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

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

CASE NO. 14606

APPLICATION OF MEWBOURNE OIL COMPANY FOR APPROVAL OF A SALT WATER DISPOSAL WELL, EDDY COUNTY, NEW MEXICO,

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

DOCKET NO. 6-11

BEFORE: DAVID K. BROOKS, Hearing Examiner
WILLIAM V. JONES, Technical Examiner

MARCH 3, 2011

9:34 AM

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Hearing Examiner, and WILLIAM V. JONES, Technical Examiner, on THURSDAY, MARCH 3, 2011, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Street Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Lisa Reinicke
PAUL BACA PROFESSIONAL COURT REPORTERS
500 Fourth Street, NW, Suite 105
Albuquerque, NM 87102

A P P E A R A N C E S

For the Applicant Mewbourne Oil Company:

HOLLAND & HART
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Santa Fe, New Mexico 87501
(505) 988-4421
By: William F. Carr

I N D E X

A = AFFIDAVIT of NOTICE

EXAMINER BROOKS: At this time we will call Case Number 14606, application of Mewbourne Oil Company for approval of a salt water disposal well, Eddy County, New Mexico.

Has this witnesses been sworn?

MR. CARR: May it please the Examiner, Bryan Montgomery has not.

EXAMINER BROOKS: Okay. Has counsel announced appearance?

MR. CARR: I don't believe so. May it please the Examiner. My name is William F. Carr with the Santa Fe office of Holland & Hart. We represent Mewbourne Oil Comapany in this matter, and I have two witnesses.

EXAMINER BROOKS: Very good. Will the witnesses be sworn.

[Whereupon Bryan Montgomery was duly sworn.]

EXAMINER BROOKS: Proceed.

MR. CARR: Mr. Examiner, it's very painful for me to advise you at this point in time that we have a notice error in this case, and that it will have to be continued to the hearing on March 31st so that additional notice can be provided.

EXAMINER BROOKS: Well, all this works out very well with the fact that I have a brief due on

April 1st. After March 31st I will be ready to write all these orders.

MR. CARR: And we will help you do that.

Mr. Examiner, in this case Mewbourne is seeking an order authorizing it to use its Fairchild 13 Well, Number 1 located 660 from the south and west lines of Section 13, 19 South, 25 East, use this well for a salt water disposal. As you will see, Mewbourne proposes to inject as much as 10,000 barrels of water in an open-hole interval in this well from approximately 7800 feet to 8200 feet.

The case has been set for hearing because of the nature of this well being an open-hole well and also injecting into a reservoir that in other places has been productive. In accordance with what we understand to be the policy of the division, this case needs to come up for a hearing.

With your permission, we would like to go forward and present our geological and engineering witnesses. They are here. We can review all technical portions of the case. And then with your permission on the 31st I'll present a notice of affidavit.

EXAMINER BROOKS: That will be acceptable to us. Of course, I suppose there's always a possibility that somebody may appear to protest. But assuming that

doesn't happen, I see no problems.

MR. CARR: At this time we would like to call our geological witness Jason Lodge and ask that the record would reflect that Mr. Lodge has previously testified today and his credentials as a geologist have been accepted and that he remains under oath.

EXAMINER BROOKS: The record will so reflect.

JASON LODGE

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

DIRECT EXAMINATION

BY MR. CARR:

Q. Mr. Lodge, have you prepared exhibits for presentation in this case?

A. Yes, I have.

Q. Can you refer to what has been marked as Mewbourne Exhibit Number 1 and review it for the Examiners?

A. Yes. This is a structure map. This is the structure on top of the canyon formation. You can see the canyon formation dips slightly to the southeast. Also on this map are production bubbles and what producing zone they are producing from.

An important note, on this page is the purple

color, which is Cisco Canyon production in the area along with the Cisco Canyon production right next to that well. It also includes a cross section line that goes through two salt water disposal wells in the area as well as our proposed salt water disposal well which is circled in red.

Q. There are two other disposal wells in the immediate area?

A. That is correct.

Q. Into this interval?

A. Yes.

Q. Let's go to what has been marked Mewbourne Exhibit Number 2.

A. Okay. This is the cross section, A to A prime. This, again, includes three wells on here. The 14C well is the Cotton New Mexico Fed Number 1. This was originally a Morrow well that was converted to a salt walter disposal well in the canyon formation in 1990. The perfs are in red on that well. And they acidized this well with 12,200 gallons.

