are going to make a

1 decision here.

2 Now, I asked you. You said no problems.
3 Now he's saying there is a problem. Who do I believe?
4 Because that's why we are here.

5 I said: Since you have been operating this
6 well, do you see any problem, leaks, you know,
7 mechanical integrity or anything? The answer was no.
8 It's in the record. Now you are saying that at the
9 wellhead you have a problem with the continuity of the
10 well. So who's going to tell me which one is correct?

11 EXAMINER BROOKS: Well, at this point --

12 EXAMINER EZEANYIM: That's the point.

13 EXAMINER BROOKS: At this point, we're
14 examining Mr. Johnson.

15 EXAMINER EZEANYIM: Yes.

16 CROSS-EXAMINATION

17 BY EXAMINER EZEANYIM:

18 Q. So that's what I'm asking. Where do you think
19 those leaks come from, those leaks you have in your
20 diagram -- in your pictures? Where are the leaks coming
21 from?

22 A. They're coming from the disposal well. When it
23 would not take -- when they were injecting water into
24 this disposal well, it would not take that water. And
25 the water they were putting down into these disposal

1 wells would not go, so, therefore, it backed up.

2 Q. Backed up to the surface?

3 A. Yes, sir.

4 Q. And they continue injecting, and it backs up to
5 the surface?

6 A. Yes, sir. And why --

7 I don't know what the problem was, Rory.

8 I can't remember what the problem was when
9 the disposal well would not take water. I don't know.
10 But you acidized it, pulled a unit over it, worked it
11 over. I don't know how many times it's happened, but
12 there is historical problems with this disposal well.

13 Q. When did you take that picture?

14 A. This photo was taken years ago.

15 Q. You took it on the well site?

16 A. New Mexico Salt Water, Mike Griffin, with their
17 reclamation team, took these photos, and there is not a
18 date on it. Yeah, there is. It's December. That's an
19 '05 photo. That's a 2005 photo.

20 EXAMINER EZEANYIM: I have no more
21 questions.

22 EXAMINER BROOKS: Do you want -- you
23 indicated you might want to ask Dr. Havenor. Do you
24 want to recall Dr. Havenor?

25 EXAMINER EZEANYIM: Yes, I would like to.

1 EXAMINER BROOKS: Okay. Very good.
2 Dr. Havenor, I think Mr. Ezeanyim has additional
3 questions for you, so go ahead --

4 KAY HAVENOR, Ph.D.,
5 after having been previously sworn under oath, was
6 recalled and questioned and testified as follows:

7 RECROSS EXAMINATION

8 BY EXAMINER EZEANYIM:

9 Q. Yeah. Very good. I'm glad I got this
10 opportunity to ask again. You know, when I asked -- you
11 know, I wish I knew this was coming up, because when you
12 are operating an injection well, if we see a problem --
13 of course, it wouldn't be a problem under our rules --
14 and ask I ask you, since the 35 years this well has been
15 operating, do you see a problem like has been relayed,
16 whether backing up and then, you know, destroying the
17 underground system of drinking water and the answer was
18 no. Are you going to address that again, or are you
19 going to stand by what you said, because I want to get
20 clarification? We need to be able to make a decision
21 here.

22 A. Well, it's my understanding that the basic
23 reason for plugging back to go to the Glorieta is
24 because of the mechanical conditions that presently
25 exist downhole which cannot be corrected and have

1 stopped the injection into the Devonian. And so they're
2 going to then plug back and recomplete for disposal into
3 the Glorieta.

4 So any problems that may have existed in
5 the production of it that may have resulted in this in
6 the past, probably just a continuation of those
7 problems, and they're now going to be solved because
8 that bad tubing and whatever the conditions are in the
9 Devonian that alternately stopped up are going to be
10 abandoned.

11 Q. Is it fair to say that because you can't inject
12 into the Devonian right now and that may be what is
13 backing up, because you can't inject in there? And if
14 that happened, did you stop -- what is the status of the
15 well right now? Is it injecting or shut in?

