

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:

ORIGINAL

CASE 15428

APPLICATION OF WPX ENERGY PRODUCTION, LLC, FOR APPROVAL
OF THE RIDGE UNIT; CREATION OF A NEW POOL FOR HORIZONTAL
DEVELOPMENT WITHIN THE UNIT AREA, AND FOR ALLOWANCE OF
330-FOOT SETBACKS FROM THE EXTERIOR OF THE PROPOSED
UNIT, SAN JUAN COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

January 21, 2016

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
SCOTT DAWSON, EXAMINER
DAVID BROOKS, LEGAL COUNSEL

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This matter came on for hearing before the
New Mexico Oil Conservation Division, MICHAEL MCMILLAN,
Chief Examiner, SCOTT DAWSON, Examiner, and DAVID
BROOKS, Legal Counsel, on January 21, 2016, at the New
Mexico Energy, Minerals, and Natural Resources
Department, Wendell Chino Building, 1220 South St.
Francis Drive, Porter Hall, Room 102, Santa Fe, New
Mexico.

REPORTED BY: ELLEN H. ALLANIC
NEW MEXICO CCR 100
CALIFORNIA CSR 8670
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A P P E A R A N C E S

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I N D E X

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3	CASE NUMBER 15428 CALLED			
4	WPX Energy Production, LLC			
5	CASE-IN-CHIEF			
6	WITNESS CHUCK BASSETT			
7	By Ms. Kessler	Direct 5	Redirect	Further
8				
9	By Mr. McMillan	Examination 11		
10	By Mr. Brooks	13		
11				
12	WITNESS SAM SHIVERICK			
13	By Ms. Kessler	Direct 17	Redirect	Further
14				
15	By Mr. McMillan	Examination 23, 25		
16	By Mr. Dawson	24		
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1 (Time noted 11:18 a.m.)

2 EXAMINER McMILLAN: Case No. 15428,
3 Application of WPX Energy Production, LLC, for Approval
4 of the Ridge Unit; Creation of a New Pool for Horizontal
5 Development Within the Unit Area, and for Allowance of
6 330-Foot Setbacks From the Exterior of the Proposed
7 Unit, San Juan County, New Mexico.

8 Call for Appearances.

9 MS. KESSLER: Mr. Examiner, Jordan Kessler
10 on behalf of the applicant from the Santa Fe Office of
11 Holland and Hart.

12 EXAMINER McMILLAN: If the witnesses would
13 please be sworn in at this time.

14 (WHEREUPON, the presenting witnesses
15 were administered the oath.)

16 MS. KESSLER: Mr. Examiner, I ask to call my
17 first witness.

18 EXAMINER McMILLAN: Okay. Please proceed.

19 CHUCK BASSETT
20 having been first duly sworn, was examined and testified
21 as follows:

22 DIRECT EXAMINATION

23 BY MS. KESSLER:

24 Q. Please state your name for the record and tell
25 the Examiner by whom you are employed and in what

1 capacity.

2 A. My name is Chuck Bassett. I am a landman for WPX
3 Energy in the San Juan Basin.

4 Q. Have you previously testified before the Oil
5 Conservation Division?

6 A. Yes.

7 Q. And were your credentials in petroleum land
8 matters accepted and made a matter of record?

9 A. Yes, they were.

10 Q. Are you familiar about the application that's
11 been filed in this case?

12 A. Yes, I am.

13 Q. And are you familiar with the status of the lands
14 in the proposed unit area?

15 A. Yes, I am.

16 MS. KESSLER: Mr. Examiner, I would tender
17 Mr. Bassett as an expert witness in --

18 EXAMINER McMILLAN: So qualified.

19 MS. KESSLER: -- land matters.

20 EXAMINER McMILLAN: So qualified.

21 Q. Mr. Bassett, please turn to Exhibit 1 and
22 identify this exhibit and describe what WPX seeks under
23 this application.

24 A. This is Exhibit A to the Ridge Unit agreement.
25 It's a plat of the unit area. And WPX is seeking

1 approval of the Ridge exploratory unit.

