

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

5 APPLICATION OF DEVON ENERGY  
6 PRODUCTION COMPANY, L.P. FOR A  
7 NONSTANDARD OIL SPACING AND  
8 PRORATION UNIT AND COMPULSORY  
9 POOLING, EDDY COUNTY, NEW MEXICO.

CASE NO. 15085

ORIGINAL

8 APPLICATION OF DEVON ENERGY  
9 PRODUCTION COMPANY, L.P. FOR A  
10 NONSTANDARD OIL SPACING AND  
11 PRORATION UNIT AND COMPULSORY  
12 POOLING, EDDY COUNTY, NEW MEXICO.

CASE NO. 15086

11 REPORTER'S TRANSCRIPT OF PROCEEDINGS

12 EXAMINER HEARING

13 February 20, 2014

14 Santa Fe, New Mexico

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15  
16 BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER

17  
18 This matter came on for hearing before the  
19 New Mexico Oil Conservation Division, Richard Ezeanyim,  
20 Chief Examiner, on Thursday, February 20, 2014, at the  
21 New Mexico Energy, Minerals and Natural Resources  
22 Department, 1220 South St. Francis Drive, Porter Hall,  
23 Room 102, Santa Fe, New Mexico.

22 REPORTED BY: Mary C. Hankins, CCR, RPR  
23 New Mexico CCR #20  
24 Paul Baca Professional Court Reporters  
25 500 4th Street, Northwest, Suite 105  
Albuquerque, New Mexico 87102  
(505) 843-9241

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APPEARANCES

FOR APPLICANT DEVON ENERGY PRODUCTION COMPANY, L.P.:

JAMES G. BRUCE, ESQ.  
Post Office Box 1056  
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(505) 982-2043  
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INDEX

PAGE

|   |    |
|---|----|
| Case Numbers 15085 and 15086 Called                   | 3  |
| Devon Energy Production Company, L.P.'s Case-in-Chief |    |
| Witnesses:  |    |
| Shelley Klingler:                                     |    |
| Direct Examination by Mr. Bruce                       | 4  |
| Cross-Examination by Examiner Ezeanyim                | 14 |
| Raleigh Blumstein:                                    |    |
| Direct Examination by Mr. Bruce                       | 16 |
| Cross-Examination by Examiner Ezeanyim                | 20 |
| Proceedings Conclude                                  | 23 |
| Certificate of Court Reporter                         | 24 |

EXHIBITS OFFERED AND ADMITTED

|   |    |
|---|----|
| Devon Energy Production<br>Company, L.P. Exhibits Numbers 1 through 8B  | 12 |
| Devon Energy Production<br>Company, L.P. Exhibits Numbers 9 through 12B | 19 |

1 (8:22 a.m.)

2 EXAMINER EZEANYIM: On page 1, we are going  
3 to consolidate those two cases, and I'll read them into  
4 the record. Case Number 15085, the application of Devon  
5 Energy Production Company, L.P. for a nonstandard oil  
6 spacing and proration unit and compulsory pooling, Eddy  
7 County will be consolidated with Case Number 15086,  
8 application of Devon Energy Production Company, L.P. for  
9 a nonstandard oil spacing and proration unit and  
10 compulsory pooling.

11 Call for appearances.

12 MR. BRUCE: Mr. Examiner, Jim Bruce of  
13 Santa Fe representing the Applicant. I have two  
14 witnesses.

15 EXAMINER EZEANYIM: Any other appearances  
16 in this case?

17 Very good. The witnesses will stand up,  
18 state your names and be sworn in.

19 Witnesses, stand up, state your names.

20 MS. KLINGLER: Shelley Klingler.

21 MR. BLUMSTEIN: Raleigh Blumstein.

22 EXAMINER EZEANYIM: And they may be sworn  
23 in.

24 (Witnesses sworn.)

25 EXAMINER EZEANYIM: Before you start,

1 Counsel, this is a 160-acre unit that is -- that is how  
2 we need to call it. If I look at what you did, you have  
3 driven a -- one mile into a 40-acre unit. If you look  
4 at that, I think it's a typo. I want you to correct me  
5 if I'm wrong. The surface is in the same unit, and the  
6 bottom hole is in the same unit. But I know it's just a  
7 typo.