16 A. Shut in.

17 Q. So until you get approval to inject. Okay. So
18 I'm trying to examine this situation to see what's
19 really happening. Did we see any water coming out of
20 the wellhead where you can't inject into that Devonian?
21 Do you have any idea, or can you answer that question?

22 A. No, I can't.

23 Q. Can anybody answer that question?

24 A. I believe that Mr. McMinn could.

25 EXAMINER BROOKS: Okay. Are you through?

1 EXAMINER EZEANYIM: Yes.

2 EXAMINER BROOKS: Okay. You may step down,
3 and we'll recall Mr. McMinn.

4 MR. LARSON: Mr. Examiner, may I have two
5 minutes to confer with my witness?

6 EXAMINER BROOKS: You may.

7 We need to take a recess anyway. I was
8 going to take it between cases, but since you need to
9 confer with your client, we might as well take a recess
10 for that. We'll take a ten-minute recess.

11 (Break taken, 9:14 a.m. to 9:28 a.m.)

12 EXAMINER BROOKS: I believe Mr. Ezeanyim
13 wanted to recall Mr. McMinn for additional questions, so
14 if you would take the stand, please.

15 RORY MCMINN,
16 after having been previously sworn under oath, was
17 recalled and questioned and testified as follows:

18 EXAMINER BROOKS: Mr. Ezeanyim, you may
19 continue.

20 EXAMINER EZEANYIM: Thank you very much,
21 Mr. Examiner.

22 RECROSS EXAMINATION

23 BY EXAMINER EZEANYIM:

24 Q. It's not a technical question. It's a
25 fact-finding question. I asked that question of

1 Dr. Havenor. Maybe you might answer the question. My
2 question was: For that 35 years you have operated that
3 well, have you found any problems with that well when
4 you were injecting into the Devonian? Right now, the
5 well is shut in. Nothing is happening. I would want to
6 approve the Glorieta, but we want to make sure we get
7 all the facts and, you know, technical information
8 before we can do that.

9 Have you ever seen any problem like
10 something today, you know, water coming up to the
11 surface and maybe contaminating the underground drinking
12 water?

13 A. Not since I've been involved with New Mexico
14 Salt Water Disposal --

15 Q. How long --

16 A. -- which has been since 2007.

17 Q. You have been there since 2007?

18 A. Correct.

19 Q. And since 2007 you haven't seen any problems
20 with --

21 A. We have had -- we have had problems with the
22 pipeline, and we have had downhole problems with the
23 well taking fluid, that we've had to go in and acidize
24 the well, just normal operational procedures dealing
25 with the well. And we've subsequently replaced all of

1 the pipeline out there on the closed system with poly
2 pipe rather than PVC.

3 Q. Was it leaking somewhere on the surface, those
4 pipes you replaced?

5 A. Yeah, we've had leaks, and that was the reason
6 we replaced all of the PVC with poly pipe.

7 Q. So the leaks that might be -- I'm not saying
8 that it's leaking because I don't know. It might be
9 from the pipe, not from the operation itself. I'm
10 looking at the operation, because if you are putting the
11 water and it's coming up, that's a big problem. We
12 don't want that to happen. And you are telling me that
13 it is not coming from the injected well; it is coming up
14 to the surface?

15 A. It is not -- the only water that would come out
16 of that wellbore would be as a result of the water being
17 compressed with nowhere to go, which would be probably
18 two to four feet of water, four-and-a-half feet --
19 four-and-a-half inches in diameter, which would amount
20 to a few gallons of water. The balance of it would come
21 from a connection -- a connection problem at the
22 wellhead, which was PVC, that would then mechanically
23 fail as a result of the increase in pressure. But the
24 wellbore -- the well is not producing any fluid. It's
25 not coming out of the wellbore, except that that would

1 be compressed at the very top of the well.