13M is our proposed salt water disposal well, the Fairchild 13, which I'll get into in just a second. And then the 18G is the AM Number 1. This was converted to a salt water disposal in the canyon formation in 1982, acidized with 4,000 gallons. And the perf is located in

red.

On the Fairchild 13, I've included just a couple things about the reservoir. The reservoir is a dolomite. It's about 240 feet thick, and it's fairly porous. It's called the canyon or upper pen formation. Of note, from about 8,000 to about 8,080 or 70, is the most porous zone that, in my opinion, will probably take the most water. And we'll be doing open-hole completion from about 7800 to the 8200.

Q. Will Mewbourne call an engineering witness to review the C108 application?

A. Yes, sir.

Q. Were Exhibits 1 and 2 prepared by you?

A. Yes.

MR. CARR: We move the admission into evidence of Mewbourne Exhibits 1 and 2.

EXAMINER BROOKS: 1 and 2 are admitted.

[Exhibits 1 and 2 admitted.]

MR. CARR: That concludes my direct examination of Mr. Lodge.

EXAMINER BROOKS: Okay. Mr. Jones?

EXAMINER JONES: Mr. Lodge, are there any -- I guess am not following as close as I could. But within a half mile of this well are there any producing wells in the canyon?

MR. LODGE: To my knowledge, no. But the engineer will testify more to that.

EXAMINER JONES: Okay. Is this called a cisco or a canyon or --

MR. LODGE: This is the canyon.

EXAMINER JONES: Cisco is another separate formation?

MR. LODGE: Correct. Above the canyon.

EXAMINER JONES: Above. So, I mean, the cisco canyon and then --

MR. LODGE: And it's all lumped into upper pen as well.

EXAMINER JONES: And in this general area, if you widen your search beyond half a mile, is this an oil province for the upper pen or is it gas?

MR. LODGE: I believe it's oil.

EXAMINER JONES: Okay. It's oil and it's dolomite. It's not a mound or any kind of a reef-type deal?

MR. LODGE: No. It's a dolomite. It's pretty continuous. You can see by the cross section throughout the area. And the main producing is the Dagger Draw field just to the west of where we're at now, so that's the same formation.

EXAMINER JONES: And that's operated by

Yates?

MR. LODGE: Yates and Nearburg for the most part, is what I understand.

EXAMINER JONES: Okay. And you don't see this as a look alike to that at all, the Dagger Draw?

MR. LODGE: As far as production?

EXAMINER JONES: Yeah.

MR. LODGE: No. I think you can see on here that they make a considerable amount of water. Just one example is in Section 24, this is the Fairchild 24, which is also a Yeso well now. It was completed in a canyon formation. It made 188,000 barrels of oil, but also 5.7 million barrels of water.

EXAMINER JONES: Okay.

MR. LODGE: So we're right on the edge. That's why the production company hasn't gone any further of that Dagger Draw field.

EXAMINER JONES: But isn't it true the Dagger Draw makes a lot of water too?

MR. LODGE: It does. But not to my knowledge not 5.7 in most wells.

EXAMINER JONES: And what would be the solidity of that water?

MR. LODGE: I'll have to defer to the engineer on that.

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

EXAMINER BROOKS: Just to make sure I have the data right here, you're injecting -- you're proposing to inject 10,000 barrels per day in the open-hole interval from 7200. What was the base?

MR. LODGE: It's going to be from 7800 to 8200.

EXAMINER BROOKS: 7200 to 8200.

MR. LODGE: Yes.

EXAMINER BROOKS: Okay. And is your pressure going to be within the standard .2 per foot?

MR. LODGE: I'll defer to the engineer. He'll speak on that.

EXAMINER BROOKS: Okay. And this is all within the canyon formation?

MR. LODGE: Correct.

EXAMINER BROOKS: Nothing else for this witness.

MR. CARR: May it please the Examiners, at this time we would call Bryan Montgomery.