8 MR. BRUCE: Oh, okay. We'll point out --  
9 we'll get to that in a second.

10 EXAMINER EZEANYIM: You see what I mean? I  
11 wanted to make sure we correct that information. It's  
12 also in the application, and it's also in the docket.  
13 So I wanted to make sure we are really asking for a  
14 160-acre --

15 MR. BRUCE: I know what you're asking for.

16 EXAMINER EZEANYIM: Good. Okay. You may  
17 proceed then.

18 SHELLEY KLINGLER,  
19 after having been previously sworn under oath, was  
20 questioned and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. BRUCE:

23 Q. For the record, please state your name and city  
24 of residence.

25 A. Shelley Klingler from Moore, Oklahoma.

1 Q. Okay. For the Examiner, could you spell your  
2 last name?

3 A. K-L-I-N-G-L-E-R.

4 Q. Who do you work for and in what capacity?

5 A. I work for Devon Energy Production Company in  
6 Oklahoma City as a landman.

7 Q. Have you previously testified before the  
8 Division?

9 A. No.

10 Q. Could you summarize your educational and  
11 employment background?

12 A. Yes. I was Naval intelligence for seven years  
13 and then received a bachelor's degree in petroleum land  
14 management. I've been a landman for eight years.

15 Q. And does your area of responsibility with Devon  
16 include this area of southeast New Mexico?

17 A. Yes.

18 Q. And are you familiar with the land matters  
19 involved in these applications?

20 A. Yes.

21 MR. BRUCE: Mr. Examiner, I tender  
22 Ms. Klingler as an expert petroleum landman.

23 EXAMINER EZEANYIM: Qualification is  
24 accepted.

25 Q. (BY MR. BRUCE) Ms. Klingler, could you identify

1 Exhibit 1 for the Examiner?

2 A. It is the Midland Map Company land plat  
3 highlighting the east half-east half and the west  
4 half-east half of Section 14, Township 21 South, Range  
5 27 East.

6 Q. And the next two pages are simply the C-102s  
7 for the two wells; are they not?

8 A. Yes, sir.

9 Q. Getting to what the Examiner was mentioning at  
10 the beginning of the hearing, could you identify the  
11 surface location of the 1H well?

12 A. The surface location is going to be coming out  
13 of Section 11, 21 South, 27 East, 335 feet from the  
14 south line and 1,110 feet from the east line.

15 EXAMINER EZEANYIM: Is that from the south  
16 line, the surface location? Are you drilling -- I mean,  
17 you just repeated what I said. If it's from the south  
18 line -- the north line.

19 MR. BRUCE: No, Mr. Examiner. It's from  
20 the section to the north. If you look at page 2, that  
21 one right there --

22 EXAMINER EZEANYIM: Yeah.

23 MR. BRUCE: -- the surface location is in  
24 the adjoining section.

25 EXAMINER EZEANYIM: Oh, okay. And then

1 you -- okay. I see.

2 Q. (BY MR. BRUCE) Ms. Klingler, will the  
3 productive interval be solely within Section 14?

4 A. Yes, sir.

5 EXAMINER EZEANYIM: Okay. The surface is  
6 in a different section. Is that what -- okay.

7 MR. BRUCE: There were some surface issues,  
8 and I think the geologist can address those,  
9 Mr. Examiner.

10 EXAMINER EZEANYIM: Oh, okay. Go ahead.

11 Q. (BY MR. BRUCE) And what does Devon seek in  
12 these two cases?

13 A. In Case Number 15085, Devon seeks an order  
14 approving a 160-acre nonstandard oil spacing and  
15 proration unit in the Bone Spring Formation comprised of  
16 the east half of the east half of Section 15 and the  
17 pooling of interests in the Bone Spring Formation. The  
18 unit will be dedicated to the Lone Tree Draw 14 State  
19 Com Well 1H. A horizontal well will be drilled at a  
20 surface location 335 feet from the south line and 1,100  
21 feet from the east line of the adjoining Section 11,  
22 with a terminus 330 feet from the south line and 810  
23 feet from the east line of Section 14.

