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

APPLICATION OF APACHE CORPORATION FOR APPROVAL, RETROACTIVELY, FOR SURFACE COMMINGLING AND AN EXCEPTION TO THE METERING REQUIREMENTS OF DIVISION RULE 19.15.12.10(C)(1) NMAC, LEA COUNTY, NEW MEXICO.

CASE NO. 14944

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, Chief Examiner
DAVID K. BROOKS, Legal Examiner

January 24, 2013

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, January 24, 2013, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South St. Francis Drive, Porter Hall, Room 102, Santa Fe, New Mexico.

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EXHIBITS OFFERED AND ADMITTED

(8:23 a.m.)

EXAMINER JONES: Okay. Let's go ahead and call Case 14944, application of Apache Corporation for approval, retroactively, for surface commingling and an exception to the metering requirements of Division Rule 19.15.12.10(C)(1) NMAC, Lea County, New Mexico.

Call for appearances.

MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of the Santa Fe law firm of Kellahin and Kellahin. We're in association with Mr. Earl DeBrine, of the Albuquerque law firm of Modrall. Together we're in association to represent Apache in this case. We have two witnesses to be sworn.

EXAMINER JONES: Any other appearances?

And for the record, we have an objection from the BLM.

EXAMINER BROOKS: It's an objection. They didn't appear. They never do.

EXAMINER JONES: Any other appearances?

Will the witnesses -- two witnesses please stand?

And will the court reporter please swear the witnesses?

(Ms. Hanson and Mr. Mills sworn.)

EXAMINER BROOKS: When we get through with

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this hearing, I'll convert it into my new rule book (laughter).

EXAMINER JONES: Okay.

MICHELLE HANSON,

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

DIRECT EXAMINATION

BY MR. DEBRINE:

Q. Can you state your name, please?

A. Michelle Hanson.

Q. Ms. Hanson, who do you work for?

A. Apache Corporation.

Q. Could you describe for the Examiner your position and your responsibilities for Apache?

A. I am a landman for Apache, and I've worked in the New Mexico area since I became a landman with Apache in 2006.

Q. What is your educational background?

A. I graduated from Oklahoma State University with a degree in international business in 2003. And I went to work for Apache immediately, and they made me a landman in 2006.

Q. How many years has Apache been operating oil and gas wells in New Mexico?

A. Since the mid-'90s.

Q. Have you ever provided land testimony in years before to the New Mexico Oil Conservation Divison and the New Mexico Oil Conservation Commission?

A. I have.

Q. Was your testimony accepted as an expert in oil and gas management?

A. It was.

MR. DEBRINE: We would ask that Ms. Hanson be accepted as an expert in oil and gas management.

EXAMINER JONES: So qualified.

Q. (BY MR. DEBRINE) Ms. Hanson, were you responsible for preparing the application of Apache for the commingling that we're seeking here today?

A. I did help, yes.

Q. And do you have that in front of you there?

A. I do.

MR. DEBRINE: Mr. Examiner, we prepared an exhibit book, which consists of Exhibits 1 through 8. Most of these were also exhibits to Apache's application. Since this is not a contested hearing, we'd just ask that they be admitted and accepted into evidence. And we'll just ask the witness to refer to them as we go through the hearing today.

EXAMINER JONES: Exhibits 1 through 8 will be accepted.

(Apache Corporation Exhibits Numbers 1 through 8 were offered and admitted into evidence.)

Q. (BY MR. DEBRINE) What I'd like you to do, Ms. Hanson, is take the Examiner through the application and the exhibits. What is Exhibit 1 in the exhibit book?

A. Exhibit 1, if you go ahead -- you both have a book -- is Exhibit A that was attached to the application, and it's a plat of Hawk B-1 lease, which is the lease that we have brought here to seek surface commingling approval.

Just to kind of paint you a picture, the Hawk B-1 lease is the yellow acreage, and all the normal wells you see, what we'll refer to as normal wells, are just the well spots on the map.

You'll also see some big, large blue circles around some of the wells. These are what we will refer to as leaseline wells.

Q. What is the distinction between the two?

A. A normal lease well, all of them have common interest ownership, working and revenue. With the leaseline wells, as you can see, they are leaselines. So they share production with the offset leases. We have agreements in place, property well agreements, with

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the BLM and communication agreements, where applicable, with the State of New Mexico to drain, so from the Hawk B-1 lease and the offset lease.

And you will see three of those wells. On the northwest corner of the map, you'll see the Hawk A lease, which is also a federal lease. Three of the wells, three of the blue circles, share between the Hawk B-1 and the Hawk A lease production. You'll see two wells on the right. The northeast corner is the Southland Royalty A Fee Lease. Those two wells share between federal land and fee land. To the south, you have one well that shares between our Hawk B-1 lease and Chevron's state lease.

Moving on from that, you also see different colored circles. You have a small red circle on the very left-hand side, the Hawk B-1 55. It's a smaller red circle. That is a nonconsent well. We own this lease, 75 percent, and Chevron owns the other 25 percent. We have a JOA in place. They are nonconsent. They have different -- this one is different interests.

Then you have the two purple circles. One, the smaller circle, is a normal lease well, but the two purple circles are two Abo wells. The bigger purple circle is a leaseline well, and we have the BLM's new communitization agreement for that well in place.

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You'll see two blue boxes in unit letter K of Section 9. The two batteries -- we have the Hawk B-1 battery, as you'll see, has -- or services 32 of the wells, the Grayburg-San Andres wells. The Hawk Federal B-1 services the two Abo wells, if that makes sense. Please ask a question. I'm trying to explain it.

EXAMINER JONES: Okay. Say it one more time about which goes to which.

A. The Hawk B-1 -- because we'll be referring to both of them. And one of them we call Hawk B-1; the other one -- they're both federal, but one is Hawk B-1 and one is Hawk Federal B-1. The Hawk B-1 we -- tank battery. There are two 500 oil -- 500-gallon tank batteries. The 32 Grayburg-San Andres wells feed into that, those two tank batteries. On the same location are the other two tank batteries that service the two Abo wells.

So the Abo, Grayburg and San Andres are not being commingled. The Grayburg and San Andres are being serviced. The Abo is going into separate tank batteries.

And we do have a facility diagram. That will be shown later. It's in the back of the book, and Clinton will come up and discuss that.