2 Q. If I may ask again, you have tested -- you have
3 done your MIT --

4 A. Correct.

5 Q. -- as ordered by the district?

6 Was there a witness by the district when
7 you conducted these MITs and they passed?

8 A. We passed. We had no problems.

9 Q. You passed the MITs, right?

10 A. Yes, sir.

11 Q. When was the last MIT conducted?

12 A. I'm sorry, I cannot tell you. I don't have
13 that with me. We're on a five-year schedule.

14 Q. Yes, on a five-year. Okay. So you don't know
15 when the last one was done --

16 A. No, sir.

17 Q. -- and when that passed?

18 A. It has been since 2007, however, because it was
19 done since I've been with New Mexico Salt Water
20 Disposal.

21 Q. Okay. Very good. So I assume -- because, you
22 know, that was the testimony that -- when the counselor
23 asked that question, if you passed all MITs. There is
24 no reason for me to say you didn't. I mean, why would
25 somebody begin to lie when they failed?

1 So you passed all MITs, right?

2 A. Correct.

3 Q. Now, you said that the water on the surface, it
4 might be from the connection from the pipes -- surface
5 pipes --

6 A. Yes, sir.

7 Q. -- which you have taken care of?

8 A. That's correct.

9 Q. So what did you say you repaired the pipes
10 with? What pipe did you have there before, and what did
11 you replace it with?

12 A. We had PVC pipe prior. We now have 200-pound
13 poly.

14 Q. PVC and to poly. Okay.

15 RECROSS EXAMINATION

16 BY EXAMINER BROOKS:

17 Q. Do you know when was the last leak or spill
18 incident you had at this facility?

19 A. No, sir, other than the photo that Justin
20 Johnson presented earlier, and that photo was taken in
21 2005.

22 Q. That was the only photograph that he gave the
23 data on. Have there been any -- that was before you
24 came to -- before you were associated with this company?

25 A. That is correct, sir.

1 Q. Have there been any leak or spill incidents
2 while you've been working there?

3 A. Not to my knowledge at this well site.

4 Q. Okay. But there have been with the pipeline --

5 A. Yes, sir, there have.

6 Q. -- that goes to the well site?

7 A. That is correct.

8 Q. Were those caused by what happened at the well
9 site, or were they caused by something else?

10 A. They were caused by pressure fluctuations and
11 old PVC pipe that had been exposed to ultraviolet rays.

12 Q. So you don't have any personal knowledge of any
13 leaks or spills that were caused by backups from this
14 well?

15 A. I do not.

16 Q. Okay. Thank you.

17 EXAMINER BROOKS: Mr. Johnson, did you have
18 any questions of this witness?

19 MR. JOHNSON: No, sir.

20 EXAMINER BROOKS: Mr. Larson?

21 MR. LARSON: Nothing further.

22 EXAMINER BROOKS: Very good. The witness
23 may step down.

24 Mr. Larson, I'm going to go ahead and take
25 this case under advisement. We do very much need to get

1 that diagram, and we would like -- what we would like
2 you to do is submit a complete Form C-108, which would
3 be an amended Form C-108 and include this diagram and
4 any other changes that your expert feels is necessary to
5 make in view of his recent work. And we need to have
6 that -- we'll have the transcript in about two weeks, so
7 we need that in the same time frame.

8 MR. LARSON: I anticipate having that to
9 you prior to two weeks.

10 EXAMINER BROOKS: Very good. Subject to
11 the supplementation of the record as requested, Case
12 Number 14960 will be taken under advisement.

13 (Case Number 14960 concludes, 9:35 a.m.)
14
15
16

17 I do hereby certify that the foregoing is
18 a complete record of the proceedings in
19 the Examiner hearing of Case No. 14907,
20 heard by me on 3-7-13.
21 *David K. Brooks* Examiner
22 Oil Conservation Division
23
24
25

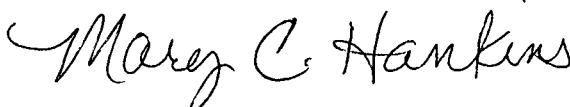
1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO
3

4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, New Mexico Certified
6 Court Reporter No. 20, and Registered Professional
7 Reporter, do hereby certify that I reported the
8 foregoing proceedings in stenographic shorthand and that
9 the foregoing pages are a true and correct transcript of
10 those proceedings that were reduced to printed form by
11 me to the best of my 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.

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