

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)

APPLICATION OF ARCH PETROLEUM, INC.,)
FOR APPROVAL OF LEASE COMMINGLING,)
LEA COUNTY, NEW MEXICO)

APPLICATION OF ARCH PETROLEUM, INC.,)
FOR APPROVAL OF LEASE COMMINGLING,)
LEA COUNTY, NEW MEXICO)

RECEIVED

OCT 2 2003

Oil Conservation Division
CASE NOS. 13,150

and 13,151

(Consolidated)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

BEFORE: WILLIAM V. JONES, JR., Hearing Examiner

September 18th, 2003

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, September 18th, 2003, 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
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I N D E X

September 18th, 2003
 Examiner Hearing
 CASE NOS. 13,150 and 13,151 (Consolidated)

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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Attorney at Law
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* * *

1 WHEREUPON, the following proceedings were had at
2 9:00 a.m.:

3 EXAMINER JONES: Call Case Number 13,150,
4 Application of Arch Petroleum, Inc., for approval of lease
5 commingling, Lea County, New Mexico.

6 Do you want to combine these two cases?

7 MR. BRUCE: Yes, Mr. Examiner, please.

8 EXAMINER JONES: So let's also call Case 13,151,
9 Application of Arch Petroleum, Inc., for approval of lease
10 commingling, Lea County, New Mexico.

11 Call for appearances in these two cases.

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

14 EXAMINER JONES: Any other appearances? There
15 being none, will the witnesses please stand to be sworn in?

16 (Thereupon, the witnesses were sworn.)

17 THOMAS LAND,
18 the witness herein, after having been first duly sworn upon
19 his oath, was examined and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. BRUCE:

22 Q. Would you please state your name for the record?

23 A. Thomas Land, L-a-n-d.

24 Q. Where do you reside?

25 A. Midland, Texas.

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

2 A. I work for Arch Petroleum as a contract landman.

3 Q. Okay, and Arch Petroleum is a -- what? A wholly
4 owned subsidiary of Pogo Producing Company?

5 A. Yes, sir.

6 Q. Have you previously testified before the Division
7 as a landman?

8 A. Yes, sir.

9 Q. And were your credentials as an expert accepted
10 as a matter of record?

11 A. Yes, sir.

12 Q. And are you familiar with the land matters
13 involved in this Application?

14 A. Yes.

15 MR. BRUCE: Mr. Examiner, I tender Mr. Land as an
16 expert petroleum landman.

17 EXAMINER JONES: Mr. Land is so qualified.

18 MR. BRUCE: He does have the appropriate name for
19 it, after all.

20 THE WITNESS: Born and bred.

21 EXAMINER JONES: You knew that was coming up.

22 (Laughter)

23 THE WITNESS: It's easy to remember.

24 Q. (By Mr. Bruce) Mr. Land, could you look at
25 Exhibit 1 and identify that, and identify for the Examiner

1 the three leases involved in this Application?

2 A. Okay, Exhibit 1 is located in southeast Lea
3 County in the Teague field, and the three leases we're
4 talking about are Arch's E.C. Hill "A", "B" and "C". And
5 the "A" lease is a standup 80, and it's the west half,
6 southeast quarter, Section 27. And Arch has got their
7 lease numbers written on it, it's that L720.001 right
8 there.

9 EXAMINER JONES: Okay.

10 THE WITNESS: And it's -- the "B" lease is the
11 adjacent west-half standup 80, which is the east half,
12 southwest. And then the "C" lease -- they're contiguous --
13 is the west-half, southwest.

14 Q. (By Mr. Bruce) And these are all fee leases?

15 A. Right. Yes, sir.

16 MR. BRUCE: And let's move on to Exhibits 2 and
17 3. And Exhibit 2 pertains to -- let me get this straight
18 -- Case 13,150, Mr. Examiner.

19 EXAMINER JONES: Okay.

20 Q. (By Mr. Bruce) And in that one, Mr. Land, we are
21 seeking commingling of Teague-Simpson Pool production; is
22 that correct?