Q. (BY MR. DEBRINE) Could you explain for the

Examiner what Apache is seeking through its application today?

A. We are seeking retroactive approval to surface commingle the Grayburg and San Andres production from the normal wells and the leaseline wells and allocate bimonthly well tests to each of these wells.

Q. How did Apache discover the issue with regard for the need to obtain the Division's approval for the commingling of the wells that are subject of the application?

A. Apache has grown through the years by acquisition, with several large acquisitions. We did an internal review of all of our leases in Lea County, New Mexico and Eddy County, and we identified those where we've had more than one pool being commingled into a central tank battery. Most of the leases that we identified, that we had those in place, are all -- the interest ownership is all the same. All we need to do is submit and get approval, because the prior operators did not do that.

That's kind of the case here. We had a Grayburg and San Andres well being surface commingled when we acquired it from Conoco in 2000, but we just kept doing that. And with this internal review, we noticed that there was nothing in place to be able to do

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that. And we're looking at all of those leases and coming into compliance.

Q. And I think at the outset of the hearing, the Legal Examiner indicated that the BLM had sent a notice with regard to the application. Prior to Apache's investigation, had the BLM ever objected to the method of allocation of production from any of the wells on the Hawk B-1 lease?

A. No, they did not. No one has objected. This was our internal review.

Q. What does Apache intend to do once the Division approves -- if the Division approves the surface commingling in order to address the concerns that the BLM may have?

A. What does the BLM --

Q. What does Apache intend to do in order to address the concerns the BLM might have?

A. Oh, I'm sorry. The BLM has actually requested -- I've been in contact with them. And a lot of the information that I put in the application is information that they wanted, but they want it on, I guess, their own form. They have requested that information, and we have our departments working on that right now.

Q. Were you responsible for determining the

ownership of the interest in the wells that are the subject of the application?

A. Yes.

Q. Did you prepare exhibits with regard to the ownership of the different categories of wells that are in the exhibit book?

A. I did. And that is exhibit -- I believe it starts with Exhibit B.

Q. If you could just go through the list and explain to the Examiner what you did and the different -- what the exhibits consist of.

A. Okay. If you will turn to Exhibit B in your book -- and sorry; they go from alphabet to numerical. Exhibit B shows a normal well list, and what we call the normal wells. All of them have identical interests. They're just producing from either the Grayburg or the San Andres. And these are not all the wells, obviously. But there are 25 of them, and we list them here with their location and the current production and what date they started surface commingling.

As you can see, the first two wells they were commingling were 1950's vintage, when we acquired -- when we acquired ownership from Conoco. Some of them do have NSLs, which the approved copy of the order is behind it, behind this exhibit. Just keep

going.

Q. Just explain all the different exhibits consisting of ownership --

A. Okay. Sure.

And this is Exhibit B to the application. It's already labeled. This is Exhibit B here.

Exhibit C is just the ownership for the normal lease wells. Like I said, Apache owns -- Apache really owns 50 percent. They acquired an additional 25 from BP, which is now ZPZ. But 75 percent, and Chevron owns the other 25 percent. And the Hawk B-1 lease is all BLM. There is no override in that actual lease, no royalty owners.

Exhibit D, which is also Exhibit D of the application, is the lease of our six -- six leaseline wells, plus one -- actually, six leaseline wells. And it will tell you -- in the Comments area, I put in the date of the cooperative well agreement with the BLM and the BLM federal contract number, which is the number we report production under to the BLM.

And it also shows the date that these were first surface commingled and the different working interest owners [sic].

It also has, behind it, copies of the NSL -- approved NSL orders, as well as for one of the

leaseline wells, which is a leaseline well between federal and state lands. It also has the approved communitization agreement with the state.

Moving on to Exhibit E, is the ownership of each of the leaseline wells. The first page will show three of the wells. They all share production between the Hawk A and the Hawk B-1 lease.

And if you just scroll back through the pages, you'll come to two more wells. These are the wells that are commingled between the federal and fee lease.

And then at the very back is the -- -- there is one that shows the ownership and the allocation percentages between the two leases, between the Hawk B-1 and the state lease. So each of the owners are set out for the lease in detail. It even lists overriding royalty owners where applicable.

Q. Ms. Hanson, you mentioned that there were cooperative well agreements between Apache and the BLM for all the leaseline leases.

A. Yes, sir.

Q. Could you explain for the Examiner how those cooperative well agreements work in terms of the allocation of production from the leaseline wells?

A. Okay. When you have a leaseline well, the

first step is to get your reservoir engineer to come up with the drainage percentages. We have a set form that the BLM recognized back in 2004, 2007, which those wells were drilled. We used that form. And what it sets out is the drainage percentages between the Hawk B-1 lease and the offset lease. So if your well was -- you know, it would be 60/40, to make it easy, 60 percent Hawk B-1, 40 percent the offset lease. And that's what it sets out, and it tells you how to account for that well. You take the Hawk B-1 ownership, and you proportionally reduce it by the allocation percentage.

Q. Was it Apache's understanding that by entering in the cooperative well agreements, that that was obtaining the consent of the BLM with regard to the allocation of the commingling production concerning the wells?

A. That was our understanding.

Q. Has the BLM ever revoked any consent it gave pursuant to those in any of your dealings with them?

A. No.

Q. So the cooperative well agreements are still in place?

A. Yes.

Q. Were you responsible for notifying all the working interest owners that are reflected in Exhibits B

through I?

A. Yes.

Q. Is there an exhibit in the book reflecting the interest that was given to the working interest owners?

A. Yes.

Q. And that's Exhibit 5?

A. Yes, sir.

Q. What does the notice consist of?

A. The notice actually had this letter, plus the entire application for their review.

Q. Did you receive any objections or approvals in response to the notice that was --

A. I did not receive any objections. I did receive three phone calls from overriding royalty interest owners. Two of them said -- gave support. One actually wrote an e-mail in support of.

Q. Is the e-mail support also reflected in the exhibit book?

A. It is.

Q. Currently, as we stand here today, what is the status of your dealings with the BLM?

A. Right now, we are -- they've sent us a request -- an order -- a written order to get them additional information on this lease, which the ladies in the field are putting that information together.

They are reviewing the policy of commingling -- when I say commingle, the lease commingling -- between the federal and nonfederal lands, which is what they had approved in the cooperative well agreement. But that is now policy that they're reviewing, and I don't know what they're going to do.