24 In Case 15086, Devon seeks an order  
25 approving a 160-acre nonstandard oil spacing and

1 proration unit in the Bone Spring Formation comprised of  
2 the west half of the east half of Section 14 and the  
3 pooling of interests in the Bone Spring Formation. The  
4 unit will be dedicated to the Lone Tree Draw 14 State  
5 Com Well 2H. A horizontal well is being drilled at a  
6 surface location 150 feet from the north line and 1,875  
7 feet from the east line, with a terminus of 330 feet  
8 from the south line and 2,200 feet from the east line of  
9 Section 14.

10 EXAMINER EZEANYIM: Let me get those points  
11 now. I need the penetration points and the bottom-hole  
12 locations for the two wells, so we can take that out of  
13 the way. Since you are talking about it now, what is  
14 the penetration point for the first well; do you know?

15 THE WITNESS: Mr. Examiner, I'm going to  
16 have to ask my geologist.

17 EXAMINER EZEANYIM: Okay. Okay. Let's  
18 proceed. The geologist will tell me when he comes to  
19 testify. Go ahead. I'm sorry.

20 Q. (BY MR. BRUCE) And who do you seek to pool?  
21 And I refer you to Exhibits 2A and 2B.

22 A. Exhibit 2A lists the working interest owners we  
23 seek to pool in the east half-east half of Section 14,  
24 and Exhibit 2B lists the working interest owners we seek  
25 to pool on the west half-east half of Section 14.

1 Q. What are Exhibits 3A and 3B?

2 A. Exhibit 3A contains copies of our proposal  
3 letters to the working interest owners in the east  
4 half-east half of Section 14, and Exhibit B lists the --  
5 contains copies of our proposal letters to the working  
6 interest owners in the west half-east half of Section  
7 14.

8 Q. In addition to these proposal letters, have you  
9 had other contacts with at least some of these working  
10 interest owners?

11 A. Yes, sir. I've made phone calls, e-mails and,  
12 of course, other mailings, and I've had a broker contact  
13 several of them.

14 Q. Now, I believe that you have at least made some  
15 preliminary agreements with a couple of interest owners  
16 in these wells; is that correct?

17 A. Yes, sir. We have made an agreement; we have  
18 an attempt to purchase the interests from EnerVest.

19 Q. And if any of these interest owners  
20 subsequently join in the wells, will you notify the  
21 Division?

22 A. Yes.

23 Q. And in your opinion, has Devon made a  
24 good-faith effort to obtain the voluntary joinder of the  
25 interest owners in the two wells?

1 A. Yes.

2 Q. Would you identify Exhibits 4A and 4B and  
3 discuss the cost of the proposed wells?

4 A. Exhibit 4A is the AFE for the Lone Tree Draw 14  
5 State Com Well #1H in the east half-east half of Section  
6 14. And the total cost -- total estimated cost is  
7 \$5,541,285.

8 Q. And are these costs in line with the costs of  
9 other wells built to this depth in this area of  
10 New Mexico?

11 A. Yes.

12 Q. And do you request that Devon be appointed  
13 operator of the wells?

14 A. Yes.

15 Q. Do you have a recommendation for the  
16 supervision and administrative expenses which should be  
17 allowed for Devon operating these wells?

18 A. Yes. 7,000 a month for drilling and 700 a  
19 month for producing.

20 Q. And are these rates fair and reasonable?

21 A. Yes.

22 Q. And are they in line with the rates in your JOA  
23 with other working interest owners?

24 A. Yes.

25 Q. Do you request that these rates be adjusted

1 periodically as provided by the COPAS accounting  
2 procedure?

3 A. Yes.

4 Q. And were the interest owners notified of this  
5 hearing?

6 A. Yes.

7 Q. In going through Exhibits 5A and 5B,  
8 Ms. Klingler, there are certain letters that were  
9 returned or we just haven't gotten the green cards back  
10 yet, but to the best of your knowledge, are all of these  
11 addresses sent to the interest owners valid addresses?