23 A. That's correct.

24 Q. And these are the four wells involved?

25 A. That's correct.

1 Q. Now, although there is similarity of ownership,
2 there is difference in ownership among those four wells?

3 A. Yes.

4 Q. And these figures are taken from Arch's current
5 interest ownership files?

6 A. Yes, sir.

7 Q. And Exhibit 3, then, involves the wells and
8 ownership involved in Case 13,151. And what pool is
9 involved in these wells?

10 A. This is the Teague-Paddock-Blinebry Pool.

11 Q. Okay. And again there are --

12 A. -- 11 wells.

13 Q. -- 11 wells involved. And again, interest
14 ownership is similar, but not throughout the wells?

15 A. That's correct.

16 Q. Because of the difference in ownership, what is
17 the reason for that? Is there some nonconsent interest in
18 other --

19 A. It gets pretty complicated to the point that
20 there's different OA's involved. There are different
21 participants, some have gone nonconsent. The overall
22 picture is like you said, we've got common interest in the
23 shallow and the deep, the deep being the Simpson, and then
24 the Paddock-Blinebry being the shallower wells. But they
25 all -- over time some people have participated, some have

1 not. Leases have expired, new leases have come into play,
2 so it depends on where you're at in those 80s. You can
3 have a difference in ownership.

4 Q. Okay. Now, for lease commingling oftentimes this
5 is done administratively, but the Division Rules still
6 require where there is difference in ownership for a
7 hearing to be held; is that correct, Mr. Land?

8 A. Yes, sir.

9 Q. And that is why we're here today?

10 A. Yes, sir.

11 Q. And we have an engineer who will discuss the
12 setup of the lease commingling, do you not?

13 A. Yes, sir.

14 Q. And was notice given to all of these interest
15 owners of this Application?

16 A. All notice has been given.

17 MR. BRUCE: And Mr. Examiner, I'd again ask your
18 indulgence. That file was also in my basement.

19 EXAMINER JONES: Okay.

20 MR. BRUCE: I will get the notice documents to
21 you within the next few days. And that would be Exhibit 4.

22 EXAMINER JONES: Okay.

23 Q. (By Mr. Bruce) Mr. Land, in your opinion is the
24 granting of this Application in the interests of
25 conservation and the prevention of waste?

1 A. Yes, sir.

2 Q. And were Exhibits 1 through 3 prepared by you or
3 under your supervision?

4 A. Yes, sir.

5 MR. BRUCE: Mr. Examiner, I would move the
6 admission of Arch's Exhibits 1 through 3.

7 EXAMINER JONES: Exhibits 1 through 3 will be
8 admitted, and also the -- it's okay to submit the
9 validations later on.

10 MR. BRUCE: Thank you. And that's all I have of
11 this witness.

12 EXAMINER JONES: Okay, thank you.

13 EXAMINATION

14 BY EXAMINER JONES:

15 Q. So when you noticed these people, what did you
16 notice them of? Did you notice them of the entire
17 Application here?

18 A. We let them know that under the -- Because of the
19 economics of the situation, there's two folds here: We're
20 under obligation to clean up a tank-battery site, and the
21 site has been in place for years and years and years. The
22 OCD has asked us to clean it up. The surface owners asked
23 us to clean it up. We have agreed to. But to do it
24 efficiently and economically, we need to separate the two.
25 There are several tank batteries out there, and Rex will

1 get more in details on that.

2 But basically to do that, instead of cleaning up
3 right now and spending money, then having to come up at the
4 end of the lease and do the same thing, we're trying to
5 circumvent that expense. And due to the economics of the
6 wells -- they're marginal wells -- the best way
7 economically to do this is to take the shallows, put them
8 in the tank battery and allocate it, and then take the deep
9 and put it in another tank battery. And then we can
10 disburse as far as cleaning up the present tank battery
11 that the OCD wants us to and so does the land owner.