Q. And Apache understands that once the Division acts, it'll then deal with the BLM people --

A. Absolutely.

Q. -- and obtain consent from the BLM?

A. Absolutely.

Q. Do you believe that the granting of Apache's application will prevent waste and promote the conservation of minerals and resources?

A. Yes.

Q. What do you anticipate the benefits from the approval of the commingling will be?

A. Well, Clint will go into detail of it, but we have -- some of the leaseline wells, if you are to meter and not allocate by well test, we have an additional cost that goes into that, an operating cost, plus an additional up-front expenditure. And three of those wells might end up having to be plugged. They're marginal producers as it is, and if we had to set metering facilities, then that will be most likely

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plugged.

Q. Could you just summarize for the Examiner what Apache is asking the Division to do?

A. For the -- like I said, there is Grayburg and San Andres, and then there is Abo. We would like approval, retroactively, to surface commingle the different pools, the Grayburg and San Andres, for the 32 Hawk B-1 wells. That includes the leaseline wells, and allocate by well test.

And for the Abo, we would also like to request, for future wells being added, to be able to surface commingle Grayburg-San Andres and allocate by well test.

On the Abo wells, right now they're both being metered, but we would like to -- we need surface commingle requests for that as well, because we have a leaseline well, and we'd like to ask for future approval if we can add more Abo wells to allocate by well test.

Q. What is the procedure Apache's currently employing in order to test and accurately account for the production for the wells on the Hawk B-1 list?

A. As far as the monthly well tests?

Q. Yes.

A. The process of it?

Q. Sure.

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A. Well, each well is tested at least once a month, and that well test is then recorded and reported. And we use that monthly well test to allocate. And I will say, even though we are surface commingling and allocating by well test, the six leaseline wells and the nonconsent wells in our system, they are separated. They are accounted for completely separately. They have their own interest, in accordance with the cooperative well agreement. They're not all in one. So we do account for them separately.

Q. No further questions.

EXAMINER JONES: Mr. Kellahin?

MR. KELLAHIN: No, sir.

CROSS-EXAMINATION

BY EXAMINER JONES:

Q. Wow. So how far back do you want us to go on this? What date?

A. Well, like I said, we had the two wells that we acquired from Conoco. One was Grayburg, and the other was San Andres. They were drilled in the '50s. They never had anything in place, and that's what we -- we looked back and didn't see anything in place. Well, we probably need to get something. This was back in -- we would like to go back to 2002. Those were the first ones we drilled and continued to do what Conoco had

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done, and surface commingled. So the wells -- the leaseline wells were drilled in '04, and then we had a couple in '07, and then the latest one is 2010, I believe.

Q. Did Chevron get involved with you on this?

A. Uh-huh. They signed the cooperative well agreement. All the working interest owners signed the communitization agreement, which was Cheveron, Apache, and BP, at that time.

Q. What about Chevron getting involved with this proceeding here, or did they give you any feedback or advice or legal advice?

A. No. And they got a copy of it. I wanted to give them a call to see, you know, if they had had any issues. Like I said, we did an internal review. They may not have reviewed, you know. I can't imagine they have approval in place.

Q. In their OBO operations.

A. I don't know. I don't know. Maybe they do. But it's easy to overlook when you acquire company after company in these large acquisitions. We've been going back through and trying to see what we do have in place and what we don't have in place.

Q. Those cooperative agreements -- leaseline agreements, do they include specifically saying they can

use well tests?

A. No, not specifically. In Exhibit 6, there is an actual copy of one, and if you -- they all read the same, so if you want to go to page 5, number eight, "Measurement." It's very vague.

Q. Okay. Kind of leaves it up to what's most optimal in the fields?

A. Uh-huh. It says: "The method used shall be checked for accuracy at least once a month." And it says: "Gas separated from such oil shall be metered or determined from well test before delivery ...," but that's gas. As to oil, it really is vague, and we just did what we've been doing.

Q. Okay. So Apache started here in 2000; is that correct --

A. Yes.

Q. -- the Hawk B-1 lease?

A. Yes.

Q. You said something about you owned 50 percent before that?

A. We owned 50 percent at that time, when we acquired operatorship. Then we acquired -- recently, we acquired BP's interest, and that's ZPZ Delaware, a wholly owned subsidiary of Apache. So, in essence, Apache owns that additional 25 percent, giving us 75

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percent in the lease.

Q. And so that by -- by that action, you became the operator?

A. We became operator in 2000 by acquiring Conoco's interest at 50 percent. We were operating 50 percent back then.

Q. Okay.

A. Sorry for the confusion.

Q. So these nonconsent wells, is that handled by some sort of agreement with them?

A. JOA, Joint Operating Agreement.

Q. Okay.

A. Yes.

Q. So those people have been noticed of this?

A. Uh-huh.

Q. But before that, were they aware of -- do you know if they were aware of what kind of testing method was used?

A. It was Chevron that went nonconsent in that one well; yeah, they know.

Q. So the whole lease is being used well test; is that correct?

A. Yes.

Q. Or is there any separation of wells that are continuously metered as a group versus the other wells?

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A. No. Clint's going to get into that. I hope he'll go into great detail. I'm sorry. I can understand --

Q. And your limits on future expansion, you wanted, in your application, to -- you had listed -- I want to make sure the criteria is correct on what you want for additional wells that are added or additional pools that are completed.

A. Correct.

Q. You want it to be confined to the Hawk B-1 lease, first of all?

A. Yes. Yes. Absolutely.

Q. And then there are a lot of pools out here, that I saw, but you're saying it's just --

A. Just Grayburg-San Andres. Our Blinebry test and production on this lease is unitized into the west Blinebry-Drinkard unit. So just Grayburg-San Andres and Abo. And the Abo has gone into a tank battery, so it's not really being commingled with the Grayburg-San Andres.

Q. So the Abo is separate?

A. Yes. Just Grayburg and San Andres are commingled into the --

Q. So you always intend to hold the Abo separate?

A. Yes. But we would like more wells to be able

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to add to the -- whether it's Grayburg or San Andres.