12 A. Yes.

13 Q. And you made an extensive search of the records  
14 to locate these addresses?

15 A. Yes. We did all three sites and several pay  
16 sites and through the brokerage doing searches.

17 Q. And what is Exhibit 6?

18 A. Exhibit 6 lists the offsets.

19 Q. And were they given notice of this hearing?

20 A. Yes, sir.

21 Q. And is that reflected in my Affidavit of Notice  
22 marked Exhibit 7?

23 A. Yes, sir.

24 MR. BRUCE: And, Mr. Examiner, Exhibits 8A  
25 and 8B are simply affidavits of publication in the

1 Carlsbad newspaper regarding a couple of the interest  
2 owners.

3 Q. (BY MR. BRUCE) The main person notified here,  
4 Ms. Klingler, is Isaac Kawasaki. What can you tell us  
5 about his status or nonstatus?

6 A. We believe that Mr. Kawasaki is deceased, and  
7 we have done an extensive search for his heirs. And any  
8 addresses we could find that may be linked to a possible  
9 relative, we have mailed items to.

10 Q. And you have received no response?

11 A. No response.

12 Q. Were Exhibits 1 through 8B either prepared by  
13 you or under your supervision or compiled from company  
14 business records?

15 A. Yes.

16 Q. And in your opinion, is the approval of these  
17 applications in the interest of conservation and in the  
18 prevention of waste?

19 A. Yes.

20 MR. BRUCE: Mr. Examiner, I approve the  
21 admission of Exhibits 1 through 8B.

22 EXAMINER EZEANYIM: Exhibits 1 through 8 B  
23 will be admitted.

24 (Devon Energy Production Company, L.P.  
25 Exhibits Numbers 1 through 8B were offered

1 and admitted into evidence.)

2 MR. BRUCE: Mr. Examiner, I have no further  
3 questions of the witness, but I am going to ask at this  
4 point, at the end of this hearing, if the case would be  
5 continued for two weeks because some of the green cards  
6 haven't been returned. And because of some late notices  
7 that went out, there are a couple of additional notice  
8 materials I'll need to submit in a couple of weeks.

9 EXAMINER EZEANYIM: So you would request a  
10 two-week continuance?

11 MR. BRUCE: Two weeks.

12 EXAMINER EZEANYIM: We are going to  
13 complete the case today?

14 MR. BRUCE: Yes.

15 EXAMINER EZEANYIM: Would be, as I  
16 understand it, the continuance is for you submitting the  
17 information that --

18 MR. BRUCE: It'll just be a few notices.

19 EXAMINER EZEANYIM: You are making due  
20 process.

21 MR. BRUCE: And I have no further questions  
22 of the witness.

23 EXAMINER EZEANYIM: Thank you.

24

25

## CROSS-EXAMINATION

1

2 BY EXAMINER EZEANYIM:

3 Q. Ms. Klingler, could you tell me the name of the  
4 pool in the Bone Spring?

5 A. I'm sorry, sir?

6 Q. Could you tell me the name of the pool this  
7 well is going to be producing from in the Bone Spring?  
8 The name of the pool?

9 A. The name of the pool?

10 Q. Yes. Do you have it or --

11 MR. BRUCE: Mr. Examiner, I wrote it down.  
12 I will e-mail that to you today. I've forgotten what it  
13 is. It's either Fenton or Magruder, I believe.

14 EXAMINER EZEANYIM: Yeah. We can't guess.  
15 Tell me where it is going to --

16 MR. BRUCE: Yeah. It is based on statewide  
17 rules.

18 Q. (BY EXAMINER EZEANYIM) Of course, from the name  
19 of the well, this is state land?

20 MR. BRUCE: Yes.

21 Q. (BY EXAMINER EZEANYIM) You are a land person,  
22 right? State land, right?

23 A. Yes, state.

24 Q. Do you know the API number for these wells?

25 A. There is an API for the Lone Tree Draw 14 State

1 Com 1H, and that is API 30-015-42070. We have not been  
2 assigned an API number for the 2H at this time.

3 Q. And you are talking about 15085 is the 1H,  
4 right?

5 A. Yes.

6 Q. And the API number is 30-015-42 what? What are  
7 the last three digits?

8 A. 070.

9 Q. Okay. And I assume there are overhead rates  
10 for the two wells. The overhead rates for --

11 A. The overhead rates?

12 Q. Yes. They are for the two wells, right?

13 A. Yes.

14 Q. On the AFE, the AFE is the same, right?

15 A. The AFEs are not exactly the same.

16 Q. They are not exactly. Why the difference?

17 Those wells are drilled side by side. Why is one higher  
18 than the other?

19 A. The 1H has to come out of a further surface  
20 location than the 2H. The 2H is completely compliant to  
21 Section 14. The 1H, because of surface restriction, has  
22 to start in the 11.