12 So it's basically trying to kill two birds with
13 one stone, so...

14 Q. Okay. What's your NRI-to-GWI ratio here on this
15 project? You've got about a -- Just an estimate?

16 A. On -- Arch's?

17 Q. Your net-to-royalty -- net working ratio.

18 A. Roughly across the board, Arch owns anywhere from
19 92 percent to 98, under the circumstances, because Apache
20 is on this list as a working interest owner, but they're
21 more or less in the McKee, the deep -- the Simpson.

22 And as far as -- what we're trying to do, what
23 Arch is -- Right now they're allocating production rates,
24 cum rates, as what those cums -- each well attributed to
25 that tank-battery site that needs to be cleaned up. And

1 we're really on that basis trying to be fair with
2 percentage. As far as percentage of cums coming into the
3 tank battery, that's also the liability side.

4 The other part of it, Apache is not involved with
5 the shallows. They kept a royalty interest over time
6 through acquisitions and everything, so Arch basically is
7 going to be burdened with roughly 90 percent of the total
8 cost of setting up the new tank batteries and cleaning up
9 the old one. So...

10 And our net out there, roughly, is around 72
11 percent, 73 percent.

12 Q. 72, 73? Very low.

13 A. Yeah.

14 Q. It's very difficult to make economics on --

15 A. That's exactly --

16 Q. -- 72 percent.

17 A. Yeah. And we admit, that's what goes into play
18 here, is, we're going to have people out there, and instead
19 of having them come back and try to clean up that tank
20 battery site on a future basis, we'd rather get it all
21 taken care of now and get the OCD satisfied and, you know,
22 take care of our business presently.

23 And in the process of doing that, if we've got to
24 have crews out there anyway, the most logical is to put all
25 the common pools together into one tank battery and then

1 allocate production back to the wellbores.

2 Q. And the common pools being the shallow Blinebry
3 and the deeper Simpson?

4 A. Yes, sir.

5 Q. It's still kept separate?

6 A. Yes, sir.

7 Q. You don't want to combine those?

8 A. Oh, no. No, no. No, we're not looking at that,
9 we're just trying to get our surface tank batteries
10 together.

11 And a lot of these interest owners basically have
12 no problem. I mean, all of them -- I think Jim told me
13 that a couple called and said, No, we've changed addresses,
14 but they have absolutely problem with trying to keep the
15 wells economic.

16 It will extend the wells' life too, because we'll
17 be more efficient on the surface side, and then we'll also
18 take care of the environmental side too.

19 Q. Take care of the environmental side by not adding
20 more batteries out there --

21 A. Right, and then cleaning up the existing tank
22 battery that was -- oh, I guess had been out there for
23 about 25 or 30 years or so. It's been a long time.

24 Q. So it's going to be cleaned up when?

25 A. As soon as we can get approval. We are under --

1 OCD has already asked us to clean it up. There's no set
2 time that we have to do, but just for prudence, as a
3 prudent operator, we want to go ahead and get that taken
4 care of as soon as possible.

5 EXAMINER JONES: Is there a case number for that
6 cleanup?

7 MR. BRUCE: I don't know. Mr. Land may know in
8 his file.

9 THE WITNESS: I don't -- No, I don't think so.

10 MR. BRUCE: There have been certain deadlines for
11 providing the Division with information --

12 THE WITNESS: Right.

13 MR. BRUCE: -- et cetera, and those have been
14 met, but it's an ongoing deal. I think the last deadline
15 was at the end of August, and then there's one tomorrow for
16 supplying certain information.

17 THE WITNESS: Right, right, studies and reports,
18 on that basis.

19 Q. (By Examiner Jones) So this file you said you
20 might find, will that have a letter that was sent out to
21 these people, a copy of the letter that was sent?

22 MR. BRUCE: I have -- My notice letter will be
23 submitted to you. But I think, if I could ask Mr. Land a
24 question, I did send a notice letter with the complete
25 Application to each of the interest owners, but as to the

1 working interest, Mr. Land, were there other working
2 interests? This was proposed to the working interest
3 owners, was it not?