Q. But not Abo?

A. Or Abo into that tank, if it's different interests. Plus, right now, the Number 69 and Number 70 wells are just -- are the only two Abo wells we have on this lease. The normal lease well has the same interest as all the other normal wells. Then you have a leaseline well or metering that leaseline well separately. Because of the internal review, we wanted to meter that at this point, because right now we don't have surface commingle in place --

Q. Oh, okay.

A. -- for the Grayburg-San Andres.

Q. You've got temporary facilities or whatever?

A. Right. Right. Apparently it's two pools, the Grayburg-San Andres. You can't commingle unless you have a surface commingle in place. You can't commingle more than one pool unless you have a surface commingle in place. And since the 1950s, apparently Conoco was doing that, and we continued.

Q. Now, does the allocation of the leaseline wells -- you said it was a reservoir calculation. It wasn't a land spacing unit?

A. No.

Q. So a percentage issue?

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A. No, it was not.

Q. And you guys have an electronic list of these 32 wells somewhere that you could send --

A. Absolutely.

Q. -- through your attorney, maybe, to us --

A. Okay.

Q. -- that would have all the specs, like APIs and producing pools and things like that?

REDIRECT EXAMINATION

BY MR. DEBRINE:

Q. Ms. Hanson, when the -- when the NSL approval to obtain -- when was the Division apprised of the allocation percentages in those NSL agreements?

A. The nonstandard location, I do not believe, have the allocations on them.

Q. The percentage should be assigned?

A. The percentages. I don't believe so in the NSLs.

Q. I thought they did.

A. In the communitization agreements --

Q. If you wouldn't mind looking through that to see whether that's the case or not.

A. Sure.

Yeah, I've done several of these. Usually the -- like, if it's a cooperative well agreement, it

would be in here. If it's a communitization agreement, state acreage is involved, it would be in there.

Oh, okay. These are -- they're not in every one of them. These are ones if they -- if they reference back to a -- this is a state well, actually. That's why it's in here. This is a communitization agreement between the state and the federal government.

Q. So if you look through the administrative words concerning the nonstandard location, if there was, for instance, a state well, then the allocation was set forth in the order?

A. In the NSL and in the communitization agreement. Because when I get a cooperative well agreement for the BLM, that's the only form that they would recognize. The state did not recognize that form, so we would have to do a separate one for the communitization agreement for the state. They had the same allocations in both.

RECROSS EXAMINATION

BY EXAMINER JONES:

Q. If you add wells or pools or wells with the Abo or Grayburg-San Andres in the feature, you wouldn't have anybody else to notify anyway, would you, if you get this agreement, that the people that are in place now are fixed and they would be notified if additional wells

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were added? The additional wells wouldn't have separate ownership; is that correct?

A. Right. Right. Well, if there are leaseline wells, then they would be notified.

Q. Say that again.

A. If there are leaseline wells, then they would be notified. If it's -- if it's a future leaseline well.

Q. Or a non --

A. Or a nonconsent well, yeah, which would only be Chevron.

Q. Okay.

A. Yeah.

Q. There are a lot of other pools out here, but you're not going for them, and you're not asking for that at this time?

A. Not at this time. Huh-uh. We will -- well, Blinebry-Drinkard is unitized. The Abo is going into its own tanks. If we do have another -- we would like approval to surface commingle another zone, but I wouldn't see what zone that would be right now.

Q. But you're asking that we specify in the order that the Abo would still remain separately metered?

A. Yes. It's going into a different --

Q. And it continuously will be in the future?

A. We would -- if we'd add, we would like to be able to allocate by well test. If we continue to meter each well that we have -- right now, we're metering both the normal lease well and the leaseline well, until we know how this comes out.

Q. Oh, I see.

A. We would like to be able to allocate by well test, if we are able to, if you approve it.

Q. And I'm asked if you've been -- it's definitely been at least by well test. Is that what you guys found out?

A. Yes. Yes.

EXAMINER JONES: David, do you have any questions?

CROSS-EXAMINATION

BY EXAMINER BROOKS:

Q. Just the status of your dealings with the BLM. You said they requested additional information?

A. About the lease and production.

Q. Yeah. They have not, then, given you any indication of what their -- what their attitude really is toward this?

A. They have told me that the different cooperative well agreements allow for the commingling between federal and nonfederal lands, and their new --

at least in their structural memo -- I don't know if it's withdrawn or still there, but it says you cannot do that. So I do not know at this point what they're going to say.

Q. Yeah. That was my understanding, that they are saying: No more commingling between --

A. So I don't know. Are they going to plug these wells? I don't know.

MR. DEBRINE: Yeah. Mr. Examiner, I think it's fair to say that the BLM's commingling policy is still uncertain. They came out with an IM that, essentially, will prohibit commingling federal production with any other production. That IM expired by its own terms last -- this last year, in September, I believe. And there was a meeting between industry groups and the BLM, and they agreed that they would not implement that IM. They're going to propose some commingling provisions in the revisions to Onshore Order Number 3, which they anticipate will come out sometime in 2013. And depending on whether you're talking to Carlsbad or Farmington, you're going to get a different answer on what the commingling issue is.

So we're hopeful that we can -- that we can sit down with the BLM and demonstrate that it's in everyone's interest to continue these -- these wells, to

continue production. It's going to maximize federal royalties, and everybody will benefit. And we'll obtain that approval once the Division acts.

Q. (BY EXAMINER BROOKS) Other than their general compensation to commingling federal or nonfederal minerals, have they articulated any particular concerns with relation to this property that you're aware?

A. Okay. The fact that we're commingling between federal and nonfederal --

Q. Yeah.

A. -- and not setting individual meter facilities --

Q. Right.

A. -- for each well.

MR. DEBRINE: There's been no question raised with regard to the volumes that have been accounted for or the accuracy of the method at this point.

EXAMINER BROOKS: Thank you.

RECROSS EXAMINATION

BY EXAMINER JONES:

Q. I think, by rule, the state approval is contingent on the BLM approval. The only controversy with the BLM is the leaseline wells. Is there some language you would like us to put in there, that

internal -- the "normal wells" or -- we have to put that language in anyway, but we could -- instead of a veto totally of the whole thing, is what I'm saying.

A. I was going to say, certainly we need approval for the normal wells as well.

MR. KELLAHIN: Mr. Examiner, our intent was to ask your permission to submit a draft order for you, and we would address that very question.

EXAMINER JONES: Okay. Thank you.

MR. DEBRINE: And we're asking you to approve whatever the maximum your jurisdiction allows you to do, recognizing that there is also the contingent on the BLM approval on some aspect of it.

