

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

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Application of Endurance Resources, LLC for approval
of a salt water disposal well, Lea County, New
Mexico.

Case No. 14567

Application of Endurance Resources, LLC for approval
of a salt water disposal well, Lea County, New
Mexico.

Case No. 14568

November 18, 2010
9:30 A.M.
Santa Fe, New Mexico

HEARING EXAMINER: RICHARD EZEANYIN
TECHNICAL ADVISOR: DAVID BROOKS

For The Applicant:

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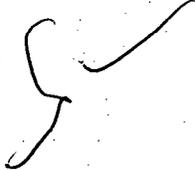
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1 (Note: In session at 9:20.)

2 HEARING EXAMINER EZEANYIN: We first two
3 cases left, those two cases are identical. I don't
4 know whether counsel wants to consolidate. That
5 would be better if you want to.

6 MR. CARR: Mr. Examiner, we looked at
7 these two applications yesterday and tried to
8 consolidate. As you have noted they are really the
9 same. But there are some differences in terms of
10 the history of the wells, each of the wells and why
11 we are here. So with your permission, we would like
12 to present them separately. We will do a full
13 presentation on the first one and then we will go in
14 a more abbreviated way through the second because
15 that way it keeps the issue separate. 

16 HEARING EXAMINER EZEANYIN: I understand.
17 When I looked through that, what you say is correct.
18 So I was thinking maybe --

19 MR. CARR: We tried yesterday. Then we
20 had it so we were jumping back and forth between
21 exhibits that on the surface look identical and
22 really aren't. It was confusing for us so we
23 thought it certainly would be confusing here. So if
24 we can do that, we will have the second case and we
25 will present it in a more abbreviated fashion.

1 HEARING EXAMINER EZEANYIN: I will call
2 them separately. On Page 2, 14567. This is
3 Application of Endurance Resources, LLC for approval
4 of the salt water disposal well, Lea County, New
5 Mexico. Call for appearances.

6 MR. CARR: May it please the examiners, my
7 name is William Carr of the Santa Fe office of
8 Holland & Hart, LLP. We represent Endurance
9 Resources, LLC in this case and I have one witness.

10 HEARING EXAMINER EZEANYIN: Any other
11 appearances? Okay. At this point may the witness
12 stand up.

13 DONALD RITTER
14 after having been first duly sworn under oath,
15 was questioned and testified as follows:

16 EXAMINATION

17 BY MR. CARR

18 Q. Would you state your name for the record,
19 please?

20 A. Donald Gerard Ritter.

21 Q. Mr. Ritter, by whom are you employed?

22 A. I'm employed by Endurance Resources, LLC.

23 Q. What is your current position with
24 Endurance Resources?

25 A. I am currently the president of Endurance

1 Resources.

2 Q. Have you previously testified before the
3 New Mexico Oil Conservation Division?

4 A. No, I have not.

5 Q. Could you review for the examiners your
6 educational background and work experience?

7 A. Yes. I have 29 years in the oil and gas
8 industry. I have a bachelor of petroleum
9 engineering from Marietta College in 1981. I worked
10 for 19 years with Mobile Oil in various engineering
11 positions, reservoir and drilling. I worked for an
12 engineering services company as a consulting
13 engineer for seven years and then I have owned and
14 operated an oil company for the last three years.

15 Q. Are you familiar with the application
16 filed in this case on behalf of Endurance Resources?

17 A. Yes, I am.

18 Q. Have you made an engineering study of the
19 area that's the subject of this application?

20 A. Yes, I have.

21 Q. Has Endurance prepared an exhibit for
22 presentation here today?

23 A. Yes, we have.

24 Q. Have you reviewed the application for
25 authorization to inject marked as Endurance Exhibit

1 1?

2 A. Yes, I have.

3 Q. Can you confirm for the examiner the
4 accuracy of the information contained therein?

5 A. It is accurate.

6 MR. CARR: We tender Mr. Ritter as an
7 expert in petroleum engineering.

8 HEARING EXAMINER EZEANYIN: He will be so
9 qualified.

10 Q. Could you briefly summarize for the
11 examiners what it is that Endurance seeks with this
12 application?

13 A. Yes. We wish to reestablish injection in
14 the Marshall No. 2 well at a rate of 3,000 barrels a
15 day and a pressure of approximately 800 PSI.

16 Q. What formation do you propose to inject?

17 A. That is in the Ramsey unit of Delaware
18 formation.

19 Q. Let's go to Exhibit No. 1, the C-108.
20 Does this exhibit contain all information required
21 on that form?

22 A. Yes, it does.

23 Q. Is this an expansion of an existing
24 project?

25 A. It is part of a project that we have

1 initiated with the recompletion of the Marshall Well
2 No. 1, and this would be a disposal well in support
3 of that.

4 Q. Could you provide Mr. Ezeanyin with a
5 brief history of this well?

6 A. Yes. The well was drilled in 1961 as a
7 Delaware well. It was previously approved for
8 injection in 1985. It was injected in for many
9 years. In January of 2009 the well had failed a
10 mechanical integrity test due to a hole in the
11 tubing and it was shut in. The injection was lost
12 by previous operator. We acquired the well in
13 January of 2010 and we have been in the process of
14 attempting to get this well and the other well in
15 the case in front of the Board for reinjection.