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BRYAN MONTGOMERY

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

DIRECT EXAMINATION

BY MR. CARR:

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

A. Bryan Montgomery.

Q. Mr. Montgomery, where you do reside?

A. In Tyler, Texas.

Q. And by whom are you employed?

A. Mewbourne Oil Company.

Q. And what is your position with Mewbourne?

A. I'm the manager of economics and evaluation.

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

A. Yes.

Q. And at the time of that testimony, how were you qualified? As a petroleum engineer?

A. That's correct.

Q. Have you previously testified before Examiners Jones and Brooks?

A. Yes, I have.

Q. And at that time your credentials were accepted?

A. Yes.

Q. Are you familiar with the application filed in

this case?

A. Yes, I am.

Q. And did you participate in the preparation of the C108 application?

A. Yes, sir.

Q. Are you prepared to review that for the Examiners?

A. Yes.

MR. CARR: We tender Mr. Montgomery as an expert in petroleum engineering.

EXAMINER BROOKS: He is so accepted.

Q. (By Mr. Carr) Mr. Montgomery, would you refer to the C108 application, which has been marked Mewbourne Exhibit 3, and identify that for the Examiners?

A. Yes. This is the application that we submitted for this case. And it has several pages. I don't have them numbered. I apologize. But I think there are 28 pages.

EXAMINER BROOKS: It looks like somebody did number them.

MR. MONTGOMERY: Oh, I'm sorry. I didn't.

MR. CARR: I did. They're probably misnumbered, but I tried.

Q. (By Mr. Carr) Mr. Montgomery, in your opinion does this application contain all information required

by four C108?

A. Yes, it does.

Q. Is this an expansion of an exhibiting project?

A. No.

Q. Why is Mewbourne seeking this authorization?

A. Mewbourne is drilling Yeso-producing wells in the area, one of which was a case we heard earlier, the 13ML yet to be drilled. And the Yeso makes a lot of formation water and it's expensive to haul the water with trucks to disposal wells. So we are planning to have our own disposal well to accommodate the Yeso development.

Q. Mr. Montgomery, would you refer to what is numbered page 7 in Exhibit 3, the area of review map and review that with the Examiners, please?

A. Okay. This shows the location of the subject well in Section 13 of 19 South, 25 East in Eddy County, New Mexico. And the well is located 660 feet from the south and west lines. And it's a dry hole that we will reenter. And we own the surface rights there.

Q. The area of review is indicated on this?

A. It is on this same map. The one-half mile area of review is shown as a circle.

Q. And it shows all wells and the ownership for two miles?

A. It does, yes.
Q. And the lease ownership is indicated?
A. Yes.
Q. Are there other wells that have penetrated the canyon upper pen within the one-half mile area of review?
A. Yes. There's just one well we heard about earlier, the Nearburg Fairchild 24, Number 1.
Q. And where is that? Do you have a footage location?
A. Yes. That is at 2100 feet from the north line and 900 feet from the west line of Section 24 in the same Township 1925.
Q. Is page 8 of Exhibit 3 a wellbore schematic for that well?
A. Yes, it is.
Q. And does the schematic contain all information required by the C108 on that well?
A. It does. So at the top, right corner there's a chronological history of what was done to that well, what was tested. The bottom, right-hand side will show details of perforations, treatments, squeeze cementing jobs, production tests. And the far left side will be a good place to look at the casing that is within the well.

Currently this well is producing from the Yeso and it's a vertical well. And it shows also that this canyon zone is well isolated in this well.

Q. Are there other oil productive zones in this area?

A. There are.

Q. And what are they?

A. Well, I've mentioned the Yeso. That would be the next one shallower than the canyon for the most part. And then deeper we have, I believe, it's the Strawn. Of course, below that we have some Morrow production out here too.

Q. Could you refer to pages 3 through 5 of Exhibit 3, the diagrammatic sketch and the injection data sheets and review Mewbourne's plans for the proposed injection well?

A. We plan to complete this well by reentering -- the well has casing set 9 and 5/8s casings set at 1173 feet. That was cemented to surface. We will reenter this well and go back into the open hole where the well was left in that condition and we will go down to 8200 feet drilling and then set 7-inch casing and cement to the surface. The casing won't be set at 8200 feet. It will be set at 7800 feet, and that will allow us an open-hole completion as shown on this cross

section from 7800 feet down to 8200 feet to inject into this dolomite.