EXAMINER JONES: Okay.

Okay. Thank you, Ms. Hanson.

THE WITNESS: Thank you.

MR. KELLAHIN: Mr. Examiner, at this time we'll call Mr. Clinton Mills.

CLINTON MILLS,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Mr. Mills, for the record, sir, would you please state your name?

A. Clinton Mills.
Q. And where are you employed?
A. Apache Corporation.
Q. And where do you reside?
A. I work in the Eunice, New Mexico office.
Q. What is your general job description, Mr. Mills?
A. I'm the district production manager over the state of New Mexico. I have all the production operations. The only activity that I'm not over would be the drilling activities.
Q. When we talk about the Hawk B-1 batteries, both the federal and the other one that's captioned Hawk B-1, are those facilities that fall within your area of responsibility?
A. Yes, they are.
Q. How long have you been responsible for that facility?
A. In my current role, I've been responsible for that facility for three years. I've been working this area off and on for about eight years.
Q. As part of your preparation for this hearing, have you reviewed the exhibit book that has been presented to the Division and to the Examiner?
A. Yes, I have.

Q. Insofar as there are technical components to the application, is your presentation today the most accurate and current representation of your data?

A. Yes, it is.

Q. Now, there will be some changes between the application, Exhibit A, that was filed, and Exhibit K that you and I are about to talk about?

A. Yes, sir.

Q. In the facility itself, is there day-to-day staffing of that facility so that you have a way to obtain information from people on the ground?

A. Yes. The facility is automated. In addition to the automation, there is a pumper that goes by that facility every day, rain or shine. There's also a measurement group that is responsible for ensuring all the meters on that facility are accurate. There is a mechanic that is called in to assist the pumper if there are any mechanical issues that the pumper can't address himself.

Q. When we discuss the population of wells, what's the total population of wells we're talking about?

A. For the Grayburg-San Andres facility, there are 32 wells. For the Abo facility, there are two wells.

Q. Do you have displays in the book that will illustrate the configuration of the facilities?

A. Yes, we do.

Q. If you'll turn to Exhibit Tab J. When we start with Exhibit Tab J and the rest of the documentation, are these exhibits that either you have reviewed or that were directly prepared by you?

A. Yes, they are.

MR. KELLAHIN: We tender Mr. Mills as an expert witness.

EXAMINER JONES: So qualified.

Q. (BY MR. KELLAHIN) Mr. Mills, behind Exhibit Tab J, there is a facility summary. I don't want you to read the summary.

A. Okay.

Q. But have you examined this summary, and is it correct?

A. Yes, I have, and it is correct.

Q. Once we've talked about the diagrams themselves, the Examiner can go back and look at the narrative, and between the two documents, then, reconstruct what you're about to talk about?

A. Yes, he can.

Q. If you'll turn past that summary then, there is a series of displays. There are two single pages, each slightly different, and then there is a separator tab, and then there is a larger pictorial. What does the

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larger pictorial represent?

A. The larger pictorial is the way the --

Q. It's a foldout map; is it not?

A. Yes, it's a foldout, the larger one here. It's a technical diagram of how the facility looks from air, but trying to explain it off this diagram would take us most of the afternoon probably.

What's really going on here is, there are two completely separate facilities. The only thing that they share is the water tanks, and, of course, we just store the water right before we dispose of it. So that's why we added, for lack of a better word, the cartoon diagrams, to explain what's going on here.

Q. Let's go back and do that explanation. Let's start with the first cartoon in the book.

A. Okay.

Q. Let's make sure we understand which one we're looking at.

A. The first one says, at the tope there, "Abo," which would be the Hawk B-1 federal battery. This facility just handles the production from two wells. It's the Hawk B-1 69 and 70.

To walk you through the facility very basically, the wells are coming in at the left side into a header system. The wells are separated, and they each

go into their own test vessel. From that test vessel -- the test vessels are actually a three-phase separator. We're breaking the gas off, which goes through a gas scrubber, and then it's sold. The gas from each of the two wells was commingled at the gas scrubber. Prior to that, they're each metered separately. The water goes to the water tanks for disposal. It's also metered separately. The oil goes to the heater and then on to the oil tanks.

So the production from these two wells is kept separate until after it's all metered, all three phrases.

Q. When we look at this battery on the ground, where is it in relation to the second battery?

A. It's in with it, for lack of better words. This was an older facility that was retrograded a couple of different times. And they sit on top of each other.

Q. When we look at this population of -- what was it? 34 wells?

A. 32 wells.

Q. 32 wells. What is the average approximate daily producing ranges for these wells?

A. They produce anywhere from one barrel a day up to 40 barrels a day.

Q. Have you examined the production curves of

these wells?

A. Yes, I have.

Q. Are we seeing similar decline curves for all of this production?

A. Yes, they're very similar.

Q. And in order to sustain the ability to continue to produce what I would characterize as marginal wells, do you need the flexibility to do this monthly metering procedure that you're seeking approval for?

A. Yes, I do.

Q. In what circumstances would you suggest that you must have an individual meter for each of the wells?

A. In what circumstances?

Q. Yeah. What circumstances would cause you to believe that you would need an individual meter?

A. And we're still referring to the Abo facility, correct?

Q. Yes, sir.

A. If we were to drill a new well that was -- say it made 500 barrels a day. This facility can't handle it. Neither one of these facilities can. So if we were to come into a situation like that or have an ESP well that produced a high volume of water, we would set it up at a separate facility to make sure that it was metered separately.

Because if you bring a high volume into here (indicating), it will turn the vessels upside down. Meaning that you'll end up with water in your oil and oil in your water, and we just can't handle that. But as long as the production rates are similar, the allocation method is accurate.

Q. Approximately where are we in the life of the producing life of these wells?

A. On the Abo facility, these are relatively new wells.

Q. Do you foresee any opportunity that you would have to redesign or abandon this facility in terms of how you're using it if you add additional wells?

A. We could outgrow it. I don't foresee that happening any time soon. I believe we can handle several other wells with this one facility.

Q. Well, let's look at the second diagram, and take us through this second cartoon. This is the one that doesn't have the word "federal" associated with it, although it's a federal property?

A. Yes, sir. Again, the only thing that you see on this diagram that was on the previous diagram is the water tanks, which are the tanks in the middle.