16 HEARING EXAMINER EZEANYIN: What date did
17 it fail the test?

18 THE WITNESS: January of 2009.

19 HEARING EXAMINER EZEANYIN: It failed the
20 test in 2009?

21 THE WITNESS: That was with the previous
22 operator.

23 HEARING EXAMINER EZEANYIN: Then did they
24 shut it in?

25 THE WITNESS: Yes.

1 HEARING EXAMINER EZEANYIN: January of
2 2009? Okay.

3 Q. When did Endurance acquire the well?

4 A. We acquired the well in January of 2010.

5 HEARING EXAMINER EZEANYIN: A year later?

6 THE WITNESS: Yes.

7 Q. It had lost --

8 A. It lost its right to inject during that
9 period.

10 Q. Mr. Ritter, let's go to Exhibit No. 1. I
11 would ask you to turn to Pages 3 and 4. Could you
12 just review those for Mr. Ezeanyin?

13 A. Yes. These would be the well bore data
14 and proposed well bore for injection.

15 Q. And this shows the configuration of the
16 well as it will be when you commence injection
17 activity?

18 A. That's correct.

19 Q. What plans do you have for stimulating the
20 well?

21 A. We plan to pump 2,000 barrels of 15
22 percent HCL.

23 Q. Let's go to pages 6 and 7. Would you
24 identify these?

25 HEARING EXAMINER EZEANYIN: Let's deal

1 with that. It's very important. This injection
2 well, right?

3 THE WITNESS: Right.

4 HEARING EXAMINER EZEANYIN: Is that
5 configuration the semi or original configuration and
6 if so -- if this is not the same as the original
7 configuration, do you have the diagram of the
8 original configuration when it was shut in?

9 THE WITNESS: This will be the same
10 configuration. The only change is we will change
11 the tubing.

12 HEARING EXAMINER EZEANYIN: Change the
13 tubing from 2 3/8 to 2/78?

14 THE WITNESS: No, same size. It just had
15 a hole in the tubing so we will repair it and put it
16 back in service.

17 HEARING EXAMINER EZEANYIN: So it is still
18 at 380 according to this.

19 THE WITNESS: Yes.

20 HEARING EXAMINER EZEANYIN: Is that what
21 it was set originally?

22 THE WITNESS: Yes.

23 HEARING EXAMINER EZEANYIN: My
24 understanding of C-108 is that the drinking water is
25 for zero to 400 feet. At 380 to 400 feet. I think

1 that's what -- I mean, from C-108, that groundwater,
2 I mean drinking water you drill to 400 feet. When I
3 look at this it's 380. It's okay, but you have
4 some -- I don't know what happened in 1985 when the
5 well was approved. In 1985 if I can give you a
6 little history is we were not cognizant of the
7 groundwater at that point. We just acquired our
8 standards by E.P.A. so we don't really care about --
9 at that point I don't think you could be allowed to
10 set it at 380 if it's possible drinking water at
11 400.

12 Q. Mr. Ritter, go to Page 3, the schematic on
13 the well. And what depth is the surface casing in
14 the well?

15 A. It is at 380 feet as he has correctly
16 proposed. This may be just a matter of history.
17 The well was obviously drilled in 1961. But I would
18 assume that most of the same types of regulations
19 were in place at that time. The reason you would
20 have 380 feet of pipe would be to protect the
21 groundwater. While I am not positive that this is
22 the case, I know from working in Texas that we have
23 certain zones that we are protecting the groundwater
24 from and they may vary from 380 to 400 to 420 over
25 some aerial extent.

1 While I understand your point, I think
2 probably there were still prudent folks working in
3 1961 trying to make sure that this casing was set
4 through the groundwater at that time.

5 HEARING EXAMINER EZEANYIN: I am happy you
6 understood it. Because in 1961 there was nothing
7 like the UIC. Nobody was even talking about
8 groundwater. I think they just set it at 380 and
9 then drilled and it's okay. But now you want to
10 convert it to an injection, one that would have
11 primacy for UIC and EPA. I think it's 1983 or
12 something. So they would be looking at protecting
13 groundwater that's what the UIC was supposed to do.
14 I'm not saying this is wrong the way it's designed,
15 but the only way we can allow this to continue is if
16 the groundwater is above the casing. If you state
17 in the application the ground water is zero from
18 400, you can see 20 feet, the water may be --
19 because we don't have the casing. So --

20 THE WITNESS: I understand your point. I
21 think the only other reference I have is that this
22 well was approved previously. It's been injecting
23 into it for years. We are just trying to
24 re-establish injection into the well and I don't
25 know if that changes its status or condition, but I

1 do appreciate the issue that you are bringing up. I
2 don't know how it will be solved.

3 HEARING EXAMINER EZEANYIN: I can tell
4 you, I am glad you understand -- you know what I am
5 trying to say.

6 THE WITNESS: I know exactly.

7 HEARING EXAMINER EZEANYIN: If you told me
8 the groundwater is zero to 250, I wouldn't be
9 agreeing with you in talking to you about this. But
10 when I look and I see zero to 400 and I see the
11 casing at 380, I begin to wonder what has been done
12 since 1985 when the well was approved to inject.
13 You told me it failed the MIT on January 2009.
14 Before it failed the MIT nobody knew what the well
15 was doing. That's the reason why, was you lose --
16 so we can then re-evaluate where the authority could
17 be granted again.