23 EXAMINER EZEANYIM: Okay. We talked about  
24 notice. You still have to give notice, right?

25 MR. BRUCE: That is correct.

1 Q. (BY EXAMINER EZEANYIM) Before you step down,  
2 the way you did your notifications and due process, in  
3 both wells -- the people who you are pooling are the  
4 same people in both wells?

5 A. There are more working interest owners in the  
6 1H, in the east half-east half, than there are in the  
7 2H, west half-east half.

8 Q. But there are still working interests that have  
9 not joined, right?

10 A. Correct.

11 Q. You may step down.

12 A. Thank you.

13 RALEIGH BLUMSTEIN,

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

16 DIRECT EXAMINATION

17 BY MR. BRUCE:

18 Q. Mr. Blumstein, where do you reside?

19 A. I reside in Oklahoma City, Oklahoma.

20 Q. And what is your occupation?

21 A. I'm a geologist for Devon Energy.

22 Q. Have you previously testified before the  
23 Division?

24 A. I have.

25 Q. And were your credentials as an expert as a

1 petroleum geologist accepted as a matter of record?

2 A. They were.

3 Q. And are you familiar with the geological  
4 matters involved in these two cases?

5 A. I am.

6 MR. BRUCE: Mr. Examiner, I tender  
7 Mr. Blumstein as an expert petroleum geologist.

8 EXAMINER EZEANYIM: So qualified.

9 Q. (BY MR. BRUCE) Mr. Blumstein, could you  
10 identify Exhibit 9 for the Examiner?

11 A. Sure. Exhibit 9 is a structure map at the top  
12 of the 3rd Bone Spring lime, just used to show  
13 conformance, a general dip from the west to the east,  
14 and you'll see a similar dip in the a 2nd Bone Spring  
15 Sand, which is a plan to productive unit.

16 Q. And what is Exhibit 10?

17 A. Exhibit 10 is a gross isopach of the 2nd Bone  
18 Spring Sand interval also highlighting the east  
19 half-east half and west half-east half.

20 Q. Does it give the approximate directions of the  
21 two horizontal wells?

22 A. It does.

23 Q. And could you move on to your cross section,  
24 Exhibit 11, and discuss its contents?

25 A. Exhibit 11 is a north-to-south cross section

1 I've identified on Exhibits 9 and 10. And it's just  
2 shown that the top of the 2nd Bone Spring Sand is  
3 identified by the blue correlation line, and the top of  
4 the 3rd Bone Spring lime is identified by the red,  
5 showing a general conformance of the sand packages  
6 across the section in question.

7 Q. And the 2nd Bone Spring is continuous, you  
8 believe, across both well units?

9 A. It is.

10 Q. When you're looking at Exhibit 11, the cross  
11 section, what is the approximate target depth of the two  
12 wells?

13 A. The approximate target depth is the lower-most  
14 sand, at approximately 7,720 TVD.

15 Q. And from a geologic standpoint, will each  
16 quarter-quarter section in each well unit contribute  
17 more or less equally to the production?

18 A. They will.

19 Q. And what are Exhibits 12A and 12B?

20 A. 12A and 12B are the directional plans for the  
21 two wells in question as designed by staff within Devon  
22 Energy.

23 Q. On the first page of each exhibit, does it give  
24 the landing point of each well?

25 A. It does.

1 Q. And how many completion stages does Devon use  
2 for these wells?

3 A. Typically, we use ten stages for the  
4 completion, and pump about two-and-a-half million pounds  
5 of sand and 70,000 barrels of fluid.

6 Q. And were Exhibits 9, 10 and 11 prepared by you?

7 A. Yes, they were.

8 Q. And were Exhibits 12A and 12B compiled from  
9 Devon's company business records?

10 A. They were.

11 Q. And in your opinion, is the granting of the  
12 these applications in the interest of conservation and  
13 the prevention of waste?