What's going on here is, you've got 32 wells coming in. They're all coming in in the top,

right corner. That's a large header system. At that header system, there will be two wells that will be diverted into the two test separators. And those test separators are three-phase separators as well. So oil, water and gas is then metered off of those two wells.

From there, those test separators dump the oil into the heater, the gas into the gas scrubber and the water into the water tanks. Eventually, the oil ends up in the oil tanks, and then this flows through a LACT unit. The gas, of course, ends up going through a sales skid, and it's sold to Targa. Now, that's what happens with the two wells that are being tested.

Now, the other 30 wells are dumped directly into the free water knockout, where the gas is pulled off the oil and water. Some of the water's pulled off, and then the rest of the oil goes to the heater. So that production is commingled from there, all the way through the facility.

And then just your basic -- as far as how the heaters fire, it's pulling gas off of the gas scrubber. This facility is fired year round. We make enough volume of water here and the paraffin content's high enough that we've got to keep the oil hot enough to achieve [sic] separation.

Q. Based upon your experience with your current

position and your review of the documents of your company for periods of time that were before you were responsible, is there any indication that there were problems associated with the reliability of your measuring system?

A. No, sir, not at this facility.

Q. On a daily basis, if there was some kind of problem, what kind of problem would occur that would affect your ability to accurately meter and allocate the production?

A. Problems that you can have with test vessels, you can have dumps that freeze open or freeze closed. And when that happens, you can, as I said before, send water down the oil line, oil down the water line. Meters can get trash in them and plug up. The way that we monitor this, the pumper's reviewing this facility every day, and he's swabbing wells in and out of test every day. And if he gets air in his test -- meaning, the well has been making five barrels for the last six months, and, all of a sudden, it's saying it's making no oil whatsoever, just making up water, he'll know immediately he's got a problem with this facility.

The meters themselves, we have a measurement group, both gas measurement and oil and liquids measurements, and they're tasked with proving

these meters; meaning, testing them to make sure that they're accurate. The meters on both of these facilities are proved or tested anywhere from monthly to yearly.

Q. Are there any reports that you're aware of that cause you concern about the accuracy or the reliability of the calibration of the meters?

A. No, sir. Speaking of the calibration, if we have a meter, either oil or liquids -- excuse me -- gas or liquids, that we're having to prove all the time, we'll replace it. It's too laborsome for our people to have to prove them monthly. Now, on your custody meters, those are proved anywhere from monthly to quarterly.

Q. Let's turn now, Mr. Mills, to the tab that's marked Exhibit 7. If you'll turn in the book to tab 7, there is a summary here; is there not?

A. Yes, sir.

Q. Describe for the Examiner what you're trying to convey with this information.

A. This is our testing allocation method. And when I say allocation, I mean allocating the total volume of oil and gas sold for the month back to the individual wells. What we're doing here is, throughout the month, wells are swabbed in and out of test, and

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then those tests are entered into the system. In any one month, a well could have anywhere from one test to three or four tests, depending on what's going on.

Once those tests are in the system, we'll compare the sum of all those tests versus the total volume of oil sold, and they should be very close. If they're not very close, then we'll go back and recalibrate our meters. But what we're using those tests for is to establish percentages each month of what each well made, and that's how we're allocating the ownership of hydrocarbons back to each well.

Q. Let's turn now to Exhibit K.

Before we talk about the pieces of Exhibit K, you've represented on this page a Conclusion Summary with regards to the production from the facility -- or for the wells in the facility, the project?

A. Yes, sir.

Q. What are your ultimate conclusions about the project if you are now required to put individual meters on each of the wells?

A. The basic conclusion, before we go through the details, is, I'm going to have to plug three wells. And those wells are Numbers 35, 37 and 55. The reason we would have to plug them is because they're marginal wells, and they can't sustain the cost of testing them

separately.

When everyone refers to metering wells individually, it's not just a meter. I mean, we have to set a whole test vessel to get those three flows to separate, which is the test vessels in the diagram. So to set -- we would either set four-by-ten vessels or three-by-twelves. To set those, get them in, with all the meters, we're looking at roughly $40,000 per well. In addition to that, up-front capital costs, we're looking at $2,000 a year to maintain that equipment and to ensure that those meters are accurate.

Q. Let's go through the details of how you got to that conclusion.

A. Okay.

Q. Are they set forth on the first page of the printed material after Exhibit Letter K? Is that the summary?

A. Yeah, the first page there with the yellow stripes down it, right behind the first one.

Q. Describe for us the method that you got to your conclusions.

A. Okay. These are economic runs for the seven wells in question. And the first set of the reserves, M PV (12), that's what we have now. That's based off the current declines and graphs, which those are

included in here as well. The second set is with the additional $40,000 per well, plus the $2,000 operating expense.

When you compare one set to the other, that's how you get your conclusions on the first page. Basically, we're knocking the net present value down by $200,000, and we're costing reserves.

Q. So if we look at this page and we find the horizontal black line just below the words "individual separation" -- do you see that on the printed sheet, the summary sheet?

A. Oh, I'm in the wrong book.

Q. Come back. You see the black line?

A. Yes.

Q. Below that, it says "a loss."

A. Uh-huh.

Q. That loss is represented in oil, gas, NGLs and dollars and life of the project?

A. Yes, sir.

Q. Those are your ultimate conclusions about the effect of what happens if you were to put meters on all of these wells?

A. It is, but the thing that this leaves out is that three of the wells now become uneconomic. We wanted to put it in here this way just to show an

apples-to-apples comparison, but in reality, we're most likely going to have to plug three wells. And if you refer to that little spreadsheet with the yellow lines down it --

Q. Well, let's do that now. If you'll turn the page, there is the spreadsheet you're looking at, and it's got the two yellow lines, vertical lines, on it. When you talk about it, what are you representing here?

A. What I'm referring to is the three wells that have the lowest production, which would be the 35, the 37 and 55.

Q. Let's come back and identify these. These are what we call the non-normal wells, or are these the leaseline wells?

A. They're leaseline wells, and then --

Q. Plus the nonconsent?

A. Plus the nonconsent wells.

Q. So this is the population of wells, excluding the nonconsent, for which the BLM has some concern?

A. Yes.

Q. Now, describe for us what you've got here.

A. This is where the conclusions on the previous page came from. Do you want me to talk about plugging the three wells?

Q. Yes, sir.

A. If we have to put this cost on these marginal wells -- there are three of them that we'll probably plug, rather than have to spend the money. If you add up the hydrocarbons associated with these three wells and the net present value, you're looking at 20,000 barrels of oil, 196,000,000 cubic feet and then an additional $532,000 net present value that will be lost just because these wells can't afford the additional expense.