2 It's a voluntary exploratory unit. It contains
3 2,080 acres of federal lands. The acreage is comprised
4 of section 22, north half southeast quarter; section 23,
5 all; section 24, all; and the north half of section 25,
6 Township 24 north, Range 8 west, San Juan County, New
7 Mexico.

8 The unit encompasses both the Basin Mancos Gas
9 Pool, which is code 97232; the Lybrook, Gallup Oil Pool,
10 which is 42289. Let's see.

11 Q. And does WPX expect primarily to produce oil from
12 this unitized area?

13 A. That is correct.

14 Q. Are you also seeking 330-foot setbacks from the
15 exterior boundary of the proposed unit?

16 A. We are. We are seeking exception to the well
17 location requirements of the Basin Mancos Gas Pool.

18 Special rules for this pool require 660-foot
19 setbacks. So WPX is seeking to locate the wells no
20 closer than 330 feet from the outer boundary of the
21 unit. The Lybrook, Gallup pool requires 330-foot
22 setbacks from the outer boundary.

23 Q. Please turn to Exhibit 2. Is this a copy of the
24 unit agreement?

25 A. Yes, it is.

1 Q. Does this conform with the federal form?

2 A. It conforms with the federal form with two
3 modifications. This is for horizontal development only,
4 which is in paragraph 11 of the unit agreement.

5 Q. Is that actually in paragraph 2 --

6 A. I'm sorry.

7 Q. Paragraph 2 of page --

8 A. Yes, horizontal development only has paragraph 2
9 of the unit agreement. And it treats the entire -- the
10 entire area is one participating area, which is outlined
11 in paragraph 11 of the unit agreement, I believe. Let
12 me make sure. Yes, that's --

13 Q. And the first --

14 A. -- correct.

15 Q. -- to Division rules, will the unit area be
16 treated as a single project area?

17 A. Yes, it will. And that's outlined in paragraph
18 11 as well.

19 Q. If you turn to the first of these three yellow
20 tabs. Is this Exhibit A to the unit agreement?

21 A. Yes, it is. This is the -- this just shows the
22 unit boundary of the unit.

23 Q. Is the second yellow tab unit B to the unit
24 agreement?

25 A. It is. This is the ownership breakdown of the

1 unit.

2 Q. And, finally, is the third yellow tab unit C to
3 the unit agreement?

4 A. Yes. This is the unitized interval to the Ridge
5 Unit.

6 Q. How many leases are within the unitized area?

7 A. There are six federal leases.

8 Q. Is there any unleased acreage?

9 A. No, there is no unleased acreage.

10 Q. Does WPX hold all the interest on these leases?

11 A. We do not.

12 Q. Who are the other working interest owners?

13 A. We have Lanford, LLC. We have SFF Production.
14 We have Dugan Production, and Encana Oil and Gas.

15 Q. Are there other working interest owners that
16 agree to participate in the unit?

17 A. Yes, they have. In particular, Lanford, LLC, is
18 considering their option of either joining or selling
19 their interest to WPX.

20 Q. And you have reached some type of agreement with
21 other working interest owners?

22 A. We have a verbal agreement with the others.

23 Q. Turning to Exhibit 3, did you meet with the BLM
24 to discuss the proposed unit?

25 A. I did.

1 Q. And did the BLM provide preliminary approval of
2 the unit?

3 A. They did.

4 Q. And that is included as Exhibit 3, correct?

5 A. Correct.

6 Q. And in your discussions with the BLM, did you
7 review the nature of the unitized area and development
8 plans?

9 A. I did.

10 Q. And in discussions with BLM, did they request
11 that WPX drill an obligation well?

12 A. They did.

13 Q. I move to Exhibit 4. Have you included a copy of
14 the development plan which was presented to the BLM?

15 A. Yes.

16 Q. Can you please identify the obligation well for
17 the Examiners?

18 A. The obligation well is the Ridge Unit No. 129.

19 Q. When do you plan to drill this well?

20 A. Within six months of unit approval.

21 Q. Did you identify all of the working interest
22 owners?

23 A. Yes.

24 Q. And is Exhibit 5 an affidavit prepared by my
25 office which includes letters providing notice of this

1 application and hearing to the working interest owners
2 and offset parties?

3 A. Yes, we did.

4 Q. And was notice provided to the offset parties due
5 to the request for permission to drill 330 feet from the
6 exterior boundary of the unit area?