We'll then run tubing. We've got on here 2 and 7/8s tubing but the size of the casing allows us to change it to 3 and 1/2 inch tubing if we need to. It will be internally lined with plastic. And we'll use a nickel plated placard and set that down as close to the 7800 feet as possible. We have it shown here as 7700 feet. And then we'll fill the annulus with the fluid.

Q. So you can test the well in accordance with the federal underground injection control program?

A. That's correct.

Q. The C108 is supposed to contain schematic plans of all plugged and abandoned wells within the area of review. Is the only plugged and abandoned well within this area the Nearburg well that we've previously discussed?

A. Yes.

Q. And that schematic contains all plugging detail?

A. It does.

Q. Is that well adequately plugged, in your opinion, to assure that it will not become a vehicle for migration of injected fluids out of some --

A. Yes, it is. It has multiple plugs above and

below the zone, the canyon zone, that was production tested.

Q. Mr. Montgomery, what volumes do you propose to inject?

A. We're asking for a maximum daily rate of 10,000 barrels of water per day. But we may have more of an average rate of 5,000 barrels of water per day in the early stages.

Q. Is this a closed system?

A. It is.

Q. And are you going to be injecting under pressure?

A. Possibly.

Q. Would a pressure limitation of 2/10s per pound to the top of the injection interval be adequate for Mewbourne's purposes?

A. Yes, it will.

Q. What do you estimate the average injection pressure to be or do you know?

A. It's unknown. From what we've found from other wells that inject into this formation, you can inject quite a bit in a vacuum with no pressure at all. So right at this point in time we're not sure.

Q. Do you have a maximum pressure limitation that would correspond to that 2/10s --

A. Yes. That would be 1,684 PSI on the surface.

Q. If increases above that are required, would Mewbourne justify those to the division with witness tests?

A. Yes, we would.

Q. What is the source of the water that Mewbourne will be injecting in this well?

A. This will be the Yeso formation water produced from Mewbourne wells.

Q. If we look at Exhibit 3, pages 10 -- would you just explain what is contained in pages 10 through 28?

A. Those are the pages that show the water analysis. If we look at page 10 there's sort of a good summary of what's to follow. There's water analysis for two horizontal producers that Mewbourne has. You can see on page 10 the first well would be the Mewbourne Oil Company Wyatt Draw 18/19LD, Number 1H, which is to the east of this proposed injection well. And then the Wyatt Draw 24/25LE 1H, which is just south of this location.

We also have this new well we're hoping to drill in 13 that we talked about in a previous case. And then also on here we have the Nearburg B and B, Number 4, as representing the Cisco canyon water, just to get ahead a little bit about the compatibility issues and what we're going to be injecting into. So we have water samples

from both the Yeso and the Cisco canyon to follow up and also an analysis of the compatibility of those waters.

Q. Based on your work, do you anticipate any compatibility issues with this injection?

A. No, we do not.

Q. Are there fresh water zones in the area?

A. There are.

Q. And what are they?

A. They are unnamed. We have inspected in the field and gotten samples from all that we could. And they are also contained in this C108. In following after page 10, they probably don't go any deeper than 750 feet.

Q. Have you examined the available geologic and engineering data on this subject area?

A. I have.

Q. As a result of that examination, have you found any evidence of the following sort of the hydrologic connections between the injection zone and any underground source of drinking water?

A. I have found nothing to that.

Q. And in your opinion, will approval of this application be in the best interest of conservation, prevention of waste, and protection of correlative rights?

A. Yes, it will.
Q. Was Exhibit Number 3 prepared by you?
A. Yes.
MR. CARR: May it please the Examiners, at this time I move the admission into evidence of Mewbourne Exhibit Number 3.
EXAMINER BROOKS: Exhibit 3 is admitted.
[Exhibit 3 admitted.]
MR. CARR: And that concludes my direct examination of Mr. Montgomery.
EXAMINER BROOKS: Mr. Jones?
EXAMINER JONES: Mr. Montgomery, so Mewbourne owns the surface; is that correct?
MR. MONTGOMERY: That's correct.
EXAMINER JONES: And the well is a dry hole?
MR. MONTGOMERY: That's correct.
EXAMINER JONES: Do you mind sending us a diagram of -- I know you've got the data in here. But we usually ask for a diagram of the well the way it is right now.
MR. MONTGOMERY: Sure. Absolutely.
EXAMINER JONES: If you don't mind.
MR. MONTGOMERY: No. I have one. I didn't put it with the C108.
EXAMINER JONES: And is this in the Podash

area at all?