Q. Is it your expert opinion that we will leave hydrocarbons unrecovered in the reservoir if this application is not approved?

A. Yes, it is.

Q. Will we extend the life of these producing wells and recover hydrocarbons that you would not otherwise recover if it is approved?

A. That is my conclusion, yes.

Q. Will the approval of this application adversely affect any of the owners or their share?

A. No, it will not.

Q. Are you satisfied that this method of allocation and metering is fair, reasonable and accurate?

A. I'm satisfied it's fair, reasonable and accurate, much more satisfied over the alternative.

Q. Let's turn to the next package of information. We're still in the same set of exhibits. There is a series of production plots?

A. Yes, sir.

Q. You have a series of plots. These refer, then, to the same wells that are tabulated on the page before?

A. Yes. These are the same seven wells, referred to as leaseline wells, and the one nonconsent well.

Q. When we look at this tabulation -- this is the color tabulation of production, and the first one we have here is the Hawk B-1 Number 33. Is that what you have?

A. Yes, sir.

Q. What is plotted on this display?

A. This is basically the production plot since we drilled this well in 2004. You've got a gas forecast and an oil forecast basically predicting this well's performance throughout its life.

Q. Have you calculated the percentage of decline on this wellbore?

A. Yes. This particular well is at 14 percent decline. The range for this lease is between 8 percent and 16 percent. So this is a very typical graph for this lease.

Q. Have you examined all of the production decline

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curves for all the wells in the project?

A. Yes, I have.

Q. Do they have production profiles such as we're representing here by the Hawk B-1 33 well?

A. Yes, they do.

Q. Are we in the life of these wells in such a way that you would not be doing work-overs or something to change the character of the producing rates of these wells?

A. Yes. Throughout the life of the well, we might want to do an acid job or a restimulation or something like that.

Q. Is there any of that process that would substantially alter the accuracy of the methods of calculation for the distribution of the production and revenues?

A. Not substantially alter, no. What we found with these wells is, when we do a restimulation, we'll get a good bump in production for two to five months, and then it drops right back to the same decline. The only way you can really change the decline on it is to move to another zone.

Q. When you look at the production plot, there's -- periodically, there may be a day or so in which the lines drop down to zero?

A. Yes, sir.

Q. What is happening during those periods of time?

A. This particular lease is around the town of Eunice, and the gas plants in that area are around 60 years old, and they're also maxed out. So from time to time, we have to shut in the whole lease. So in return, you get a couple of low days of production. And when all the wells shut in, they do build up some gas pressure, so when we kick them on, they do flush up a little bit. So this erratic production you see through 2011 and 2012 is all due to gas plant shuttings.

Q. Is there anything about that activity that will change your opinion about the reliability and the accuracy of your monthly distribution and testing?

A. No, there is not.

Q. Behind Exhibit Tab Number 8, if you will, Mr. Mills, there is a series of written paragraphs. One is captioned "Cost Reduction." The next one says "Marginal Production." The last one says "Prevention of Waste," and then finally, "Future Wells." Have you examined each of those pages and their paragraphs?

A. Yes, I have.

Q. Do they accurately represent your conclusions and beliefs?

A. Yes, they do.

Q. Let's spend a moment and talk about what you intend by this concept of future wells being approved in the project. It may be helpful to go back to the original layout of the project, which is the foldout plat at the beginning of the book. Do you have one of those, Mr. Mills? Is this the large foldout?

A. I've got one.

Q. When you look at the large foldout, Mr. Mills, do you currently have a well in this population for each of the 40-acre spacing units?

A. Yes, sir.

Q. So the opportunity for future wells are wells that would increase the density within the spacing unit?

A. That's correct.

Q. Describe for us what you intend to do by the adding of those wells to each of these two batteries?

A. If we were to drill an Abo well, which is the facility that only has the two wells, it would be nice to be able to test the three wells with the two test vessels and then allocate based off of those percentages.

If we drilled the Grayburg-San Andres wells, we would bring them into the Grayburg-San Andres facility where we already have the 32 wells, and we would like to test and allocate as well.

With new wells, the production tends to be higher and more erratic; meaning that they have a much steeper decline. So when we do drill new wells, we make sure to test them more frequently. We put them in test for 10 to 12 days straight, and then we'll go back and test them every week to make sure we know what that well is doing.

MR. KELLAHIN: Mr. Examiner, that concludes my examination of Mr. Mills.

EXAMINER JONES: Mr. DeBrine, do you have any questions?

MR. DEBRINE: No, Mr. Examiner.

CROSS-EXAMINATION

BY EXAMINER JONES:

Q. Is there a gas well on this lease, Hawk B-1. Is that a gas well?

A. Let me see. Most recent well test I have is six barrels of oil and 85 gas. So we've got it classified as an oil well.

MS. HANSON: It is an oil well.

A. Oh, okay. It just showed up differently due to the mapping software.

Q. (BY EXAMINER JONES) And why now is there a -- there is a Hawk Federal B-1 battery and a Hawk B-1 battery?

A. That's to keep the Abo production separate from the Grayburg-San Andres.

Q. Which one is Abo?

A. The federal, which would be the one on the west.

Q. Does your pumper keep his papers of the tests and come in and reconcile, or does your automation system handle all that?

A. This lease, we're currently doing it the old way, which means he pulls the test daily and manually enters them into the computer in the office daily.

As far as to reconcile the tests to make sure they make sense, the pumpers review their own tests, typically, weekly. The foremen also review them monthly, and I review them monthly as well.

Q. What sort of percentage do you normally get out here between your -- if you add up all your tests versus your total lease production --

A. You mean for a typical well?

Q. For the -- for the whole thing. If you add up all your tests -- like if you take a month period or so and add up all your tests versus your lease production, what -- what do you think?

A. With the Abo facility, there are only two wells. One makes slightly more than the other, so the

allocation is going to be something around 60 percent to one well, 40 percent to the other well.

With the Grayburg-San Andres facility, there are 32 wells, making anywhere from 1 barrel to 40 barrels. So they're going to get anywhere from 1/32nd, all the way up to 20 percent or something.

Q. Okay. But if you -- in other words, how accurate is it to add up all the well tests versus measuring the total lease production? Are you getting the 95-percent level or --

A. We tend to be in the 95 to 110 percent.

Q. Okay. Okay. Sounds good.

A. And that's the way we try to balance it.

Q. Okay. Do you have pumping units on these wells?

A. Yes, sir.

Q. Do you have load cells on them and --

A. Load cells, Sam controllers. The guys go by and have the units draw cards every day, make sure they're pumping efficiently.

Q. So basically your automation system -- it won't read the test meter, but it'll read the -- obviously, the sales meters and stuff?

A. Yes. Yes. And the facilities themselves are automated, high-level alarms, low-level alarms. So

anything that goes on, the pumper will get a -- he'll get a phone call first and then a text on his cell phone.

Q. Well, can you control it from the office? Can you watch everything happening from the office?

A. You can watch all the tank levels, the meters, the tests to see what's going on. Currently on this facility, we cannot look at each pumping unit from the office.

Q. And are these two Abo wells -- are they done on commingle with Grayburg-San Andres?

A. No, they are not.

Q. So there are 32 GSA, and there are two Abo?

A. So 34 total.

Q. 34 total.

And none of the wells are done on commingle?

A. Between the Grayburg and the San Andres.

Q. Well, between -- between any pools, none of these wells, you're talking about?

A. No. The Grayburg-San Andres --

MS. HANSON: Two of those, Grayburg-San Andres.

A. Yeah. There are two Grayburg-San Andres that are now commingled, but not with the Abo.

Q. (BY EXAMINER JONES) Two separate pools, though. So they're commingled with two separate pools -- at least two separate pools?

A. Yes, sir.

Q. Well, that'll come in on your document that you send in; hopefully that'll be on there.

MS. HANSON: Yes, sir.

Q. (BY EXAMINER JONES) And the types of meters that you use nowadays?

A. We've got mostly two-inch meters, some of them are three-inch. We've got Orifice total flows. We've also got -- that's for the gas, Orifice total flows. And then for the liquids, we've got turbines that are also total flows. And I have brands if you want them.

Q. No, that's all right.

A. They're industry standards.

Q. Okay. But paraffin issues?

A. Those are things that we watch for. We don't really have much problem on this facility. We've got a very good chemical man that keeps an eye on all our stuff for us, and we really haven't had any issues at the facility.

Q. What is your oil gravity and gas gravity?

A. I don't have that off the top of my head. We can provide that.

Q. But the difference between your -- there is -- besides paraffin, there is a big difference between oil and water and gravity. So your separators work accurately --

A. Yes, they do.

Q. -- pretty accurately?

A. Yes, they do.

Q. And the gas, has that got a lot of inerts in it, like HCS?

A. It is a sour facility, and we do do gas sampling typically every two months to see if the composition is changing.

Q. But you sell it as-is, right?

A. That's correct.

Q. You don't break down any gas?

A. No. All we do is run it through a scrubber to pull any liquids out of there so that the gas company doesn't get mad at us.

Q. And the sales point for the oil here, is that -- is a LACT unit on the battery?

A. There is a LACT unit on the Grayburg-San Andres facility. The Abo facility is trucked. And the gas sales points are right there at the facility as well, and, of course, they're separate, and they go to Southern Union and Targa.

Q. We have to specify those in our permits we write, so --

The cost of putting the separator on there -- I know you've got your intangibles, but as far as your -- you couldn't transfer old separators from another lease like do a material transfer?

A. If we had them, we would.

Q. Oh.

A. We're actively drilling. We've got six rigs running in the state of New Mexico. So I've strapped together every piece of old equipment I could find, and now we're waiting on fabrication shops.

Q. So you have to buy, basically, new stuff?

A. Yes, sir.

Q. And pay for putting it in and -- as far as charging it off, you would charge it to the wells that are --

A. The individual wells.

Q. That are taking it?

A. Yeah. We would do it with an AFE for each, individual well, and then it would be billed out according to the ownership, however diversified that is.

Q. So those leaseline agreements are probably different cost centers?

A. Yes.

Q. So they would be billed -- the owners would be billed?

A. Totally separate.

Q. And you think the BLM's -- what they would prefer, obviously, is continuous metering --

A. That's correct.

Q. -- between the diversely groups of wells?

A. Yeah. They would prefer us to set individual vessels on all seven of these, I'm sure, but we can't afford to do that on three of them.

Q. So there are seven different leaselines?

A. That's correct.

EXAMINER JONES: I don't have any more questions.

EXAMINER BROOKS: I don't believe I have any questions.

EXAMINER JONES: Okay. Any other?

MR. KELLAHIN: Mr. Catanach [sic], that concludes our presentation.

(Laughter.)

EXAMINER BROOKS: We'll take that into consideration.

MR. KELLAHIN: He didn't remind me that we had filed a memorandum, that was filed on Tuesday. I will get you copies of that. Mr. DeBrine had drafted

the memo that dealt specifically with our position concerning the BLM, to give it to you as our research and conclusions, if you desire to consider it. If you'll give us permission, we will send you a draft order that we believe complies with what you can do and what we're asking that you do do.

And we're here to stand for questions.

EXAMINER JONES: Thanks a lot, Mr. Mills.

THE WITNESS: Thank you.

EXAMINER JONES: With that, we'll take Case 14944 under advisement.

EXAMINER BROOKS: Yeah. By the way, it is 14944, not 14994.

(Case Number 14944 conclude, 9:35 a.m.)

EXAMINER JONES: Let's take a two-minute recess.

(Recess, 9:35 a.m.)

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

_____, Examiner
Oil Conservation Division

STATE OF NEW MEXICO

COUNTY OF BERNALILLO

CERTIFICATE OF COURT REPORTER

I, MARY C. HANKINS, New Mexico Certified Court Reporter No. 20, and Registered Professional Reporter, 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 that were reduced to printed form by me to the best of my ability.

I FURTHER CERTIFY that the Reporter's Record of the proceedings truly and accurately reflects the exhibits, if any, offered by the respective parties.

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.

Mary C. Hankins

MARY C. HANKINS, CCR, RPR
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