4 THE WITNESS: Right, right.

5 EXAMINER JONES: Okay.

6 THE WITNESS: And they're all in compliance and
7 agreement --

8 EXAMINER JONES: Okay.

9 THE WITNESS: -- what needs to be done.

10 EXAMINER JONES: Okay.

11 MR. BRUCE: And one final question, or perhaps
12 just a statement. Mr. Land, the original application for
13 the shallow for the Teague-Paddock-Blaine only listed
14 nine wells, and there are 11 wells --

15 THE WITNESS: Right.

16 MR. BRUCE: -- actually, right?

17 So Mr. Examiner, on the shallow Application,
18 which is 13,151, I am going to have to amend the
19 Application, and I will renotify everyone. I guess that
20 wouldn't be until the October 23rd hearing.

21 EXAMINER JONES: So there are -- Okay, so you
22 didn't notify those other few well --

23 MR. BRUCE: They are all listed on Exhibit 3, and
24 they were all notified of the nine wells, but I didn't
25 mention the two additional wells in the Application. In

1 other words, they were all notified that surface
2 commingling was going to be done, but two of the wells were
3 omitted from this listing. But everyone in all of the
4 wells was notified of the hearing today.

5 EXAMINER JONES: Right, and they -- nobody shows
6 up here, and also -- Okay, they were noticed that this was
7 going on. And those other two wells are not going to have
8 any other interest owners, other than the ones that are
9 listed here?

10 MR. BRUCE: That is correct. Mr. Examiner, for
11 your information, if you look at Exhibit 3, the two wells I
12 omitted from the Application, starting on the left-hand
13 side, are the C-4 well --

14 EXAMINER JONES: Okay.

15 MR. BRUCE: -- and then over to the right, the
16 A-3 well.

17 EXAMINER JONES: Okay.

18 MR. BRUCE: But as you can see, they were
19 notified because of their interests in other wells, all
20 those people.

21 EXAMINER JONES: Right, it looks like they are
22 included in the others.

23 THE WITNESS: Right, A-2 and A-3 were common
24 interest, their interests are identical.

25 EXAMINER JONES: Oh, I see. So if you notified

1 A-2 --

2 THE WITNESS: Right.

3 EXAMINER JONES: -- it's the same for the A-3?

4 MR. BRUCE: But I think -- to make sure, I am
5 amending the Application.

6 EXAMINER JONES: Okay. So you will actually send
7 it to --

8 MR. BRUCE: -- all these people again.

9 EXAMINER JONES: -- all these people. And are
10 you going to do that within the next few days, or send me
11 a --

12 MR. BRUCE: I will send you a -- I will copy you
13 with what I've done, but I will notify these people at the
14 hearing. I think it should be continued to the October
15 23rd hearing.

16 EXAMINER JONES: Okay, we can finish the
17 testimony and then continue it to the October 23rd hearing.

18 MR. BRUCE: And as Mr. Land said, I did receive
19 several calls from interest owners, but they were just --
20 no one objected, and some people had some new addresses,
21 which -- they had received the notice but they had new
22 addresses, so I corrected that.

23 EXAMINER JONES: Okay. Okay, I had another
24 question but I can't think of it right now. Gail, do you
25 have any questions?

1 MS. MacQUESTEN: No, I don't. Thank you.

2 EXAMINER JONES: Okay, thanks a lot, Mr. Land.

3 REX JASPER,

4 the witness herein, after having been first duly sworn upon
5 his oath, was examined and testified as follows:

6 DIRECT EXAMINATION

7 BY MR. BRUCE:

8 Q. Would you please state your name and city of
9 residence for the record?

10 A. Rex Jasper, Midland, Texas.

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

12 A. Pogo Producing Company, division operations
13 supervisor.

14 Q. Have you previously testified before the
15 Division?

16 A. No.

17 Q. Would you please summarize for the Examiner your
18 educational and employment background?

19 A. I graduated in 1965 from Texas Tech University
20 with a BS in mechanical engineering. I've been
21 continuously employed in the oil and gas business for 30-
22 something years. I am a registered professional engineer
23 in the States of Texas and Oklahoma.