7 A. That's correct.

8 Q. And that would be an exception to the Basin
9 Mancos Gas Pool; is that correct?

10 A. Yes, it would.

11 Q. And you said that you expect oil production from
12 this area; is that correct?

13 A. Correct.

14 Q. Were WPX Exhibits 1 through 4 prepared by you or
15 compiled under your direction and supervision?

16 A. Yes.

17 MS. KESSLER: Mr. Examiners, I move into
18 evidence Exhibits 1 through 5, which includes my notice
19 affidavit.

20 EXAMINER McMILLAN: Exhibits 1 through 5 may
21 now be accepted as part of the record.

22 (WPX Energy Production, LLC, Exhibits 1
23 through 5 were offered and admitted.)

24 EXAMINATION BY EXAMINER McMILLAN

25 EXAMINER McMILLAN: The first question I got

1 is when I look at -- this is the Conoco map. This well
2 is within two miles of the Escrito Gallup. And it's
3 going to expand. So, really, technically, there's no
4 Basin Mancos.

5 THE WITNESS: That's news to me.

6 EXAMINER McMILLAN: What's that?

7 MS. KESSLER: Mr. Examiner, the geologist
8 has a pool map that he will be presenting as a later
9 exhibit.

10 EXAMINER McMILLAN: Okay. That's the first
11 thing I saw. And then going back to your Exhibit 4, how
12 come you don't have a well west of the 130H and how is
13 that showing conservation --

14 THE WITNESS: What number was that?

15 EXAMINER McMILLAN: The 130H --

16 THE WITNESS: We worked with the BLM on this
17 development plan. This is how they were comfortable
18 with us doing it.

19 MS. KESSLER: Mr. Examiner, also an exhibit
20 which will be presented by the geologist will show that
21 there are a substantial number of vertical wells already
22 within this unit area.

23 EXAMINER McMILLAN: Okay.

24 And if this is a federal unit, where does it
25 say in the unit agreement you have to go before the

1 OCD?

2 THE WITNESS: I don't believe that's in
3 there.

4 EXAMINER McMILLAN: This is all federal
5 acreage.

6 THE WITNESS: The BLM likes us to follow --

7 EXAMINER DAWSON: You've had federal units
8 that had all federal acreage that have come through the
9 OCD before. So I would assume that the BLM would want
10 to continue that --

11 THE WITNESS: They want to keep it
12 consistent, yes.

13 EXAMINER DAWSON: -- that way to develop
14 these units. I think they would be more comfortable
15 with these units coming through the OCD.

16 THE WITNESS: I believe that's correct.

17 EXAMINER McMILLAN: Have all the mineral
18 estates been notified?

19 THE WITNESS: Yes, they have.

20 EXAMINER McMILLAN: I don't have any further
21 questions.

22 EXAMINER DAWSON: I don't have any
23 questions.

24 EXAMINATION BY MR. BROOKS

25 MR. BROOKS: In what was this witness

1 qualified? What is your area of expertise?

2 THE WITNESS: I am a landman.

3 MR. BROOKS: That's what I thought. Can you
4 tell us what criteria was used to determine who was
5 noticed in this case?

6 THE WITNESS: Well, the rules require
7 certain methods --

8 MR. BROOKS: But what are the requirements?

9 THE WITNESS: The working interest owners --

10 MR. BROOKS: In terms of categories, who
11 were notified?

12 THE WITNESS: Working interest owners,
13 offsets.

14 MR. BROOKS: Working interest owners within
15 the unit?

16 THE WITNESS: Yes, sir.

17 MR. BROOKS: And the category of offsets was
18 defined how?

19 THE WITNESS: Within surrounding offsets,
20 any adjacent --

21 MR. BROOKS: Adjacent --

22 THE WITNESS: Adjacent --

23 MS. KESSLER: Mr. Examiner, again, the
24 reason for notifying working interest owners and
25 offsets, although working interest owners are not

1 specifically required by Division regulation to be
2 noticed for units, because we are seeking 330-foot
3 setbacks and formation of a new pool within the new
4 unit area, we did notice working interest owners to
5 the extent there were working interest owners within a
6 unit area and then offsets for the 330-foot
7 setback request.