18 That's why we are looking at this, to see
19 do we extend the casing? I don't know whether
20 that's going to be a problem for you extending the
21 casing to 450 or something or you demonstrate that
22 really the groundwater isn't up to 400 feet, it's
23 only 300 feet. Then the casing would be adequate.
24 As you see, this is a shallow well.

25 THE WITNESS: Okay. I may --

1 HEARING EXAMINER EZEANYIN: I want us to
2 continue from there.

3 THE WITNESS: No, I am following you
4 exactly. I may like to discuss with my geologist
5 when we went through the preparation of the C-108
6 whether we took an exact depth or whether that was a
7 depth that was granted by the BLM or by the State.
8 400 and 380 is relatively close, so I would want to
9 make sure that the source of the 400 was not an
10 approximation and maybe we can solve this in a -- as
11 you say, the understanding of whether that is the
12 correct -- one of those numbers needs to be shored
13 up a bit for you and I understand that.

14 HEARING EXAMINER EZEANYIN: Yes. Your
15 geologist can talk about the depth of fresh water,
16 and they would be able to confirm exactly where the
17 depth of the groundwater is. If it's shallow at 380
18 then we may not do anything because if the
19 groundwater is shallower than 380 we will not do
20 anything with this. If they can confirm that it's
21 at least 400 feet, you can see why I would require
22 you to extend the casing to below 400 feet so as to
23 protect that water. I mean, it's common sense.

24 THE WITNESS: Right.

25 MR. CARR: Mr. Examiner, can we confirm

1 that for you after the hearing in writing?

2 HEARING EXAMINER EZEANYIN: Yes, if you
3 confirm that the groundwater is shallower than 380
4 we don't have to do anything with this diagram
5 because it's okay. If the geologist confirms
6 that -- do you see my point?

7 THE WITNESS: Yes.

8 MR. CARR: Instead of just trying to do it
9 on the fly now, I think it would be better for us to
10 really check the data and provide it to you.

11 HEARING EXAMINER EZEANYIN: Yes. Once you
12 provide it, I have no problem with that.

13 THE WITNESS: Very valid point.

14 Q (By Mr. Carr) Mr. Ritter, let's look at
15 Pages 6 and 7 in Exhibit No. 1. What are these?
16 Are these the areas of --

17 A. This is the area of interest.

18 Q. It shows all areas in the area of review?

19 A. Yes.

20 Q. What is the status of the leasehold
21 ownership within one-half mile of the proposed
22 injection well?

23 A. We have 100 percent.

24 Q. Is this well on state, federal or fee
25 land?

1 A. This is on federal land.

2 Q. On Page 9 of the exhibit is a tabulation.
3 Does this contain all information on the wells in
4 the area of review required by the C-108 form?

5 A. Yes, it does.

6 Q. Are there plugged and abandoned wells
7 within the area of review?

8 A. There are four.

9 Q. Does this exhibit, Pages 10 through 13,
10 contain plugging details on each of the wells?

11 A. Yes, they do.

12 Q. Has Endurance reviewed available data on
13 wells within the area of review and satisfied
14 themselves that there's no remedial work required on
15 any of the wells to enable them to be safely
16 operated as disposal wells?

17 A. Yes, we have.

18 Q. What volumes are you proposing to inject?

19 A. 3,000 barrels a day.

20 Q. What is the source of the water?

21 A. The source of the water is the Delaware
22 formation.

23 Q. So basically on this lease you are taking
24 Delaware water and reinjecting it back into the
25 Delaware?

1 A. Yes.

2 Q. Is this going to be an open or closed
3 system?

4 A. It will be a closed system.

5 Q. And what injection pressure are you
6 seeking?

7 A. 800 PSI.

8 Q. Will a surface injection pressure limit of
9 two-tenths pound per foot of depth to the top of the
10 injection interval satisfy your needs?

11 A. Yes, it will.

12 Q. If you need to go above that would you
13 justify that with a division witness step ray test?

14 A. Yes.

15 HEARING EXAMINER EZEANYIN: Before you go
16 further, let me clarify something. You are asking
17 for 800 PSI. I think you are at a depth of 5100?
18 5100 at 2.2 is about 1020. So if there's any other,
19 it stays 1020. If you are doing 800 you are within
20 the boundaries. If you are still within the
21 boundary. I don't want you to come to us for an
22 increase in pressure if you go to 900.

23 THE WITNESS: Exactly. Only past the 2.2
24 we would.

25 HEARING EXAMINER EZEANYIN: So the only

1 way you are trying to exceed the .2, you have to do
2 a separate test and demonstrate that so I don't know
3 how you come up with the 800. I don't know whether
4 that's random or rule of thumb, but of course 2.2 is
5 a bad rule of thumb. I don't know how you would
6 choose that.