24 Q. Have you testified before any other state
25 commissions?

1 A. Yes, I have.

2 Q. And how long have you been with Arch and Pogo?

3 A. With Arch and Pogo a total of six years.

4 Q. And are you familiar with the operational matters
5 concerning this Application?

6 A. Yes.

7 MR. BRUCE: Mr. Examiner, I'd tender Mr. Jasper
8 as an expert petroleum or operations engineer.

9 EXAMINER JONES: Mr. Jasper is so qualified.

10 Mr. Jasper, 30 years continuous in the oil patch?

11 THE WITNESS: Yes, sir, 38 years.

12 EXAMINER JONES: Thirty-eight years. That's
13 quite an accomplishment.

14 Q. (By Mr. Bruce) Before we get to the setup of the
15 two commingling matters, Mr. Jasper, Mr. Land mentioned a
16 couple of reasons for doing this, one of which is to lower
17 costs; is that correct?

18 A. Yes, the existing Hill "A", "B" and "C" tank
19 batteries are actually -- each one is a stand-alone
20 facility, but they share a common footprint, and they have
21 been in use for approximately 35, 40 years, and they have
22 been the source of several historical spills.

23 And we've had two or three recent spills due to
24 just antiquated equipment, and the OCD has required that we
25 clean up these spills. And they have also made it

1 perfectly clear that we are responsible for the historical
2 spills. And they actually gave us the option of doing some
3 cosmetic cleanup now, but due to all the flow lines and
4 piping and so forth, that's going to have to be a shovel-
5 and-wheelbarrow operation and it's going to be very
6 expensive.

7 So our option is to -- our preferred option is to
8 construct a new facility and then completely remediate this
9 facility, get it all done and out of the way, bite the
10 bullet now, rather than 10 or 15 years from now.

11 The option that we have chosen, we have two
12 brand-new batteries -- I say "brand new"; two years old --
13 what's known as the Hill A 7 and the Hill C 3 tank
14 batteries. Currently they are serving McKee wells. Those
15 batteries have been constructed on top of an environmental
16 spill barrier, a plastic barrier. Consequently, I think
17 from an environmental standpoint it's much preferable to go
18 modify those batteries and utilize one battery for the
19 shallow production, the other battery for the deep
20 production. That will then allow us to remediate this old
21 battery. And that's the most cost-effective way to
22 accomplish what we need to do.

23 Q. Okay. And then by doing the lease commingling
24 over time, would this have the effect of extending the
25 useful life of these wells?

1 A. Yes, it will.

2 Q. Okay. Do you have Exhibits 5 and 6 in front of
3 you, Mr. Jasper?

4 A. Yes.

5 Q. Would you go through Exhibits 5 and 6 without me
6 interfering and tell the Examiner how the batteries will be
7 set up and how the production from these wells will be
8 measured?

9 A. Okay, on Exhibit 5, which is the Hill A 7
10 battery, this facility will be used for the McKee-Simpson
11 production, the deeper formation.

12 To the lower center is represented a test header.
13 You can see four lines coming into the battery. Those are
14 basically the four flow lines coming from the four McKee
15 wells. This header allows us to switch production to a
16 production system or to a test system, and the tests are
17 generally run on a 24-hour basis once a month, and
18 production is allocated by our production revenue system.

19 Q. And then on Exhibit 6, it's similar for --

20 A. On Exhibit 6 is for the Hill C 3 battery, which
21 is just a slightly different physical setup, but it
22 accomplishes the same thing. We have a -- It's indicated
23 in the lower right of the drawing as a manifold. That
24 again is our inlet manifold which allows us to send wells
25 to test facilities or to production facilities.

1 Again, each well is tested at least once a month,
2 and the production test and considering downtime and so
3 forth, which is reported on a daily basis, this is all
4 utilized in our production allocation system.

5 Q. And in your opinion will these configurations
6 accurately measure and allocate production to each well?

7 A. Yes, they will. This is pretty much standard
8 practice within the industry.

9 Q. Okay. Were Exhibits 5 and 6 prepared by you or
10 under your supervision?

11 A. Yes, they were.

12 Q. And in your opinion is the granting of this
13 Application -- or both Applications, in the interest of
14 conservation and the prevention of waste?

