

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:)

CASE NO. 13,983

APPLICATION OF RANGE OPERATING NEW)
MEXICO, INC., FOR EMERGENCY PERMISSION)
FOR SURFACE COMMINGLING AND OFFSET LEASE)
SALES, LEA COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Jr., Hearing Examiner

August 23rd, 2007

Santa Fe, New Mexico

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This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Jr., Hearing Examiner, on Thursday, August 23rd, 2007, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

I N D E X

August 23rd, 2007
Examiner Hearing
CASE NO. 13,983

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* * *

Additional submission by Range, not offered or admitted:

Identified

Order No. R-12,800

6

* * *

A P P E A R A N C E S

FOR THE APPLICANT:

KELLAHIN & KELLAHIN
 117 N. Guadalupe
 P.O. Box 2265
 Santa Fe, New Mexico 87504-2265
 By: W. THOMAS KELLAHIN

* * *

1 WHEREUPON, the following proceedings were had at
2 3:03 p.m.:

3 EXAMINER BROOKS: At this time we'll call Case
4 Number 13,983, the Application of Range Operating New
5 Mexico, Inc., for emergency permission for surface
6 commingling and offset lease sales, Lea County, New Mexico.

7 Call for appearances.

8 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
9 the Santa Fe law firm of Kellahin and Kellahin, appearing
10 this afternoon on behalf of Range, and I have one witness
11 to be sworn.

12 EXAMINER BROOKS: Will the witness identify
13 herself, please?

14 MS. POINDEXTER: Deanna Poindexter.

15 EXAMINER BROOKS: Okay, please swear the witness.

16 (Thereupon, the witness was sworn.)

17 EXAMINER BROOKS: You may proceed.

18 MR. KELLAHIN: Thank you, Mr. Examiner.

19 Mr. Examiner, Mrs. Poindexter and I are here
20 before you this afternoon to ask you to extend an emergency
21 order that the Division entered on August 13th. Prior to
22 that, Mrs. Poindexter and I filed a verified application
23 seeking an original order in this matter.

24 Range had 46 wells that had been shut in due to a
25 pipeline rupture that occurred on a line that is owned and

1 operated by Southern Union, and with your assistance and of
2 Mr. Jones we processed last week, or the week before, an
3 application for an emergency order.

4 That order will expire 15 days after the 13th of
5 August.

6 As you have requested, we have put this case on
7 the docket for hearing today in an effort to ask you to
8 extend it for an additional temporary period, and to have
9 Mrs. Poindexter lead you through a summary of what has
10 happened, what is the status now, and what is the
11 continuing risk to her production that she manages for
12 Range until we can get in place an application for approval
13 of an alternative routing method for these wells.

14 The concept is that once the line is stabilized
15 with further repairs, we will return to the configuration
16 that the wells had before the rupture. But as a backup
17 plan, because the likelihood of additional ruptures in this
18 line is significant, she wants to have the flexibility to
19 have an alternative means to get this production to a sales
20 point.

21 Mrs. Poindexter is the engineering manager for
22 Range for this property. This is her responsibility, this
23 is her project, and this has been her problem.

24 As a consequence of having the well shut in,
25 Range had to postpone production that had a total value of

1 approximately \$800,000. It's a significant portion of
2 their operation in this area, and it matters considerable
3 to them that we have some means to protect them if this
4 problem continues.

5 To aid you in understanding to the level that you
6 care to quiz Mrs. Poindexter on her project, we have
7 provided you first of all the emergency order, and it
8 describes correctly the various circumstances that took us
9 up to the present time.

10 And with your permission, then, I will introduce
11 Mrs. Poindexter, and we're going to start at a point in
12 time with the locator map, Exhibit Number 1, and this will
13 show you the circumstances that occurred at the time that
14 she and I came to the Division for the emergency order.

15 EXAMINER BROOKS: Okay, you may proceed.

16 DEANNA POINDEXTER,
17 the witness herein, after having been first duly sworn upon
18 her oath, was examined and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. KELLAHIN:

21 Q. Mrs. Poindexter, for the record, ma'am, would you
22 please state your name and occupation?

23 A. Deanna Poindexter, district engineer of the
24 Eunice, New Mexico, operating area.

25 Q. And where do you reside?

1 A. Fort Worth, Texas.

2 Q. As part of your duties for Range, are you the
3 managing engineer for this project area?

4 A. Yes, sir.

5 Q. Have you testified on prior occasions?

6 A. Not in New Mexico.

7 Q. Summarize for Mr. Brooks your educational
8 background that leads to your expertise as an engineer.

9 A. I have my bachelor's of engineering degree in
10 chemical engineering from Texas A&M, Kingsville, graduated
11 in 2002.