7 THE WITNESS: We just chose a pressure
8 that was reasonably within that range.

9 HEARING EXAMINER EZEANYIN: How did you
10 choose the 800? Within the 1,000. Okay. I see
11 what you mean. I am just trying to say because I
12 don't want you to want to increase to 900. You
13 don't need to do anything there we see --

14 THE WITNESS: We understand.

15 HEARING EXAMINER EZEANYIN: I wanted to
16 make that point. I don't want you to come to do a
17 separate test. You have .2. You are going to get
18 .2. Counselor, do you understand? I don't want you
19 to come in for 800 to 900 for what you said to
20 increase it when they already have the authority to
21 do it.

22 MR. CARR: Right.

23 Q. Mr. Ritter, how does Endurance propose to
24 monitor the integrity of the well?

25 A. With a pressure gauge on the back side and

1 a full column pack.

2 Q. Are there fresh water zones in the area?

3 A. There are.

4 Q. And does Endurance Exhibit 1 contain on
5 Page 20 information from the State Engineer's Office
6 concerning one fresh water well in the area?

7 A. Yes.

8 Q. Attached to this exhibit have you also
9 provided geological information?

10 A. Yes, we have.

11 Q. How thick is the Delaware in this area?

12 A. The formation in general is about 3500
13 feet. The injection zone that we are looking at is
14 about 80 feet.

15 Q. That's in the Ramsey sand?

16 A. Yes.

17 Q. Has Endurance examined the available
18 geologic and engineering information on the
19 reservoir?

20 A. Yes, we have.

21 Q. As a result of that examination have you
22 found any evidence of open, false or other
23 hydrologic connections between the injection
24 interval and any underground source of drinking
25 water?

1 A. No, we have not.

2 Q. How soon does Endurance hope to be able to
3 commence injection operations in the well?

4 A. As soon as possible. Upon receiving the
5 permit we will work the well over, get a mechanical
6 integrity test and propose injection.

7 Q. Endurance, you testified, is the only
8 leasehold operator within a half mile of the well?

9 A. Yes.

10 Q. The surface is the federal government?

11 A. Yes.

12 Q. Was a copy of the application provided to
13 the BLM?

14 A. Yes.

15 Q. When we look at this well, we filed the
16 application sometime ago and there have been delays.
17 What was the reason for that?

18 A. The delays are associated with some of the
19 other wells in the area. We purchased this project.
20 It had approximately nine wells that were inactive,
21 so we have gone about converting those wells to
22 active status and they are relatively high water
23 depth wells so we need injection to be able to do
24 that.

25 The problem that we encountered was while

1 we were trying to propose injection wells to be
2 suitable so we could turn on the producers, the
3 permits were being held up because we had too many
4 inactive wells, but here we were trying to actually
5 take inactive wells off of the list and we got stuck
6 in a bit of a chicken and egg for a little while.
7 But I think we have gotten that work through the
8 Commission and now we have got this proposal on the
9 docket so we can move forward.

10 Q. This is actually one of those inactive
11 wells?

12 A. Yes. Both of these are two of the
13 inactive wells.

14 MR. CARR: Mr. Examiner, as I indicated
15 before the hearing, there is an error in the legal
16 and we ask the case be continued to the December
17 16th date.

18 Q. Mr. Ritter, was Endurance Exhibit 1
19 prepared by you or have you reviewed it and can you
20 testify to the accuracy of the information?

21 A. Yes, it was reviewed by me and it is
22 accurate.

23 MR. CARR: May it please the examiner, at
24 this time we move the admission into evidence of
25 endurance Exhibit 1.

1 HEARING EXAMINER EZEANYIN: It will be
2 admitted.

3 MR. CARR: That concludes my examination
4 of the witness. With your permission we will
5 confirm depths of water and reconfirm the depth of
6 the casing in this area so you have that before you
7 have to consider the application. That concludes my
8 direct of the witness.

9 HEARING EXAMINER EZEANYIN: Thank you.

10 MR. BROOKS: No questions.

11 HEARING EXAMINER EZEANYIN: Did you review
12 No. 1?

13 THE WITNESS: Yes.

14 HEARING EXAMINER EZEANYIN: What is the
15 status of the well?

16 THE WITNESS: The well is now producing.

17 HEARING EXAMINER EZEANYIN: Because I see
18 in Conoco anything that happens with No. 2 they can
19 convert No. 1, but the conversion is back in 1986
20 anyway so I wanted to know the status right now.

21 THE WITNESS: Yes.

22 HEARING OFFICER EZEANYIN: Because it's
23 within the area of review of this well. It's still
24 producing, right?

25 THE WITNESS: Yes, it is producing. We

1 re-entered that well. We swab-tested that well and
2 made 5 percent oil cut and swab-tested about 400
3 barrels a day on the swab test. So we have
4 converted that well and it's producing. It was one
5 of the inactive wells also.

6 HEARING EXAMINER EZEANYIN: Now I see that
7 there are four blocks of abandoned wells.

8 THE WITNESS: Yes. They are all
9 relatively the same depth of surface casing within
10 ten feet or so.

11 HEARING EXAMINER EZEANYIN: If you go to
12 Page 15, in the well you have a geologist -- I don't
13 know where you got that -- the last part, public
14 drinking water 400 feet, and that's why I quizzed
15 you on that. We will establish that you are going
16 to confirm that's actually the depth of the possible
17 drinking water.