MR. MONTGOMERY: No, it is not.

EXAMINER JONES: And it's not to the reef.

MR. MONTGOMERY: That's correct.

EXAMINER JONES: And the tubing you want an option of at least 3 and 1/2 inch.

MR. LODGE: That's correct.

EXAMINER JONES: Or non-specified in the permit so you can do whatever you want as far as size.

MR. MONTGOMERY: Right. I think that would be a good way to write the order. Right.

EXAMINER JONES: Okay. And this Fairchild 424, what was the results when they perfed it and acidized it? Do you know? Obviously they capped the plug, but --

MR. MONTGOMERY: Well, this well was one that was talked about prior and is on the cross section. It produced several years out of the canyon at a very high water cut.

EXAMINER JONES: Okay. That was it.

MR. MONTGOMERY: Yeah.

EXAMINER JONES: And that was this zone?

MR. MONTGOMERY: Yes.

EXAMINER JONES: That was talked about. Okay. And that's on this cross section.

MR. MONTGOMERY: It is. And I might add there are two other wells within 3 miles that inject in this same canyon formation water from the Yeso and from the Dagger Draw field. In addition, in this Dagger Draw field Yates was permitted to try to water flood this zone and inject in wells. That did not prove to be beneficial in the water flood. And they had begun plugging out many of the wells in the Dagger Draw field.

So we know this well will take water, the zone will take water. It will be a good injection well. Marbob has a recent well to the south that's just outside this map.

EXAMINER JONES: To the south?

MR. MONTGOMERY: Yeah. It may be on that map, Section 30. I'm not sure if we went that far south.

EXAMINER JONES: So this is a Marbob map in Section 30.

MR. MONTGOMERY: Yes. Now Concho. And now it's an injector, unit letter F.

EXAMINER JONES: And that's a canyon disposal?

MR. MONTGOMERY: That's right.

EXAMINER JONES: And this SWD in Section 18, is that a canyon disposal also?

MR. MONTGOMERY: It is. And then there's one in 17 just one mile east that's not on the map.

EXAMINER JONES: Okay.

MR. MONTGOMERY: It's a canyon also. And those were drilled to try to produce canyon. They were just too high water. They didn't produce at all actually.

EXAMINER JONES: They keep trying?

MR. MONTGOMERY: Sure. It's a good field.

EXAMINER JONES: It doesn't have an oil and gas oil-water contact? It's just high in water?

MR. MONTGOMERY: I think so. I think there may be pockets and it may be a heterogenous and difficult to pick a single contact. As you mentioned earlier, even the main part of the field makes a lot of water.

EXAMINER JONES: But they were able to handle it in the Dagger Draw somehow?

MR. MONTGOMERY: And it was less water. This is down dipping and certainly more water.

EXAMINER JONES: And this SWD in Section 14, is that canyon also?

MR. MONTGOMERY: Yes. I believe that produced in the canyon just for a very short period of time. It's a canyon injector though, to answer your

question.

EXAMINER JONES: Okay. And on your open-hole interval, you plan to -- do they recover piping? They never set pipe on that one?

MR. MONTGOMERY: I believe they never set pipe on this well.

EXAMINER JONES: So you're going to clean out to 8200?

MR. MONTGOMERY: Right.

EXAMINER JONES: Is there a plug there already?

MR. MONTGOMERY: There are cement plugs to clean out, yes. I'll send you that diagram that will have those.

EXAMINER JONES: Okay. And then you're going to set the seven inch with an external packer or an open-hole packer?

MR. MONTGOMERY: That's correct. And try to cement to the surface.

EXAMINER JONES: You've got a good packer at that depth?

MR. MONTGOMERY: We do. If you look on the cross section you'll see how it's a very tight limestone. The porosity is almost 0. So we feel good about that.

EXAMINER JONES: I see it. This DMDC, Cisco Canyon 4 well, I think that's the name of it. That one, it says Cisco canyon, does that mean it's perforated and producing from the Cisco and the canyon?