8 MR. BROOKS: In other words, you noticed all
9 working interest owners who owned leases within 330 feet
10 of the outer boundary; is that correct?

11 MS. KESSLER: No. As I understand it and
12 Mr. Bassett compiled the notice list, the way that the
13 NSL request -- notice list was formed was based on
14 ownership within the 320-acre surrounding --

15 MR. BROOKS: Okay. Thank you. No further
16 questions.

17 EXAMINER DAWSON: In that ownership, you
18 noticed the lessees of record, correct?

19 THE WITNESS: Yes, that's correct.

20 MR. BROOKS: Let me clarify that again,
21 because that means various different things.

22 Usually you notify affected persons, and affected
23 persons means you drill down.

24 MS. KESSLER: Correct.

25 MR. BROOKS: That was what was done?

1 MS. KESSLER: That's correct. My
2 understanding is that all of these leases have working
3 interest owners that are operators.

4 THE WITNESS: Correct.

5 MS. KESSLER: So because they were operators
6 in the surrounding 320-acre tracts, those operators were
7 notified. Had there not been an operator, we would have
8 drilled down and notified --

9 MR. BROOKS: So when you answered to
10 Mr. Dawson's question that you notified lessees of
11 record, if the operator was somebody different from the
12 lessee of record, if it was state land, you would have
13 notified the operator, right?

14 MS. KESSLER: I believe it was a
15 misstatement by Mr. Bassett. I believe it was the
16 operator of the surrounding --

17 THE WITNESS: That's correct. We start with
18 the operator. If not, we go down to the lessee of
19 record. In this situation --

20 MR. BROOKS: -- you noticed the operator?

21 THE WITNESS: That's correct.

22 EXAMINER DAWSON: I have one question. On
23 the SFF, you said you are negotiating with them?

24 THE WITNESS: Lanford.

25 EXAMINER DAWSON: Oh, Lanford.

1 THE WITNESS: Lanford is committed. They'd
2 been in another unit of ours. We have a good
3 relationship with them -- Lanford, LLC.

4 EXAMINER DAWSON: And they are the only ones
5 that have not committed?

6 THE WITNESS: I mean, it is all verbal at
7 this point. But I have been in negotiations with them
8 over this. And they are either going to join or we
9 will make a -- negotiate a deal to get them out of the
10 unit.

11 EXAMINER DAWSON: Okay. Thank you.

12 MS. KESSLER: I would like to call my next
13 witness.

14 EXAMINER McMILLAN: Please proceed.

15 MS. KESSLER: Thank you.

16 SAM SHIVERICK
17 having been first duly sworn, was examined and testified
18 as follows:

19 DIRECT EXAMINATION

20 BY MS. KESSLER:

21 Q. Would you please state your name for the record
22 and tell the Examiners by whom you're employed and in
23 what capacity.

24 A. Sam Shiverick. I'm a petroleum geoscientist for
25 WPX Energy.

1 Q. Have you previously testified before the
2 Division?

3 A. I have.

4 Q. Were your credentials as a petroleum geoscientist
5 accepted and made a matter of record?

6 A. They were, yes.

7 Q. Are you familiar with the application that has
8 been filed in this case?

9 A. Yes.

10 Q. And have you conducted a geologic study of the
11 lands that are the subject of this application?

12 A. Yes, I have.

13 MS. KESSLER: Mr. Examiner, I would tender
14 Mr. Shiverick as an expert witness in petroleum
15 geoscience.

16 EXAMINER McMILLAN: So qualified.

17 Q. Are you familiar with the interval being unitized
18 for the Ridge Unit?

19 A. Yes.

20 Q. Is Exhibit 6 a type log of the well showing the
21 unitized interval?

22 A. Yes, it is.

23 Q. What is the name of that well?

24 A. This is the Bright Angel 1.

25 Q. And where is it located?

1 A. It's in 24, 8, Section 27.

2 Q. Is this the same log that was utilized as Exhibit
3 C to the unit agreement?

4 A. Yes, it is.

5 Q. And what interval is it that WPX seeks to
6 unitize?

7 A. We are seeking to unitize from the Mancos at
8 4312 measured depth to the Graneros at 6115 measured
9 depth.

10 Q. In your opinion, Mr. Shiverick, does this
11 horizon identified in Exhibit 6 extend across the
12 unitized area?

13 A. Yes.

14 Q. Have you brought structure maps and cross
15 sections to support this --

16 A. Yes, I have.

17 Q. If you can turn to Exhibit 7 and identify
18 this exhibit for the Examiners and explain what it
19 shows.

20 A. Sure.

21 Exhibit 7 is a structure map. It is a subC
22 structure map on the Mancos top, which is the top of the
23 unitized interval. And the contours run 25 feet.

24 It also shows all the vertical wells labeled
25 accordingly and the control points with the subC Mancos

1 depth plotted next to the well symbol.

2 Q. What are the blue lines?

3 A. The blue lines are two cross sections, a strike
4 cross section of C to C Prime and a dip cross section, D
5 to D Prime.

6 Q. Turning to Exhibit 8, what does this exhibit show
7 us?

8 A. Exhibit 8 is C to C Prime, and that's a strike
9 cross section across a unitized area.

10 It's represented by three Graser logs and then
11 two digital logs.

12 Q. What is the significance of the pink boxes?

13 A. The pink boxes are -- represent perforated
14 intervals within those wells. So those are holes in the
15 casing, and they are likely completed.

16 Q. What have you identified with respect to
17 consistency across the unitized area?

18 A. The unitized area appears to be consistent from
19 this cross section. You can see that from the gamma
20 ray and resistivity curves. There seems to be no big
21 change across the area characterizing the unit
22 interval.

23 Q. If you would turn to Exhibit 9. What does this
24 exhibit show us?

25 A. Exhibit 9 is a dip cross section from D to D

1 prime. So left to right, D -- sorry -- D prime is in
2 the northeast and D is in the southwest. So it is down
3 dip to the northeast, which is consistent across this
4 area. And it is represented by four logs, showing the
5 unit interval on the log to the left at full log
6 coverage.

7 Q. And you have identified thickness of formation
8 across the unitized area; is that correct?

9 A. Yup.

10 Q. Are you familiar with the pools that are
11 currently in existence within the proposed unit area?

12 A. Yes.

13 Q. Are these identified on Exhibit 10?

14 A. Yes, they are.

15 Q. What are those pools?

16 A. The Basin Mancos and the Lybrook, Gallup Pools.

17 Q. Are the reservoir fluids consistent between the
18 pools in the unitized area?

19 A. Yes, they are.

20 Q. Does that mean that they are compatible?

21 A. Yes.

22 Q. And WPX is expecting these wells to be primarily
23 oil wells, correct?

24 A. Yes, we are.

25 Q. Are the technical characteristics of the

1 hydrocarbons within the current pools in the unitized
2 area essentially identical?

3 A. Yes.

4 Q. Are the pools within the same vertical horizon?

5 A. Yes.

6 Q. And will the pressure gradients be relatively the
7 same within the unitized area?

8 A. Yes.

9 Q. Will the combination of the unitized interval
10 into one single pool for the purposes of horizontal
11 development result in any waste or loss of reserves?

12 A. No.

13 Q. And in your opinion will WPX's request to create
14 a new pool within the unit area for horizontal
15 development prevent waste?

16 A. Yes.

17 Q. In your opinion, is it in the best interests of
18 conservation and prevention of waste to create a single
19 pool for horizontal development within the proposed unit
20 area?

21 A. Yes.

22 Q. And were Exhibits 6 through 10 prepared by you or
23 compiled under your direction and supervision?

24 A. Yes, they were.

25 MS. KESSLER: Mr. Examiner, I move the

1 admission of Exhibits 6 through 10.

2 EXAMINER McMILLAN: Exhibits 6 through 10
3 may now be accepted as part of the record.

4 (WPX Energy Production, LLC, Exhibits 6
5 through 10 were offered and admitted.)

6 EXAMINATION BY EXAMINER McMILLAN

7 EXAMINER McMILLAN: Okay. Would you object
8 if an offset operator drilled -- had a project area
9 commencing 330 foot from your unit?

10 THE WITNESS: If they were outside of our
11 unit and they honored the 330-foot setback on their side
12 of the lease, no.

13 EXAMINER McMILLAN: Okay. And let's see.
14 On the unit boundary, where you showed your plan of
15 development --

16 THE WITNESS: Yup.

17 EXAMINER McMILLAN: -- why aren't you able
18 to develop west of the 130H -- what number is that?

19 MS. KESSLER: Exhibit 4, I believe you are
20 looking at, Mr. Examiner.

21 EXAMINER DAWSON: Yes, Exhibit 4.

22 THE WITNESS: West of the 130?

23 EXAMINER McMILLAN: Yes, the 130H.

24 EXAMINER DAWSON: I think he is asking about
25 the northwest quarter of section 22 of 24 north, 7 west.

1 And I would also like to ask about the southeast quarter
2 of that section 22 of 24 north, 7 west.

3 THE WITNESS: I guess there is a two-part
4 answer here. I will start with the second question
5 because I think it also relates to the first question.

6 If you look at Exhibit 7, there's an awful
7 lot of vertical wells that have depleted some of the
8 unitized interval within this unit. So that's what is
9 going on in the southeast corner of section 22.

10 And that's also why some of these laterals
11 are cut short, because there's a lot of vertical
12 depletion to the south. Does that make sense?

13 EXAMINER DAWSON: Yes.

14 EXAMINER McMILLAN: Yes.

15 EXAMINATION BY EXAMINER DAWSON

16 EXAMINER DAWSON: In the southwest quarter
17 of section 22 again of 24 north, 7 west, there's a
18 couple of Anderson wells there. Are those still
19 producing?

20 THE WITNESS: From this map, it appears they
21 are, and we have the most up-to-date well symbols in our
22 project. So without knowing in detail, I would say,
23 yes, it appears they are.

24 EXAMINER DAWSON: Are those WPX wells?

25 THE WITNESS: I don't believe they are.

1 EXAMINER DAWSON: Okay.

2 EXAMINATION BY EXAMINER McMILLAN

3 EXAMINER McMILLAN: How did you figure out
4 it was in the Basin Mancos?

5 THE WITNESS: Is the question how did we
6 figure out the Basin Mancos' outline?

7 EXAMINER McMILLAN: Yes. And not in the
8 Escrito.

9 THE WITNESS: That's just from the pool maps
10 we have. Are you suggesting they are out of date or we
11 had the wrong information?

12 EXAMINER McMILLAN: I am curious why you
13 didn't include the Escrito.

14 MS. KESSLER: Mr. Examiner, is Escrito a
15 frozen pool?

16 EXAMINER McMILLAN: No, it is not. That's
17 one thing to keep in mind when you look at your next
18 application. Pay attention to that.

19 Go ahead if you have questions.

20 EXAMINER DAWSON: I have no further
21 questions.

22 EXAMINER McMILLAN: Anything?

23 MR. BROOKS: No questions at this time.

24 EXAMINER McMILLAN: Okay.

25 With that in mind, case No. 15428 shall be

1 taken under advisement and we are adjourned for
2 lunch.

3

4

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(Time noted 11:43 a.m.)

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I do hereby certify that the foregoing is
a correct record of the proceedings in
the aforesaid hearing of Case No. _____,
heard by me on _____.

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_____, Examiner
Oil Conservation Division

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1 STATE OF NEW MEXICO)
 2) ss.
 3 COUNTY OF BERNALILLO)
 4
 5
 6

7 REPORTER'S CERTIFICATE

8
 9 I, ELLEN H. ALLANIC, New Mexico Reporter CCR
 10 No. 100, DO HEREBY CERTIFY that on Thursday, January 21,
 11 2016, the proceedings in the above-captioned matter were
 12 taken before me, that I did report in stenographic
 13 shorthand the proceedings set forth herein, and the
 14 foregoing pages are a true and correct transcription to
 15 the best of my ability and control.

16
 17 I FURTHER CERTIFY that I am neither employed by
 18 nor related to nor contracted with (unless excepted by
 19 the rules) any of the parties or attorneys in this case,
 20 and that I have no interest whatsoever in the final
 21 disposition of this case in any court.

22
 23
 24
 25


ELLEN H. ALLANIC, CSR
 NM Certified Court Reporter No. 100
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