18 THE WITNESS: Yes.

19 HEARING EXAMINER EZEANYIN: The geologist
20 demonstrating that that actually is what it is. If
21 it is, it doesn't mean it will be denied. The only
22 thing is you have to do some work.

23 THE WITNESS: No, we understand that. I
24 think if you would go to Exhibit No. 20 you will see
25 that we reference the letter from the Office of

1 State Engineer. To the average, as I said earlier,
2 the average depth of the water column in this
3 particular section, which section is a large aerial
4 extent, is 400. So again, I think it's more the
5 question is if that is the average depth then to
6 become an average there's probably also some areas
7 in that section that are a little less than 400 and
8 some that are a little more than 400.

9 HEARING EXAMINER EZEANYIN: Exactly. I
10 looked at it, too.

11 THE WITNESS: I just wanted to show that
12 when we did prepare the application we were using
13 the information from the State as we should have
14 properly used it.

15 HEARING EXAMINER EZEANYIN: That's fine.
16 I appreciate that. For the wells that's producing,
17 there are four producing wells. For the area of
18 review you have eight wells, four plugged and
19 abandoned and four producers. For the producers,
20 what is the average production rate?

21 THE WITNESS: They will make between two
22 barrels and 20 barrels, depending on when we turn
23 them on and how they are pumping.

24 HEARING EXAMINER EZEANYIN: Each well, two
25 to 20?

1 THE WITNESS: Yeah. At the initial
2 production they have been as high as 20. They are
3 probably averaging more in the two to five barrel
4 range as we bring them on.

5 HEARING EXAMINER EZEANYIN: The old wells?

6 THE WITNESS: Yes, they are old wells.
7 They will have some flush production and then they
8 drop back. There's also some available locations to
9 drill in this area and so we see that the area has
10 some promise of past just reconvertng and getting
11 the wells off the inactive list. We see future
12 additional wells that we could possibly drill in the
13 area, and that would be also use for the salt water
14 disposal support.

15 HEARING EXAMINER EZEANYIN: Can you
16 describe the current -- the 500 feet? I am curious
17 to see the characteristics.

18 THE WITNESS: The sand has fairly high
19 permeability. The permeability is in the over
20 100 -- is that correct? I am checking with my
21 geologist here. So I think if it's a relatively
22 clean sand then it will take water quite well.

23 HEARING EXAMINER EZEANYIN: So I have the
24 four producers and four plugged and abandoned,
25 right?

1 THE WITNESS: Yes.

2 HEARING EXAMINER EZEANYIN: That's what I
3 am writing down. Okay.

4 THE WITNESS: And there are several other
5 wells in the area that are on the inactive list that
6 are not plugged that we wish to initiate or bring
7 back to production. That's -- the ability to have a
8 place to put the water will make those wells
9 economic, and that's why we were pushing for the
10 disposal wells prior to going out and creating a
11 bunch of water that we couldn't dispose of.

12 HEARING EXAMINER EZEANYIN: Are you going
13 to collect a water sample from the wells around the
14 area?

15 THE WITNESS: I don't believe we have a
16 sample here, but I think the point here is we are
17 injecting water into the exact same zone we took it
18 from.

19 HEARING EXAMINER EZEANYIN: So there's no
20 issue with the water?

21 THE WITNESS: No, therefore, there is
22 none. And I think I would also like to make the
23 point that Endurance operates about 250 wells in New
24 Mexico. This is a very small project for us. Yet
25 it has a concentration of inactive wells, and this

1 concentration of inactive wells is preventing us
2 from properly developing some of the other acreage.
3 So we are very interested in getting this problem
4 fixed because it is holding us up from further
5 drilling permits and further salt water disposal
6 permits. As I said, we have 240 wells, I believe,
7 that we are operating.

8 HEARING EXAMINER EZEANYIN: In New Mexico?

9 THE WITNESS: In New Mexico.

10 HEARING EXAMINER EZEANYIN: Now, since you
11 said that now, one of the things I didn't do is
12 check your compliance. Since you are operating 240
13 wells in New Mexico, are you out of compliance?

14 THE WITNESS: Yes, that is the situation
15 that created this problem of when we first applied
16 for this back in -- I think it was originally on the
17 June docket, which means we started the process much
18 earlier. We have been trying to get these wells off
19 of the inactive list. We have already put three of
20 them on production since we took over the field, and
21 so, quite frankly, it's been frustrating for us. We
22 are trying to work through the system and get this
23 up and going because we have many drilling locations
24 and we have a lot of other work that we can be
25 proposing and creating additional revenue for both.

1 us and the State, which we would want to do.

2 HEARING EXAMINER EZEANYIN: So are you in
3 compliance now or are you saying you are going to
4 comply?

5 THE WITNESS: These two wells are under an
6 order. So we have these two in our order. So we
7 have an order in place to cover the work on these
8 two wells.