15 A. Yes, it is.

16 Q. One final question. Although there is no firm
17 time deadline, would you like quick approval of this
18 Application?

19 A. Yes, we would. We'd like to go ahead and get
20 started as quickly as possible.

21 Q. So that you can comply with the Division's --

22 A. Yes, so --

23 Q. -- cleanup -- remediation requirements?

24 A. -- we can satisfy the OCD's remediation
25 requirements.

1 MR. BRUCE: Mr. Examiner, I'd move the admission
2 of Arch's Exhibits 5 and 6.

3 EXAMINER JONES: Exhibits 5 and 6 will be
4 admitted into evidence.

5 EXAMINATION

6 BY EXAMINER JONES:

7 Q. Mr. Jasper, these wells, then, what's the
8 breakdown on what they make?

9 A. The shallow wells average approximately 5 barrels
10 of oil a day and 100 barrels of water and 70 or 80 MCF of
11 gas a day apiece.

12 Q. So --

13 A. No, that 70 or 80 is high. It's -- 15, 25 --
14 about 40 MCF of gas a day apiece.

15 Q. Okay. That's all casinghead gas?

16 A. Yes, it's all casinghead gas. The deeper wells
17 average approximately 35, 40 barrels of oil a day apiece,
18 and approximately 80 MCF of gas a day apiece.

19 Q. And water?

20 A. Water, we've -- two of the -- Three of the wells
21 make less than 10 barrels a day, and the fourth well makes
22 about 140 barrels a day.

23 Q. Okay.

24 A. And it is necessary to keep the two waters, the
25 shallow and the deep waters, separate. They're

1 incompatible.

2 Q. Okay. So when you go through -- Let's go through
3 your test facility on the shallow or the deep, whichever
4 one you want to go through with me, and at first the
5 production through the test flow line goes into a
6 gunbarrel; is that right?

7 A. No, it goes into number 1, the vessel indicated
8 is number 1, which is a test separator.

9 Q. Just a separator, okay. It's a low-pressure
10 separator?

11 A. A low-pressure separator.

12 Q. It's a vertical separator?

13 A. A vertical separator, yes, sir. The gas leaves
14 that and goes through a gas meter --

15 Q. Okay.

16 A. -- and then to -- it's actually just a test meter
17 to meter the gas that we're testing. And then that gas
18 goes to sales.

19 Q. What kind of meter?

20 A. It's an orifice recorder.

21 Q. A chart?

22 A. Chart recorder, yes, sir.

23 Q. It's not one of these electronic --

24 A. No.

25 Q. So how do you get the chart read on the tests?

1 A. The pumpers read the chart --

2 Q. Just the pumper.

3 A. -- lease operators.

4 Q. Kind of look at it --

5 A. Yes, sir. They have coefficients and they
6 calculate the chart.

7 Q. Okay. So all the wells are pretty similar in
8 production so you don't have to change your chart --

9 A. Right.

10 Q. -- when you change the well -- or change the
11 orifice?

12 A. Change the orifice. However, our personnel are
13 trained and have the ability to change the orifices if they
14 need to.

15 Q. Okay. And do you catch any -- On your main
16 production going into your -- the oil goes into a gunbarrel
17 or --

18 A. Well, let's go ahead --

19 Q. Okay.

20 A. -- coming off of this test separator, our fluid
21 then goes into vessel number 2, which is the test heater
22 treater --

23 Q. Okay.

24 A. -- and there we separate oil and water, and it
25 actually goes through metering pots, and each metering pot

1 holds one barrel of fluid. And the way this works, it's
2 off microswitches, and when that barrel or that metering
3 pot fills up with one barrel of fluid, then the microswitch
4 trips and it discharges that barrel into the production
5 tanks and a counter, a barrel counter, counts one barrel.

6 Q. Okay. Okay, that's very good. What's the
7 gravities of your oil and your water?

8 A. The gravity on the McKee is going to be about 38
9 to 40. The gravity on the Blinebry-Paddock is going to be
10 about 34 to 36.