12 Q. After graduation you have been employed in the
13 industry?

14 A. Yes, and prior to via internships.

15 Q. Currently, describe for us your general
16 assignment with regard to the project we're about to talk
17 about.

18 A. As the district engineer, I'm responsible for
19 production, completions, workovers and daily operations in
20 this field, making sure that everything operates at a
21 hundred percent.

22 Q. The exhibits and information we're about to
23 discuss, is this information that you have compiled or used
24 your sources to compile?

25 A. Yes.

1 MR. KELLAHIN: We tender Mrs. Poindexter as an
2 expert reservoir engineer.

3 EXAMINER BROOKS: So qualified.

4 Q. (By Mr. Kellahin) Ms. Poindexter, let's start
5 with what is marked as Exhibit Number 1. Before we talk
6 about the specific details, will you give us a general
7 understanding of what it is we're looking at?

8 A. Yes, Exhibit Number 1 is a map that Southern
9 Union provided Range Resources, and what you have outlined
10 in the black area is the majority of our property outside
11 of Eunice. This is located about two to two and a half
12 miles southwest of the actual of Eunice.

13 What we're seeing here is your dark green line
14 that runs northeast to southwest [sic], is the 10-inch
15 pipeline in question, and the highlighted part of it that's
16 highlighted in yellow is for 7000 feet of replaced pipeline
17 that Southern Union replaced. And the leases that are
18 blocked and highlighted in yellow are the leases that were
19 shut in due to that pipeline repair.

20 Q. Let me take a moment and see how we can show Mr.
21 Brooks the further details of the display. When you look
22 at the 10-inch pipeline that is running from a field
23 compression site over there in the northwest that's in the
24 gray --

25 A. Uh-huh.

1 Q. -- it says the West Eunice Compression --

2 A. Uh-huh.

3 Q. -- from that point start following the green
4 line, which is the 10-inch Southern Union line that had the
5 failure. And as we move from northwest to southeast is
6 that the direction of flow of the gas in that pipeline?

7 A. Yes, it is.

8 Q. The initial rupture of the line occurred
9 somewhere in the area that's identified by the -- I'm not
10 good with colors. What color would you call that?

11 A. Let's call it orange.

12 Q. It's close enough to orange for me. That is an
13 approximate distance of 7000 feet?

14 A. Yes.

15 Q. Approximately where on line is it your
16 understanding that the line ruptured?

17 A. From our understanding, the original rupture that
18 was noticed via sight by Southern Union employees driving
19 around was at the southwest [sic] end of that orange
20 section.

21 Q. Approximately what --

22 A. Southeast.

23 Q. Approximately what date did that occur?

24 A. That was Friday, August 3rd.

25 Q. As a result of that, were you notified that

1 Southern Union wanted Range to shut in certain wells?

2 A. Yes, they called our field office that afternoon,
3 Friday, August 3rd, advising that they had found a rupture
4 in their pipeline and that we would need to shut in all of
5 our wells going to that pipeline so they could investigate
6 the extent of it.

7 Q. The areas where you have wells that were shut in,
8 are those areas identified by the red dots that are then
9 contained within the yellow outlined areas?

10 A. Exactly.

11 Q. For each of those areas that's contained in a
12 yellow outline, summarize for Mr. Brooks how you had been
13 gathering that production and sending it to sales.

14 Q. Uh-huh, each of these leases that's contained
15 within the yellow outline is gathered at a central facility
16 where oil, water and gas all come into the facility. The
17 oil, water and gas are separated.

18 Oil is stored in tanks on location, and it is
19 picked up via truck and it is sold via truck off of
20 location.

21 The water is stored on location, but it's also
22 connected to an SWD system, so it's a continual disposal
23 process.

24 And the gas goes through an allocation meter and
25 then through a sales meter on that battery location for

1 each lease.