9 HEARING EXAMINER EZEANYIN: Is that a
10 compliance order?

11 THE WITNESS: Yes. So we have an agreed
12 compliance order.

13 HEARING EXAMINER EZEANYIN: Are you going
14 to come into compliance with that rule?

15 THE WITNESS: If we can get these
16 approved, this will help us get in compliance with
17 that. The other wells that are on the list are
18 wells in support of the project. So we will quickly
19 be coming in compliance across the state.

20 Q. (By Mr. Carr) Mr. Ritter, you met with
21 the division?

22 A. Yes.

23 Q. Who did you meet with?

24 A. Mr. Sanchez on several occasions.

25 Q. And he was the one who authorized us to go

1 ahead?

2 HEARING EXAMINER EZEANYIN: Okay. He has
3 authorized you.

4 A. Yes. We had proposed it earlier and then,
5 as I said, it fell into a spot where one group said
6 we were not in compliance, therefore we can't agree
7 to go forward with an application. Yet the wells
8 that were in the application were ones that were on
9 the inactive list and in order to get off the
10 inactive list -- you understand.

11 HEARING EXAMINER EZEANYIN: Yes. I am
12 glad to hear that. So you --

13 MR. CARR: Our problem was we wanted to
14 get them off the inactive list to do that and come
15 to the hearing so we could do something with the
16 water, and we were kind of in limbo. We met with
17 him and he agreed we should go to hearing.

18 HEARING EXAMINER EZEANYIN: There are no
19 incidents of geology connection between -- in other
20 words, no fault --

21 THE WITNESS: No.

22 HEARING EXAMINER EZEANYIN: I know your
23 geologist testified to that in the application.

24 THE WITNESS: Yes.

25 HEARING EXAMINER EZEANYIN: Anything

1 further?

2 MR. CARR: No.

3 HEARING EXAMINER EZEANYIN: So the way we
4 are going to do it now according to your request is
5 we are not going to take the case under advisement.
6 We are going to continue it -- I want the record to
7 reflect that the case will be continued to December
8 16 for you to correct it.

9 MR. CARR: We are going to correct the ad
10 and we're also going to provide in writing
11 confirmation of the actual depths of the water in
12 the area of review.

13 HEARING EXAMINER EZEANYIN: So on the
14 December 16 hearing we have heard the case and we
15 can get the information.

16 MR. CARR: I will just tender a notice
17 affidavit.

18 HEARING EXAMINER EZEANYIN: Okay. So it
19 will be that way. We call 14568. This is the
20 Application of Endurance, LLC for approval of a salt
21 water disposal well, Lea County, New Mexico. Call
22 for appearances.

23 MR. CARR: William F. Carr with the Santa
24 Fe office of Holland & Hart representing Endurance
25 Resources, LLC. I have one witness.

1 HEARING EXAMINER EZEANYIN: Any other
2 appearances? We already had you sworn and you are
3 still under oath so whatever you say is under oath.
4 I don't think there's a need to swear him again.

5 MR. BROOKS: I believe not.

6 HEARING EXAMINER EZEANYIN: So counsel,
7 you may continue.

8 DONALD RITTER

9 (being previously sworn, testified as follows)

10 EXAMINATION

11 BY MR. CARR

12 Q. Are you the same person who testified in
13 the preceding case?

14 A. I am.

15 Q. Were your credentials accepted and made a
16 matter of record at that time?

17 A. They were.

18 Q. Can you refer to what has been marked in
19 this matter as Endurance Exhibit No. 1?

20 A. Yes.

21 Q. And summarize for the examiner what it is
22 we seek with this application?

23 A. We seek to utilize the DL State No. 6 well
24 as an injection well, to inject up to 3,000 barrels
25 a day at pressure of 800 PSI.

1 Q. How close is this well to the Marshall
2 Well No. 2 what was the subject of the preceding
3 case?

4 A. Approximately three-quarters of a mile.

5 Q. Does this application contain all the
6 information required by the form?

7 A. Yes.

8 Q. This again is part of the same project
9 that was involved in the prior case?

10 A. Yes.

11 Q. Is this an application to obtain
12 reinstatement of a prior injection authorization or
13 is this a new permit for a new injection?

14 A. This is a new permit for a new injection
15 well.

16 Q. Could you briefly review the history of
17 the well for the examiner?

18 A. Yes, the well was drilled in 1988 as a
19 Delaware oil well. We acquired the well in January
20 of 2010. This was one of the wells that was under
21 the inactive list and then we have it now underneath
22 the agreed compliance order to get that off the
23 list.

24 Q. Would you refer to Page 3 of this exhibit.
25 What is the depth of the surface casing in this

1 well?

2 A. 680 feet.

3 Q. Does this diagram show the configuration
4 of the well bore as you proposed to use it for
5 injection?

6 A. Yes. This would be proposed.

7 Q. As in the previous case, do you plan to
8 stimulate the formation with 2,000 barrels of 15
9 percent HCL?

10 A. Yes, we do.

11 Q. Let's go to Pages 6 and 7 of this
12 application. Again, we have the area of review maps
13 for this well; is that right?

14 A. We do.

15 Q. In this case as in the previous case, does
16 Endurance own 100 percent of the -- is it the
17 leasehold operator of 100 percent of the area within
18 the area?

19 A. Yes, we have 100 percent of the operating
20 rights.

21 Q. Does this exhibit also contain a
22 tabulation of the information on wells in the area
23 as required by Form C-108?

24 A. It does.

25 Q. That's Page 9?

1 A. Yes.

2 Q. Are there plugged and abandoned wells
3 within the area of review for this well?

4 A. Yes, there's one.

5 Q. And do you have a schematic included in
6 this exhibit?

7 A. Yes, we do.

8 Q. This is on Page 11?

9 A. That's correct.

10 Q. Is this one of the same plugged and
11 abandoned wells that was in the prior case?

12 A. I have to check. No, this is a separate
13 well.

14 Q. You have a schematic for the well?

15 A. Yes.

16 Q. In this case are you also seeking
17 authorization to inject up to 3,000 barrels of water
18 per day?

19 A. Yes, we are.

20 Q. And as in the prior case, are you going to
21 be injecting Delaware water back into the Delaware
22 formation?

23 A. Yes.

24 Q. This is all Delaware water produced from
25 Endurance wells?

1 A. That's correct.

2 Q. Will this be an open or closed system?

3 A. It will be a closed system.

4 Q. In this case as in the preceding case will
5 the pressure limitation two-tenths pound per foot of
6 depth at the top of the injection interval be
7 satisfactory for Endurance's purposes?

8 A. Yes.

9 Q. If you have to go above that limit would
10 you justify it with a OCD witness separate test?

11 A. Yes.

12 Q. Will this well be monitored to ensure its
13 integrity as the well in the preceding application?

14 A. Yes.

15 Q. In your opinion will the proposed
16 injection in this well pose any threat to any
17 underground source of drinking water?

18 A. No.

19 Q. Does this exhibit contain the information
20 from the State Engineer's Office and the geological
21 information that was also included in the prior
22 application?

23 A. Yes.

24 Q. Has Endurance reviewed the available
25 geologic and engineering data on this reservoir?

1 A. Yes.

2 Q. And as a result of that examination have
3 you found any evidence of open faults or other
4 hydrologic connection between an injection well and
5 any underground source of drinking water?

6 A. No, we haven't.

7 Q. Again, as soon as you get approval you
8 will be able to commence injection in the well?

9 A. Yes.

10 Q. And that will assist Endurance in getting
11 other wells off the OCD's inactive well list?

12 A. Yes.

13 Q. The surface of the land for the well, is
14 it state, federal or fee?

15 A. State land.

16 Q. You are the only leasehold operator within
17 a half mile?

18 A. Yes.

19 Q. Was a copy of the application provided to
20 the State Land Office?

21 A. Yes.

22 MR. CARR: May it please the examiner,
23 again, we have an error in the legal ad that I would
24 like to correct and ask the case be continued to the
25 December 16th examiner hearing.

1 Q. Mr. Ritter, have you reviewed Exhibit 1?

2 A. Yes.

3 Q. To the best of your knowledge, is the
4 information in that exhibit correct?

5 A. It is correct.

6 MR. CARR: May it please the examiner, at
7 this time we would move the admission into evidence
8 of Endurance Exhibit 1?

9 HEARING EXAMINER EZEANYIN: Exhibit 1 will
10 be admitted.

11 MR. CARR: That concludes my direct
12 examination of Mr. Ritter.

13 HEARING EXAMINER EZEANYIN: The record you
14 are trying to correct is the 1,000 barrels?

15 MR. CARR: Correct.

16 HEARING EXAMINER EZEANYIN: You want to
17 bump it up to 3,000?

18 MR. CARR: Yes, sir. That was incorrect
19 in the legal ad and in the docket, so I will correct
20 both of those.

21 HEARING EXAMINER EZEANYIN: I saw that. I
22 didn't know which one you wanted.

23 MR. CARR: It's the 3,000.

24 MR. BROOKS: No questions.

25 HEARING EXAMINER EZEANYIN: Okay.

1 Mr. Ritter, what is the plans of the well? Is it a
2 producer or shut in?

3 THE WITNESS: It's shut in now?

4 HEARING EXAMINER EZEANYIN: Since when?

5 THE WITNESS: This well has been shut in
6 for a number of years.

7 HEARING EXAMINER EZEANYIN: Is that one of
8 the wells you acquired from Conoco?

9 THE WITNESS: Yes. We acquired it from
10 another operator, but yes, this is the same package
11 that we acquired in January of 2010.

12 HEARING EXAMINER EZEANYIN: So we don't
13 really know the status of the well. It's shut in
14 and we don't know what it's doing. Anyway, now you
15 are going to convert it. It might be helpful.

16 THE WITNESS: Sure.

17 HEARING EXAMINER EZEANYIN: At this point
18 now we looked at the engineer's examination where
19 the groundwater is. I think this one is at 250.
20 That's what you tested, right? I saw 250. Is that
21 what it is? Zero to 250 feet the possible drinking
22 water? That's what I saw in the C-108 on Page 13.

23 THE WITNESS: Yes. And if you look at the
24 next Page 18, we may have an issue. I think we
25 transposed a number.

1 HEARING EXAMINER EZEANYIN: Right.

2 THE WITNESS: But I would point out that
3 it's the same, 400, okay? And the surface casing in
4 the well is at 650 so we should -- but you are
5 correct, this is an error. We highlighted the
6 correct section here but we have taken the wrong
7 number.