14 A. Yes.

15 MR. BRUCE: Mr. Examiner, I'd move the  
16 admission of Exhibits 9 through 12B.

17 EXAMINER EZEANYIM: Exhibits 9 through 12B  
18 will be admitted.

19 (Devon Energy Production Company, L.P.  
20 Exhibits Numbers 9 through 12B were offered  
21 and admitted into evidence.)

22 MR. BRUCE: And I have no further questions  
23 for the witness.

24 EXAMINER EZEANYIM: Thank you.

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## CROSS-EXAMINATION

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BY EXAMINER EZEANYIM:

Q. Okay. What's your name again?

A. Raleigh Blumstein.

Q. Raleigh, can you please give me the penetration points and the bottom-hole locations for each of the wells?

A. Like the penetration point of the Bone Spring Formation?

Q. Yeah, for both wells.

A. For the Bone Spring Formation --

Q. I mean, both of them are in the Bone Spring Formation. I'm talking about the two wells, the 1H and 2H, as to 15085 and 15086. I know they're in the Bone Spring, but I want to know where -- you know, where you're going to have to contend with the completed interval.

A. So you want to know where the top of the completion is planned?

Q. Yes. On the 1H, what is that?

A. The 1H, the top of the completion will be approximately 330 from the north line and 900 from the east line of Section 14.

Q. 900?

A. Yes.

1 Q. 990?

2 A. 900.

3 Q. Is it in any of the Form C-102?

4 A. No.

5 Q. In Form C-102, can I -- I think I can find it  
6 there.

7 A. The completion?

8 Q. Yeah. You say 300 from the north and 900 from  
9 the east?

10 A. 330 from the north.

11 Q. And then 900 from the east?

12 A. Yes.

13 Q. Okay. What about 2H?

14 A. The 2H will be approximately 330 -- or 400 from  
15 the north and about 1,980 from the east of Section 14.

16 Q. Section 14, both of them, right?

17 A. Yes.

18 Q. Okay. I have a gross isopach map. Do you have  
19 any isopach map?

20 A. No.

21 Q. You don't. So how do we know if you're  
22 drilling a north-south or south-north orientation? Is  
23 that an issue of development in that area? How do we  
24 know that is the best way to recover hydrocarbons?

25 A. We have drilled a well in Section 13 targeting

1 the same interval in the east half of the west half of  
2 Section 13, and it has been completed and is commercial.

3 Q. We hope wells will be commercial, but some may  
4 be commercial being oriented in one direction than the  
5 other, but that's okay.

6 So what is the problem with giving me an  
7 isopach? I know it costs money, but why is that  
8 operator --

9 A. Just --

10 Q. Did you think about -- because you gave me the  
11 gross. I see gross.

12 A. Yes. I did not provide one.

13 Q. Okay. And then how did you design your stages?  
14 I know you said ten stages under one mile. I'm very  
15 particular about stages. How did you get ten stages?

16 A. That would be our completion engineer who would  
17 be the expert on that.

18 Q. He told you it would take ten stages?

19 A. Yes. I asked him, and that's what he said.

20 Q. I was wondering why it's not 20 stages. I  
21 mean, I'm not working for Devon.

22 What is the TVD? Is it 7,720?

23 A. 7,720, approximately.

24 Q. And then you said that all the sections will be  
25 productive, but we don't have the net isopach map that

1 would have given us some idea of what will happen.

2 A. Correct.

3 Q. No further questions. You may step down.

4 EXAMINER EZEANYIM: What I think we're  
5 going to do is continue this, pursuant to your request,  
6 until March 6th.

7 MR. BRUCE: March 6.

8 EXAMINER EZEANYIM: The record will reflect  
9 that these two cases are continued to March 6 to allow  
10 the operator to provide more notice.

11 MR. BRUCE: Thank you.

12 (Case Numbers 15085 and 15086 conclude,  
13 8:47 a.m.)

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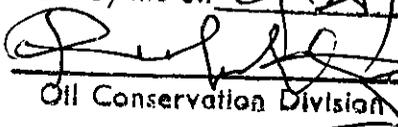
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25

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 15085  
heard by me on 2/25/14 15086  
  
Examiner  
Oil Conservation Division

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.

19

20

*Mary C. Hankins*  
MARY C. HANKINS, CCR, RPR  
Paul Baca Court Reporters, Inc.  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2014

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