2 Q. Let me use a simpler example. If you look over
3 in Sections 6 and 7, there are three tracts that are
4 outlined in black that are in the yellow and have the red
5 well symbols. If you take the center one, there's a series
6 of red dots. And in the middle of that is a light-colored
7 green circle.

8 A. Yes.

9 Q. What does that represent?

10 A. That is the sales point where the gas off that
11 lease is sold and it's then directed up north of that lease
12 into that 10-inch pipeline.

13 Q. As we look at each individual lease, is there
14 common ownership for that property, regardless of the
15 number of wells associated with that tract?

16 A. Yes.

17 Q. So it's gathered at a central battery point or a
18 collection point within the lease, it --

19 A. Uh-huh.

20 Q. Is there an allocation meter there?

21 A. Yes, for each lease.

22 Q. So there's an allocation and a sales point at the
23 battery?

24 A. Uh-huh.

25 Q. And then for this one we're looking at, that gas

1 production -- it's the gas, it's the casinghead gas
2 associated with the oil?

3 A. Yes.

4 Q. Casinghead gas, then, is moved north, and it
5 would have made a point of connection with the 10-inch
6 line?

7 A. Yes.

8 Q. When the line failed, what did Southern Union do
9 to block off the 10-inch line?

10 A. They have valves that they can close to isolate
11 the line from the compressor stations.

12 Q. So when the gas in the 10-inch line was
13 isolated --

14 A. Uh-huh.

15 Q. -- so they could re-route the gas, where was the
16 point in the northwest portion of the line that they turned
17 the valve to isolate the gas? Is that over at the
18 compression station?

19 A. To the best of my knowledge.

20 Q. So they'll take some field action to keep further
21 product that's in the 10-inch line from flowing to the
22 south?

23 A. Yes. They would have isolated it both on the
24 northwest and on the southeast.

25 Q. Okay. After that was initially isolated and your

1 47 wells were taken off line, what then did Southern Union
2 advise you that they were doing about the line failure?

3 A. They started the process of digging around the
4 line to discover the extent of the rupture. The more they
5 dug -- this led into -- from Friday, August the 3rd, into
6 Saturday and into Sunday. By Monday they were able to give
7 us a better understanding of what they had found, which was
8 about 7000 feet of damage in the pipeline. It is a 50-
9 year-old pipeline that is definitely showing its age, and
10 at that point they were giving us an estimate that a repair
11 would probably take until August 20th, if not until August
12 30th.

13 Q. So on the 13th of August you had obtained with my
14 assistance an emergency order from the Division?

15 A. That's correct.

16 Q. And you've seen that, and we've got it here
17 today?

18 A. Yes.

19 Q. The 13th of August, I believe, was a Monday?

20 A. Yes.

21 Q. It was a week ago Monday. During that weekend we
22 have obtained verbal approval for you to go ahead and start
23 laying your plastic lines as an alternate routing system
24 for the shut-in gas?

25 A. Yes.

1 Q. Did you do that?

2 A. Yes, we did.

3 Q. Does that continue to be your alternative means
4 by which you'll take this gas to a sales point?

5 A. Yes. If we get shut in again on this 10-inch
6 pipeline, those lines are in place as an alternative means
7 to secure sales.

8 Q. We'll tell Mr. Brooks in a moment exactly how
9 that works.

10 A. Okay.

11 Q. But by the end of the weekend, then, you had
12 those lines on the ground --

13 A. Uh-huh.

14 Q. -- you were not yet hooked in, ready to make
15 sales, were you?

16 A. No. No, we just had them on the ground ready to
17 go, but we had not connected them to anything.

18 Q. On Monday the 13th, then, the order was issued,
19 and you received it the next day on the 14th?

20 A. Yes.

21 Q. What then did you do?

22 A. After receiving the order, that same day we had
23 received notice from Southern Union that they had finished
24 repairing the line, but they were watching it very closely.
25 And they notified Range that they could turn on a certain

1 number of wells. And they notified us, with the caution of
2 being very careful, because they were watching the line and
3 they were watching their pressures, for fear of another
4 rupture somewhere along the line, not in the section that
5 was replaced.

6 Q. What Southern Union individual are you working
7 with from their side of this problem?

8 A. Craig Knight.

9 Q. And what does he do?

10 A. He's their director of gas marketing.

11 Q. So Mr. Knight would call you and say, Go ahead
12 and turn on a couple more wells, and let's see what
13 happens?

14 A. Yes, I was corresponding with him, as well as
15 Southern Union field personnel were corresponding with my
16 field personnel, so it was on two levels.

17 Q. Before the rupture when the 10-inch line was in
18 use, do you have an understanding of what the general
19 pressure was in that line?

20 A. It ran about 50 pounds.

21 Q. And why does it run so low?

22 A. The wells in this area need that low pressure to
23 move gas.

24 Q. When the low-pressure gas goes to some point,
25 then, and it is -- the pressure is then increased at a

1 compression station?

2 A. Yes, this 10-inch pipeline flows to the southeast
3 to the gray box. It's also known as the Boyd compression
4 station, so it feeds into that compression station, where
5 it's then pressured up and sent further downline to their
6 gas-processing plant.

7 Q. When we look at Exhibit 1, the Boyd compression
8 station is the square rectangle in the far southern, right-
9 hand corner?

10 A. Yes.

11 Q. So by the end of last week were you able to, with
12 their assistance, get your production restored on your 46
13 wells?

14 A. Yes, that took us about three days, and Southern
15 Union watching their pipeline, before we were able to have
16 everything open and flowing down the line again.

17 Q. Do you and Southern Union continue to share a
18 concern about the likelihood of additional ruptures in this
19 system?

20 A. Yes.

21 Q. In that regard, what process are you taking to
22 make more permanent the alternative means of sales that has
23 been approved by the BLM and the Oil Conservation Division
24 so that you can have in place not only the original means
25 of allocation and sales but a backup system that you're

1 authorized to use in the event of further emergencies?

2 A. We are pursuing the administrative permit through
3 the OCD and the BLM for off-lease commingling that would
4 allow us to use the 3-inch poly lines that were laid. In
5 the event that the 10-inch pipeline does rupture, we do
6 have a permit from both entities to off-lease commingle and
7 get the gas to sales, which would only be used in the event
8 of a pipeline rupture.

9 Q. Your emergency order, unless extended, is due to
10 expire on the 28th of this month?

11 A. That's correct.

12 Q. If Examiner Brooks chooses to extend the
13 emergency order after this hearing, what is the general
14 period of time that you want to have the emergency in place
15 until you're satisfied that you have filed and given the
16 regulators time to review and then approve this alternative
17 means of transport and sale?

18 A. We would like about a 30-day extension, given the
19 processing that we've corresponded with the OCD and the BLM
20 and the time-frame that they need to process our request.

21 Q. Let me have you set aside Exhibit Number 1 for a
22 moment, and let's identify for Mr. Brooks what you've shown
23 as Exhibit Number 2. What's this?

24 A. This is a list of every well that was shut in due
25 to that 10-inch pipeline rupture, with corresponding API

1 numbers, pool, pool numbers, location.

2 Q. Have you corrected and reproduced what is shown
3 as Exhibit Number 2 in view of the request made to you a
4 week ago by Mr. Jones to correspondingly allocate the
5 spreadsheet so that he would have it in a form that he
6 wanted it in?

7 A. Yes.

8 Q. You've added the necessary changes that Mr. Jones
9 wanted to have?

10 A. Yes, I did.

11 Q. And so if Mr. Brooks relies on this exhibit, he's
12 relying on your best understanding of the correct
13 information that affects the 46 wells?

14 A. Yes.

15 Q. If you'll turn with me now, Mrs. Poindexter,
16 let's look at what is marked as Exhibit Number 3 and have
17 you help me describe to Mr. Brooks the alternative means of
18 sales that you're seeking to ultimately have approved.

19 A. Uh-huh. The purple lines with the arrows are
20 indicative of the 3-inch poly lines that have been laid to
21 move gas on a temporary basis. The arrows are indicating
22 direction of flow. And what you see here is that we are
23 going to two alterative sales points, one of them being on
24 the northeast side of our property. That particular lease
25 where that purple line ends is our Brunson lease, and it

1 goes to an alternative sales point other than that 10-inch
2 pipeline.

3 And the second active sales point would be our
4 Simmons lease, which is located in Section 5, and that's
5 the north lease in Section 5, and that lease also goes to a
6 different pipeline, other than the 10-inch.

7 Q. Let's take a moment and do that again, because I
8 have trouble seeing this. Let me step back a moment.
9 Let's pass Exhibit 3, and if you'll pull out Exhibit 4 and
10 5 --

11 A. Yes.

12 Q. -- let's use these to more specifically describe
13 to Mr. Brooks the way to see this.

14 A. Yes.

15 Q. Starting with Exhibit Number 4, then, you've
16 identified one of these configurations to be associated
17 with the Brunson tract??

18 A. Yes.

19 Q. Now if we go back to Exhibit 3, the Brunson tract
20 is the one on Exhibit 3 that is --

21 A. -- in Section 4.

22 Q. -- Section 4.

23 A. Uh-huh.

24 Q. So now take the Exhibit 4 and describe for us
25 what it means when you gather this gas and move it to this

1 noted sale point.

2 A. Uh-huh. You'll note here that what we would like
3 to do in this instance is move our gas off of our Greenwood
4 lease, which is located in the south half of Section 9, and
5 from our Penrose lease, which is just north of the
6 Greenwood, combine those two streams and move them up to
7 the Brunson.

8 In each particular case, the temporary poly line
9 would be connected downstream of the allocation meter but
10 upstream of that individual lease's sales meter, such that
11 we would have an allocation number for each lease before
12 it's sent north up to the Brunson lease, where it would
13 then be tied into -- downstream of the Brunson's allocation
14 meter, yet upstream of the Brunson sales meter, so that all
15 the gas would go through the sales meter on the Brunson
16 lease.

17 Q. Now come back to Exhibit 3, and let's take the
18 gas from the Brunson collection point in Section 4, and
19 show Mr. Brooks how you're going to take it to a point in
20 the Southern Union system that bypasses the failing 10-inch
21 line.

22 A. Uh-huh.

23 Q. Show Mr. Brooks how that happens.

24 A. You'll notice where that purple line ends in that
25 Brunson lease in Section 4, there's a light-blue line that

1 begins, and it heads north out of that lease and intersects
2 a pipeline that runs along the north section line of
3 Section 4. That is the pipeline that takes sales gas away
4 from Range and up to Southern Union.

5 And what we can't see here because it's off the
6 scale of this map -- it's north of this, but this gas
7 travels north into what they call their south Eunice
8 system. It then travels west and then comes back down
9 south to that west Eunice compression station.

10 That west Eunice compression station is a high-
11 pressure compression station that takes all the gas that
12 feeds into it, boosts it up to a high pressure and sends it
13 down that red pipeline that you see running south along the
14 township line. And that runs all the way south to their
15 Jal plant, so it circumvents that 10-inch pipeline.

16 Q. Come back to the Brunson example.

17 A. Uh-huh.

18 Q. As the gas then goes north to the east-west line
19 that's running along the section line --

20 A. Yes.

21 Q. -- there's already gas in that line, right?

22 A. Correct.

23 Q. Is the introduction of the additional gas from
24 your 46 wells through this alternative means displacing
25 anybody else's gas in that line?

1 A. No, Southern Union has capacity in that line to
2 accommodate our needs.

3 Q. At these various points when you have gas
4 production that would be commingled at a point, prior to
5 commingling there's a way to track that gas volume back to
6 groups of owners that have common ownership?

7 A. Yes, via the allocation meters on each battery.

8 Q. And then as we get into the temporary replacement
9 line along the section line that runs east and west, are
10 you satisfied that there's in-place allocations of that gas
11 so that everybody eventually gets allocated their
12 proportionate share of all appropriate gas?

13 A. Yes.

14 Q. Come back now to Exhibit Number 5. This was the
15 illustration of how you are going to have an alternate
16 means of gathering and sale for the facility that you
17 identified as the Simmons tract?

18 A. Yes.

19 Q. Taking Exhibit 5, show us how this one functions.

20 A. Okay, right here we are trying to take the
21 Grizzell B, which is located in Section 8, and bring that
22 up north through the Grizzell tract, which is located in
23 Section 5, which would flow up north to the Simmons
24 battery, which is also located in Section 5.

25 And Section 6 is the tank battery for the Elliott

1 B Federal lease, which would then flow east to the Simmons.
2 And the Grizzell A lease, the gas from that central tank
3 battery would come south, intersect with that line, and
4 would also join that gas flowing east into the Simmons.

5 Again, as in the prior situation, each central
6 tank battery is gathered in the exact same way with all
7 separation of oil, gas and water taking place on lease at
8 the battery, all the gas going through an allocation meter
9 on each lease before it would be sent down that temporary
10 sales line, or before it even goes through its sales meter
11 on location.

12 Q. When we talk about the volume of gas associated
13 with the shut-in wells, the 46 wells, on a daily basis can
14 you give us a general approximation of the total volume of
15 that gas from the 46 wells?

16 A. On a gross basis it's about 9.9 million cubic
17 feet a day.

18 Q. And on a daily basis, what is the gross value of
19 that gas?

20 A. Approximately \$80,000.

21 Q. As a result of the shut-in, there was a period of
22 time in which you did in fact not produce?

23 A. Exactly.

24 Q. That was what, approximately 10 days?

25 A. Exactly.

1 Q. So we're looking at postponed production if
2 \$800,000?

3 A. Yes.

4 Q. Do you have some details that give Mr. Brooks
5 more information about the product being produced from the
6 46 wells? Let me direct your attention to Exhibit Number
7 6.

8 A. Yes.

9 Q. What are we looking at here?

10 A. We are looking at the summary of individual lease
11 production that I drew up once we realized what leases
12 would be shut in due to the pipeline rupture, so that we
13 could look at this on both a gross and a net basis of our
14 total impact.

15 And then the two boxes towards the bottom of the
16 page are the -- it's how it would be broken up, to send the
17 different shut-in leases to active sales points.

18 Q. If you're sitting in Fort Worth, how do you make
19 this happen in the field?

20 A. Phone calls.

21 Q. There are field people on site --

22 A. Yes.

23 Q. -- at this property that --

24 A. Yes.

25 Q. -- you're in contact with, either by phone or --

1 A. -- or e-mail, yes.

2 Q. -- or computer, so that you can have these
3 managed under your control --

4 A. Yes.

5 Q. -- even though you're not on site?

6 A. Exactly.

7 Q. Let's come back to your future filings. We
8 talked about a temporary extension of the emergency order
9 for 30 days. I want to make sure you're comfortable with
10 30 days.

11 A. Yes, we --

12 Q. Show Mr. Brooks the documents that you need to
13 now complete -- You've started on doing this, have you not?

14 A. Yes, we have started this paperwork in our
15 office, and --

16 Q. Let's turn to Exhibit 7 and have you describe
17 what you're doing.

18 A. Yes, starting with Exhibit 7, that front page is
19 the page that we have to fill out and then provide the
20 necessary attachments to for the Oil Conservation Division
21 for surface commingling, specifically off-lease
22 commingling.

23 And then pages 2 and 3 are the criteria from the
24 BLM on what it would take for us to apply for a permit for
25 off-lease commingling. We have started this process in-

1 house, compiling all the necessary data, and we hope to be
2 able to submit this to both entities by Wednesday of this
3 coming week.

4 Q. Do you have experience with the length of time it
5 takes the Bureau of Management to process this kind of
6 thing?

7 A. We have not done this with them before, but we
8 have talked to our contacts within the BLM, and they've
9 notified us that from the time they receive it on their
10 desk it would take them about 30 days to process the
11 request.

12 Q. So if Mr. Brooks is considering an extension of
13 your emergency order, let's make sure we're talking the
14 same thing.

15 A. Uh-huh.

16 Q. Are you talking about 30 days onto the end of the
17 date it would expire at this point?

18 A. Yes, 30 days from August 28th.

19 Q. Do you think that will give you -- That's about
20 six weeks then?

21 A. Yes.

22 Q. That will give you enough time to get this done?

23 A. Yes.

24 Q. Okay. Let's turn now to the parties that you've
25 sent notice to, Mrs. Poindexter.

1 A. Uh-huh.

2 Q. Okay, let's look at your affidavit, which is
3 marked Exhibit Number --

4 A. -- 8.

5 Q. -- 8, and after the certificate is a letter I
6 prepared for you to use. It's dated August 14th. Did you
7 help me write this?

8 A. Yes.

9 Q. Did you provide the fact situation that's
10 describing this incident to the parties for whom notice was
11 sent?

12 A. Yes, I did.

13 Q. And when did you actually send this out?

14 A. This was sent out Tuesday, August 14th.

15 Q. You had not yet received and compiled all the
16 green cards?

17 A. No.

18 Q. Can you, with the assistance of this affidavit,
19 show Mr. Brooks the parties that were sent the notice and
20 where their ownership is in relation to what you're trying
21 to tell them about?

22 A. Yes.

23 Q. Let's do that.

24 A. Okay, at the beginning of the interest owner
25 list, the Brunson lease, those are the interest owners of

1 interest here. The Brunson lease was included because it
2 would be an active sales point, where off-lease gas would
3 come in and be commingled before the sales meter but after
4 the allocation meter.

5 You'll then note that the Cole State was crossed
6 out. This is not a lease that should have been included on
7 the interest owner list.

8 The Elliott B Federal was included. You'll note
9 from Exhibit 5 that it was a shut-in lease that would be
10 involved in this and would have its gas moved off lease for
11 commingling before a sales point.

12 The Greenwood was involved, in Exhibit 4. It was
13 a shut-in lease that would have its gas moved off lease for
14 sales.

15 And then flipping two or three pages we come to
16 the Grizzell lease, which is back on Exhibit 5. It would
17 have its gas moved off lease, since it was shut in due to
18 the pipeline rupture.

19 The Grizzell A lease, on the next page, also on
20 Exhibit 5, is another lease that was shut in that would
21 have its gas moved off lease for commingling before a sales
22 point.

23 The next page is Grizzell B, also found on
24 Exhibit 5. Same situation, the lease would be shut in due
25 to the pipeline rupture and would have its gas moved off

1 lease before a sales point.

2 The Penrose was included. It was on Exhibit 4.
3 Another lease that was shut in and would have its gas moved
4 off lease before a sales point.

5 And then the Simmons lease was included with its
6 interest owners, and it was noted on Exhibit 5 because it
7 would have its gas commingled with off lease gas before the
8 sales point but after the allocation point.

9 Q. I know that notices were only sent out nine days
10 ago, but have you received any phone calls from any of
11 these individuals or entities about your project?

12 A. Yes, I received one phone call, and they were
13 asking us for the details of what happened and what
14 transpired that led to this point, and I told them our
15 situation and where we were, and they were pleased with the
16 response and said thank you very much, and that was the end
17 of that conversation.

18 Q. Have you had any conversations that you would
19 characterize as objection to what you're doing?

20 A. No, no.

21 Q. In fact, you're using your best effort to protect
22 these interest owners, aren't you?

23 A. Exactly.

24 MR. KELLAHIN: That concludes my examination of
25 this witness, and we move the introduction of her Exhibits

1 1 through 8.

2 EXAMINER BROOKS: Exhibits 1 through 8 are
3 admitted.

4 I guess my only question is, I'm not sure -- I
5 would have some reservations about whether the 30-day
6 extension was actually adequate, given that the expiration
7 is less than a week off at this point.

8 MR. KELLAHIN: I'm nervous about that too. I
9 think the witness is pretty optimistic. And I've dealt
10 with the BLM, and they don't always do things in 30 days.

11 EXAMINER BROOKS: I'm thinking maybe it would be
12 better to extend it for 60 days.

13 MR. KELLAHIN: I think so, and we'll keep you
14 informed. If it looks like we're getting up against a
15 deadline, we'll tell you.

16 In addition, the notice letter, in order to give
17 these people the full 20 days, we did advise them in the
18 letter that if they had any objection, they needed to file
19 it in writing with the Division by September 2nd -- or
20 September 3rd. So we gave them an additional notice period
21 in the letter.

22 EXAMINER BROOKS: Okay, very good. Well, at this
23 time, then, Case Number 13,983 will be taken under
24 advisement, and we'll try to get an extension order in
25 place before the emergency order runs out.

1 MR. KELLAHIN: Thank you, Mr. Brooks.

2 THE WITNESS: Thank you.

3 EXAMINER BROOKS: Okay, we'll stand adjourned.

4 (Thereupon, these proceedings were concluded at

5 3:38 p.m.)

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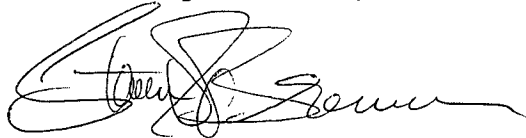
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL August 24th, 2007.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010