MR. MONTGOMERY: I think when the commission looks at this it's all just called upper pen. And I think I put Cisco canyon on there because it may say that on the B and B Number 4 also. But in inspecting that, it's the same dolomite interval that would be correlative to this interval and all the production in the main field, Nearburg well in Section 22.

EXAMINER JONES: That's in Section 22?

MR. MONTGOMERY: Yes. We were able to obtain a water sample.

EXAMINER JONES: Okay. So there's a history of permitting these to disposing the canyon. Now, the water is going into these other wells. Were they canyon waters going back into canyon?

MR. MONTGOMERY: No. The well in Section 30, the Marbob well, is strictly Yeso water going into canyon reservoir.

EXAMINER JONES: Do you know how long ago that one was permitted?

MR. MONTGOMERY: About two years ago maybe, a year and a half. It's new. And then the well in 18

for many years was taking Cisco canyon water in a Cisco canyon zone. That dropped off dramatically when it was sold by Nearburg to a commercial in salt water person. They began just trucking all kinds of water into it.

EXAMINER JONES: So it's a commercial disposal well?

MR. MONTGOMERY: It's commercial, right. Mesquite is the operator. And what happened was there was very little water. When you look at the injection records you see very little water injection for the last few years until the Mewbourne Oil Company begin drilling out here. Then it starts to go up. Well, that's Yeso water. That's our Yeso water. So we just like to make our own disposal instead of using the commercial disposal.

EXAMINER JONES: Okay. I'm not going to ask anymore questions.

EXAMINER BROOKS: Well, you should ask all you want to because you're the guy that knows about this stuff.

I just want to make clear -- I just want to clear certain facts. The well you're proposing to inject into is this Fairchild 24, Number 1?

MR. MONTGOMERY: 13, Number 1.

EXAMINER BROOKS: Oh, 13.

MR. MONTGOMERY: There are two Fairchilds. It's very difficult to keep things straight with the two well names.

EXAMINER BROOKS: Okay. You've got the diagram of the Fairchild, Number 24 well.

MR. MONTGOMERY: I do, right, because it penetrated the canyon.

EXAMINER BROOKS: Do you have a Mewbourne diagram of how you propose to construct the injection well?

MR. MONTGOMERY: I'm going to send that in.

EXAMINER BROOKS: Okay. Very good. So 14, Number 1, is that this well that's at A prime? No, that's in 18. Is that the well that's at A on here on the cross section?

MR. MONTGOMERY: No. That's another well that I haven't talked about yet. That's the cotton mix in Section 14. It's a current injector disposal well in the Cisco canyon.

EXAMINER BROOKS: The 14, Number 1 is the injector?

MR. MONTGOMERY: That's an injector.

EXAMINER BROOKS: Well, now, which one is the one you're applying for?

MR. MONTGOMERY: 13M, the middle one.

EXAMINER BROOKS: 13M, okay. It's on the middle one.

MR. MONTGOMERY: Right.

MR. CARR: And, Mr. Examiner, if I may, on page 5 of Exhibit 3 is the proposed wellbore diagram for the injection.

EXAMINER BROOKS: Oh, okay. That's what I was looking for.

MR. CARR: We're going to submit the current instruction of that well.

EXAMINER BROOKS: Okay. Very good. Now, which of these wells are producing now?

MR. MONTGOMERY: Okay. If you look at the big production map that you've got in front of you, we have in Section 24, there are wells in the west half. The first well I want to point out would be the well with the two different colored symbols on it.

EXAMINER BROOKS: Yeah. That purple and --

MR. MONTGOMERY: The purple and pink looking color. That is a well that is producing now in the Yeso, which is the lighter colored pink. It used to produce in the canyon.

EXAMINER BROOKS: It's no longer producing in the canyon?

MR. MONTGOMERY: Right. And I have provided

the plugged wellbore diagram in the C108.

EXAMINER BROOKS: That's in 24. Which well is that?

MR. MONTGOMERY: That's the Fairchild 24, Number 1 operated by Nearburg.

EXAMINER BROOKS: Fairchild 24, Number 1. Okay. And then you've got another one in 24 that's in the Yeso.