11 The water -- I don't actually have a specific
12 gravity on the water. The chlorides on the McKee are about
13 60,000 to 80,000 parts per million --

14 Q. Okay.

15 A. -- and on the Paddock-Blinebry is about 40,000 to
16 50,000 parts per million.

17 Q. And they have different constituents, so they
18 have different scaling tendencies and different --

19 A. Yes.

20 Q. -- corrosion tendencies? Okay, that's very nice.
21 Those pots, those metering pots, are a pretty accurate way
22 to --

23 A. Yes, sir. On the production side, basically, you
24 come to the right-hand side of the battery, off of the
25 inlet header, and you go to vessel number 7, which is a

1 production separator, which basically sends the gas to
2 sales and sends the fluid to vessel number 8, which is your
3 production heater treater. And again, it separates the oil
4 and the water and sends the water to disposal and the oil
5 to storage.

6 Q. Okay. Your water goes into a tank?

7 A. It goes into a tank, and on the McKee, because
8 the waters are so dissimilar, the McKee water is trucked to
9 disposal and -- to an off-lease commercial disposal. The
10 shallow water, the Paddock-Blinebry, we have a disposal
11 well for that, and it's injected into the disposal well.

12 Q. Okay. So your production -- Well, actually the
13 current prices are pretty good, I guess, on here, on your
14 product. But your production on these wells is so low that
15 it wouldn't pay to put in -- Your interests are so varied
16 that --

17 A. So varied --

18 Q. -- it's almost impossible to --

19 A. Yeah, we'd have to have -- For the McKee we'd
20 have to have four separate batteries, for the shallow we'd
21 have to have at least three separate batteries, and
22 economically -- well, we'd probably end up plugging a lot
23 of them, particularly the shallow wells.

24 Q. Okay. And this order which you're asking for
25 would be -- from this point forward, would not be any

1 retroactive --

2 A. That's correct.

3 EXAMINER JONES: Okay. That's -- Gail, do you
4 have any questions?

5 MS. MacQUESTEN: (Shakes head)

6 EXAMINER JONES: Thank very much, Mr. Jasper.

7 THE WITNESS: Thank you.

8 MR. BRUCE: That's all I have in this matter, Mr.
9 Examiner.

10 EXAMINER JONES: On the notice --

11 MR. BRUCE: Yes.

12 EXAMINER JONES: -- Mr. Bruce, the -- I don't
13 know if they're planning on interests changing out here in
14 the future, some people making different elections. Are
15 additional wells being added to the system?

16 MR. BRUCE: There could be wells added to the
17 system.

18 EXAMINER JONES: Okay. So when you notice, if
19 you would go ahead and tell the people you're noticing that
20 this situation could arise in the future and that we will
21 not have to go back to hearing for any future changes.

22 MR. BRUCE: Thank you, Mr. Examiner.

23 EXAMINER JONES: And then with that, we'll make
24 this record and continue this case until the October 23rd
25 hearing date.

1 MR. BRUCE: Thank you.

2 EXAMINER JONES: This was Case 13,150 and 13,151,
3 continuing both of them until the October 23rd hearing
4 date.

5 I think we've run out of cases here, so with that
6 we'll adjourn Docket 31-03. Thank you very much.

7 (Thereupon, these proceedings were concluded at
8 9:30 a.m.)

9 * * *

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12
13 I do hereby certify that the foregoing is
14 a complete record of the proceedings in
15 the Examiner hearing of Case No. 13,150/51
16 heard by me on 4/18/75.

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_____, Examiner
Oil Conservation Division

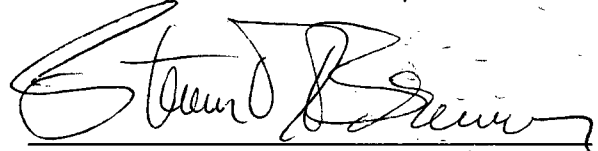
CERTIFICATE OF REPORTER

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 September 20th, 2003.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006