8 HEARING EXAMINER EZEANYIN: So we have
9 something to correct. We want to know what depth
10 the drinking water is. That way it's important to
11 the injection wells. Whatever they say it is.

12 THE WITNESS: Exactly. But I think this
13 one clearly states if it's to 400 we are still at
14 650.

15 HEARING EXAMINER EZEANYIN: Yeah.

16 THE WITNESS: This particular well, no
17 matter where we interact with the State, I think we
18 are going to be covered on this particular well.

19 HEARING EXAMINER EZEANYIN: Yeah, but on
20 the other one.

21 THE WITNESS: On the other one, yes.

22 HEARING EXAMINER EZEANYIN: Due to the
23 distance from the forced well we discussed.

24 THE WITNESS: About three-quarters of a
25 mile.

1 HEARING EXAMINER EZEANYIN: You have an
2 NWD well just a couple of feet from this well. Is
3 that -- because it's part of your area of review.
4 Let me see what the name of the well is.

5 THE WITNESS: Which well?

6 HEARING EXAMINER EZEANYIN: Unit P. Unit
7 M of Section 19. So you have two salt water
8 disposal wells just right there. I don't know
9 whether you really need one here and one sitting
10 here. I don't know.

11 THE WITNESS: Is this the -- right. The
12 reason that we are looking for additional disposal
13 is because we are approaching capacity on that
14 particular well. If that well was able to handle
15 the additional capacity that we expect to bring on
16 from the other wells then we would not require to
17 convert these other wells.

18 HEARING EXAMINER EZEANYIN: I was trying
19 to examine the status of that. Is that well
20 injecting right now?

21 THE WITNESS: Yes.

22 HEARING EXAMINER EZEANYIN: It is your
23 well?

24 THE WITNESS: It is our well.

25 HEARING EXAMINER EZEANYIN: Look at M of

1 Section 17 and this well you are talking about is in
2 Unit P. Unit P of Section 18. So you need to have
3 those two injection wells to be able to hold the
4 disposal.

5 THE WITNESS: Yes. We looked at, you
6 know, our overall plan of bringing on these
7 additional wells. We have several wells on the
8 Marshall lease so we chose one of the wells in the
9 Marshall lease as a disposal and we have several
10 wells on the DL lease of which we are close to our
11 capacity now in the existing well.

12 HEARING EXAMINER EZEANYIN: That well in M
13 cannot handle the capacity?

14 THE WITNESS: Exactly. That's why we are
15 asking for additional wells.

16 HEARING EXAMINER EZEANYIN: And the lands
17 involving this are both State?

18 THE WITNESS: Yes, these are state lands.

19 HEARING EXAMINER EZEANYIN: Now let's go
20 back to the area of review. You have some closed
21 and abandoned wells.

22 THE WITNESS: We have one plugged and
23 abandoned well. It's on Page 10.

24 HEARING EXAMINER EZEANYIN: How many
25 producers do you have?

1 THE WITNESS: There are five -- six
2 producers and we have one additional well that we
3 can bring on. The DL No. 1, 2, 3, 4, 5 -- I'm
4 sorry, five wells. The DL No. 7 we have TA'd and we
5 have the fields No. 4 well which was not far off
6 from here that we have on our list of inactive
7 wells.

8 HEARING EXAMINER EZEANYIN: And this well
9 is converted to comply with 5.9?

10 THE WITNESS: Yes.

11 HEARING EXAMINER EZEANYIN: Is that under
12 the agreed compliance order?

13 THE WITNESS: It is.

14 HEARING EXAMINER EZEANYIN: So in this
15 case, too, I think what we will do at this point,
16 because there are issues in the notice, we will hold
17 the case. We are going to continue it for December
18 16th again. Is that okay?

19 MR. CARR: Yes, sir.

20 THE WITNESS: Yes, sir.

21 HEARING EXAMINER EZEANYIN: For you to
22 correct the records and also to give me a definition
23 of where accurately the groundwater is. I think on
24 both cases I think I would need to see exactly where
25 for the schematics and the injection wells.

1 MR. BROOKS: No questions.

2 HEARING EXAMINER EZEANYIN: Anything else?

3 MR. CARR: Nothing further.

4 HEARING EXAMINER EZEANYIN: At this point
5 the case will now be taken under advisement but it
6 will be continued until December 16th to correct the
7 records depending where the groundwater is. And
8 that concludes the hearing today.

9 (Note: The hearing was concluded at
10 10:15)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case
heard by me on

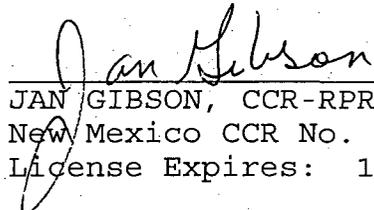
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REPORTER'S CERTIFICATE

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I, JAN GIBSON, Certified Court Reporter for the State of New Mexico, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this case and that I have no interest in the final disposition of this case.



JAN GIBSON, CCR-RPR-CRR
New Mexico CCR No. 194
License Expires: 12/31/10