MR. MONTGOMERY: That's correct. So just south of that there is a well that is a vertical well that Mewbourne drilled. We call that the Wyatt Draw 24L, Number 1. And that's just due south of the Fairchild well, a little to the west.

EXAMINER BROOKS: Now, is that the well with the bubble in 25?

MR. MONTGOMERY: No. It's the well with the bubble in 24. It's a vertical Yeso producing well.

EXAMINER BROOKS: Okay. That's a Yeso only producing well?

MR. MONTGOMERY: That's correct. We drilled it on the Yeso.

EXAMINER BROOKS: I guess I'm not as concerned about the wells in Yeso. Now, over in 23 you've got one that was completed in a bunch of formations.

MR. MONTGOMERY: Yes. And it was tested in the canyon. It just happens to be outside the half a mile range. But I'm very familiar with that well too if you want to talk about it.

EXAMINER BROOKS: Well, what is that well?

MR. MONTGOMERY: That's called the Terino.

EXAMINER BROOKS: How is that spelled?

MR. MONTGOMERY: T-e-r-i-n-o, 23, Number 1. And it's operated by Nearburg, and they have recompleted it to the Yeso.

EXAMINER BROOKS: And so it has been plugged?

MR. MONTGOMERY: It's been adequately plugged in the canyon, yes.

EXAMINER BROOKS: Okay. And then way down in 26 you've got what looks like another Cisco canyon well?

MR. MONTGOMERY: Yes.

EXAMINER BROOKS: And what well is that?

MR. MONTGOMERY: I have to dig into my notes, the well name. But by the look at the cumulative production next to the bubble, it made almost all water. So 100 barrels of oil but over 87,000 barrels of water.

Okay. That's called the Morris, M-o-r-r-i-s, Arco, A-r-c-o 26.

EXAMINER BROOKS: Okay. Then you've got a Cisco well up in 14. That's other than the one today?

MR. MONTGOMERY: Yes.

EXAMINER BROOKS: And that one produced -- yeah, that one produced again a large amount of water.

MR. MONTGOMERY: That's correct.

EXAMINER BROOKS: And what is that well?

MR. MONTGOMERY: Let's see if I have that one with me. I don't have that one handy in my notes but I can get that one for you. I think it's probably a plugged canyon well, to be honest. But it may be still producing. Let me dig through my --

EXAMINER BROOKS: Okay. I'd like to be able to identify that one. And then the well at A is the well -- are you still looking? Because I don't want to ask you questions.

MR. MONTGOMERY: No. I cannot find that well.

EXAMINER BROOKS: Okay. The well at A is the 14C?

MR. MONTGOMERY: Yes.

EXAMINER BROOKS: And what's the name of that one?

MR. MONTGOMERY: That one is Cotton MX.

EXAMINER BROOKS: Cotton MX.

MR. MONTGOMERY: Federal Number 1.

EXAMINER BROOKS: Federal Number 1.

MR. MONTGOMERY: And it's currently injecting in the canyon, operated by Yates.

EXAMINER BROOKS: Okay. So it's no longer producing?

MR. MONTGOMERY: That's correct.

EXAMINER BROOKS: And I believe that covers all the ones that are of interest here.

Okay. Now, your application is to inject the previous up to 10,000 barrels per day?

MR. MONTGOMERY: That's correct.

EXAMINER BROOKS: And you're asking for the standard pressure gradient of .2 PSI per foot?

MR. MONTGOMERY: Yes, we are.

EXAMINER BROOKS: Okay. And I guess that's basically all I need to go into at this point.

MR. CARR: Mr. Examiner, that concludes our presentation. We would request the case be continued to March 31st.

EXAMINER BROOKS: Very good. Case Number 14606 will be continued to March 31st for purposes of notice.

[Case 14606 was continued at 10:11 AM.]

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 14606, heard by me on 3-3-11.

David K. Brooks, Examiner
Oil Conservation Division

REPORTER'S CERTIFICATE

I, Lisa Reinicke, New Mexico Provisional Reporter, License #P-405, working under the direction and direct supervision of Paul Baca, New Mexico CCR License #112, Official Court Reporter for the US District Court, District 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 whatsoever in the final disposition of this case in any court.

Lisa R. Reinicke,
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Ex count: