

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

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

CASE NO. 13,865

APPLICATION OF VERSADO GAS PROCESSORS,)
L.L.C., OPERATED BY TARGA RESOURCES,)
L.L.C., FOR APPROVAL OF AN ACID GAS)
INJECTION WELL, LEA COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

February 1st, 2007

Santa Fe, New Mexico

2007 FEB 15 PM 8:43

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, Jr., Hearing Examiner, on Thursday, February 1st, 2007, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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February 1st, 2007
 Examiner Hearing
 CASE NO. 13,865

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<u>ALBERTO ALEJANDRO GUTIÉRREZ</u> (Geologist)	
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A P P E A R A N C E S

FOR THE DIVISION:

DAVID K. BROOKS, JR.
Assistant General Counsel
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR
110 N. Guadalupe, Suite 1
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 8:50 a.m.:

3 EXAMINER JONES: Okay, at this time let's call
4 Case Number 13,865, Application of Versado Gas Processors,
5 L.L.C., operated by Targa Resources, L.L.C., for approval
6 of an acid gas injection well, Lea County, New Mexico.

7 Call for appearances.

8 MR. CARR: May it please the Examiner, my name is
9 William F. Carr with the Santa Fe office of Holland and
10 Hart, L.L.P. We represent Versado Gas Producers [sic],
11 L.L.C., and Targa Resources, L.L.C., in this matter, and I
12 have one witness.

13 EXAMINER JONES: Any other appearances?
14 Will the witness please stand to be sworn?
15 (Thereupon, the witness was sworn.)

16 ALBERTO ALEJANDRO GUTIÉRREZ,
17 the witness herein, after having been first duly sworn upon
18 his oath, was examined and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. CARR:

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

22 A. Yes, my name is Alberto Alejandro Gutiérrez.

23 Q. Mr. Gutiérrez, where do you reside?

24 A. Albuquerque.

25 Q. By whom are you employed?

1 A. Geolex, Incorporated.

2 Q. Initially, could you explain to the Examiner what
3 is the relationship between Versado Gas Producers and Targa
4 Resources?

5 A. Versado is a L.L.C. that operates the gas
6 processing facilities in Eunice, and it is a joint venture
7 between Targa and other companies.

8 Q. Mr. Examiner, as we proceed through the case we
9 may be using the name Versado and Targa interchangeably,
10 but we're talking about one basic entity. Versado will be
11 the actual physical operator of the facility, and -- is
12 that correct? Who will actually be the operator?

13 A. Yes, it will be Versado.

14 Q. Okay.

15 A. Or it will be -- Well, Targa Resources will
16 actually operate the facility. Versado is an owner of the
17 facility.

18 Q. But in any event, as we proceed in the case we
19 may use one name or the other, but we're talking about,
20 really, one entity and one application.

21 Mr. Gutiérrez, what is your relationship to
22 Targa?

23 A. I am a consultant and a contractor to Targa.

24 Q. What were you asked to do?

25 A. In this case we were asked to evaluate the

1 geology in the vicinity of the Eunice Plant, Eunice South
2 plant, and to determine whether there was a reservoir that
3 would be suitable for the injection of acid gas, and, if
4 so, to prepare an application for injection.

5 Q. And you actually prepared the application that's
6 before the Division today, did you not?

7 A. Yes, we did.

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

10 A. Yes, I have.

11 Q. At the time of that testimony, were your
12 credentials as an expert in hydrogeology and petroleum
13 geology accepted and made a matter of record?

14 A. Yes, they were.

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

17 A. Yes, I prepared it.

18 Q. And are you familiar with the proposed acid gas
19 injection well and related facilities?

20 A. I am.

21 Q. Did you conduct a study of the area that is the
22 subject of this Application?

23 A. Yes, we did.

24 Q. And are you prepared to share the results of that
25 work with the Examiner?

1 A. Yes, I'll be happy to do that.

2 Q. Mr. Gutiérrez, is a summary of your education and
3 experience what has been marked in this case as Targa
4 Exhibit Number 1?

5 A. Yes, that's correct.

6 MR. CARR: We tender Mr. Gutiérrez as an expert
7 witness in hydrogeology and petroleum geology.

8 EXAMINER JONES: Mr. Gutiérrez is qualified as an
9 expert in hydrogeology and petroleum geology.

10 Q. (By Mr. Carr) Mr. Gutiérrez, could you briefly
11 summarize for the Examiner what it is that Targa and
12 Versado seek in this case?

13 A. Yes, basically Targa is looking for a -- to drill
14 an acid gas injection well, to dispose of acid gas from
15 their gas processing facilities in the Eunice area.

16 Q. What is the location of the proposed well?

17 A. The location of the proposed well is
18 approximately 2580 feet from the south line and 1200 feet
19 from the west line of Section 27, Township 22 South, Range
20 37 East in Lea County, New Mexico.

21 Q. Now you say approximately. Has the well been
22 staked at this time?

23 A. It hasn't. And in fact, as we will get into a
24 little bit further, it will be replacing an existing
25 saltwater disposal well at that location, so it may not be

1 at exactly that location, but we envision it to be a few
2 hundred feet away.

3 Q. And you will file, actually, a new application
4 for permit to drill when the location is finally
5 determined?

6 A. Yes, we will.

7 Q. Is this well location in Versado's South Eunice
8 Plant?

9 A. It is.

10 Q. And you're currently at this location injecting
11 -- you have a saltwater disposal well; is that correct?

12 A. Yes, that is correct. That well is API Number
13 30-025-21497.

14 Q. If this Application is approved, will the new
15 well also take wastewater currently being disposed of in
16 the existing saltwater disposal well?

17 A. That's Targa's intention, yes.

18 Q. What is the status of the land upon which the
19 proposed injection well is to be located? State, federal
20 or fee?

21 A. It is fee.

22 Q. And Targa is currently permitted to inject in
23 this zone, is it not?

24 A. Yes, they are.

25 Q. Is Exhibit Number 2 a copy of the application for

1 authorization to inject that was prepared by you?

2 A. It is.

3 Q. Is the application complete?

4 A. Yes, it is.

5 Q. Have you met with the Oil Conservation Division
6 and reviewed the proposed acid gas injection well?

7 A. Yes, in October when we were initiating this
8 analysis, we met with Mr. Jones and Mr. Sanchez, Mr.
9 Brooks, here at the OCD to kind of go over and make sure
10 that they understood what it was we were attempting to do
11 and that we would resolve notice issues and determine what
12 would be the Division's approach to evaluating and
13 determining whether they would approve such an application.

14 Q. Now that meeting was in October?

15 A. It was, and I've had subsequent conversations
16 with Mr. Wayne Price and with Carl Chavez and a couple of
17 times with Mr. Jones as well.

18 Q. When was this Application actually filed with the
19 Division?

20 A. It was filed in December of 2006, actually
21 approximately around December 20th of 2006.

22 Q. Could you explain why the Application has been
23 set for hearing and is not being approved administratively?

24 A. I can explain to you my understanding of why that
25 is.

1 Q. Would you do that?

2 A. When we met with the OCD it was determined, I
3 think, that the OCD -- given that there are no separate
4 rules currently for applications dealing with injection of
5 acid gas but really are going under essentially similar
6 approach to the saltwater injection, but there are other
7 considerations, so the Division determined that in general,
8 acid gas injection applications will be required to go to
9 hearing. And at the time we discussed whether that would
10 be a Division hearing or whether it would be a Commission
11 hearing, and basically I think the Division left themselves
12 open at that point and said that if there were concerns or
13 other objections to the Application, then it would probably
14 have to go to a Commission hearing, but if not it would
15 probably suffice to go to a Division hearing, and that's
16 where we are today.

17 Q. At that October meeting, did you discuss with the
18 Division and agree on special notice requirements for this
19 Application?

20 A. We did.

21 Q. And are those notice requirements summarized in
22 what is labeled behind a tab, Section XIII of Exhibit 2?

23 A. Yes, they are.

24 Q. Basically, could you, without getting into much
25 detail, just summarize what they are?

1 A. Sure. Basically, I think one of the concerns
2 that the Division has is to make sure that all of the
3 parties that are potentially affected by the proposed
4 injection would be duly notified, not only by the normal
5 approach that you would notify in the case of a waterflood
6 application or a saltwater disposal application, but, given
7 that it's an acid gas injection application, that we would
8 really provide some additional notices.

9 And what we agreed upon is that by the time that
10 we met with the Division, we had already identified our
11 most likely target zone as the San Andres formation, and so
12 what we agreed upon was that we would notify all operators
13 first, and, if there were no operators, lessees, and if
14 not, mineral owners within a mile of the proposed location
15 for wells that completed in the zone of interest, and then
16 within a half mile for any wells that were completed either
17 above or below the zone of interest, and that we would
18 notify in addition all surface owners within one mile of
19 the proposed injection well.

20 Q. So what you've done is, you have a broader notice
21 requirement for the San Andres formation than those wells
22 completed above or below that interval?

23 A. That's correct.

24 Q. And has the information contained in the C-108
25 application been organized in that fashion by depth, above,

1 below, and San Andres?

2 A. We did organize it that way, just for ease of
3 review.

4 Q. Before we get into the more technical part of the
5 Application, I'd like to ask you to address the more
6 general geology in the area. And is the general
7 stratigraphy in the vicinity of the proposed injection well
8 identified and included in the text of the C-108
9 application filed in this case?

10 A. Yes, it is.

11 Q. Could you review for the Examiner Targa's efforts
12 to find a suitable location for the proposed injection
13 well?

14 A. Sure, I would be happy to do that. I don't
15 really want to, you know, go into any further detail to
16 bore people beyond what -- since it's all presented in the
17 Application, so if I go on too long you can just go ahead
18 and stop me there.

19 But if you look at the -- turn to -- let me find
20 the tab here -- Section V, which has got -- no, I'm sorry,
21 hold on, let me just see -- It's the tab behind Section
22 VII. It's labeled Section VII Data (1). That has a
23 summary of the geology in the vicinity, and I think
24 probably the easiest way is just for me to kind of describe
25 the process that we went through, if that's okay, and then

1 I'll refer to some of the figures in this area.

2 Basically, we looked first at the general geology
3 in the vicinity of the plant itself. The plant is located,
4 really, in the northwestern portion of the Central Basin
5 Platform within the Delaware or separating the Delaware and
6 Midland Basins. It's an uplifted platform that is
7 separated by a series of normal faults going into the
8 Delaware Basin.

9 And the first figure, that is three pages behind
10 the tab there, shows you a kind of cartoon, if you will, of
11 the general stratigraphy in the area, and it outlines about
12 where the Eunice Plant site is. You can see that we have
13 the actual -- Eunice Plant is actually overlain by the salt
14 -- a salt zone at about 1500 feet; it's not shown as a
15 separate zone here on this figure. But then you have the
16 Queen and the Grayburg, the San Andres --

17 Q. Now Mr. Gutiérrez, what you're looking at is --

18 A. -- Figure 1, I'm sorry.

19 Q. -- Figure 1 behind the tab that is identified as
20 Section Roman numeral VII --

21 A. Yeah.

22 Q. -- is that correct?

23 A. That's right.

24 Q. And this is a regional setting?

25 A. That's right, it's just to give an overview.

1 Q. Okay.

2 A. And basically, as I mentioned, the stratigraphy
3 is, we have unconsolidated material; and then we get into,
4 eventually, the salt formations that overlie the Queen and
5 the Grayburg; and then we get into the San Andres; below
6 that we have the Glorieta and Yeso section, which is really
7 called the Blinbry in some areas there; and then below
8 that we get directly into some deeper units below the
9 Blinbry, which really we did not look at in great detail,
10 because we found that the San Andres was going to be
11 adequate for what we were proposing to do here.

12 The San Andres in general, I'd like to focus on
13 that a little bit. The next figure, Figure 2, is a one-
14 mile circle around the plat and shows all of the producing
15 wells, injection wells, et cetera, within a mile of the
16 plant. As you can --

17 Q. Is that one-mile area actually the area you
18 defined as your study area for this --

19 A. Yes. And as you can see, the bulk of the wells
20 there, they're segregated by where the producing formations
21 are, and that the bulk of the wells in that area produce
22 from the Seven Rivers, Queen, or the Grayburg formation.

23 And based on -- And the next figure, Figure 3,
24 shows the wells -- the only wells that penetrate below the
25 San Andres in that zone. And we'll go a little further in

1 detail as we go later on and go through exactly how many
2 wells are in each of those zones.

3 But just to give the overview now, the next
4 figure, Figure 4, is a cross-section that is across --
5 Shown on Figure 2 is the line of section there, and you can
6 see that the sixth well from the west to the east there is
7 the actual injection well that currently exists at the
8 Targa facility, and you can see it is completed in just the
9 very top portions of the San Andres.

10 The San Andres in this location is about 1100 to
11 1200 foot thick, very porous dolomitic carbonate. And as
12 you can see on these -- this cross-section, it is very
13 porous and it's got a significant thickness in this area.
14 And from there we get into the Glorieta and the Blinbry
15 below it.

16 The figures after the cross-section, there's two
17 figures there, and what we tried to do there was give the
18 Division a good idea of what the porosity looks like in
19 that zone where we have essentially a north-northwest-
20 trending axis where we have pretty extensive porosity, the
21 highest being just east of the plant site there, but we
22 have a -- what we've shown as the area of net porosity
23 greater than 6 percent in the San Andres.

24 And then we have shown the same figure as Figure
25 6, but it doesn't have the shading so that it's a little

1 easier to see what wells are involved.

2 But basically, it's very porous, laterally
3 continuous and very little structure formation.

4 Q. Figure 7 is what?

5 A. Figure 7 is the same porosity map, showing the --
6 essentially the net thickness of carbonate that has greater
7 than 6-percent porosity.

8 Q. In this area the San Andres looks like an
9 excellent candidate for the acid gas injection being
10 proposed, does it not?

11 A. That's what we determined, yes.

12 Q. Mr. Gutiérrez, also in this exhibit behind the
13 tab marked Section Roman numeral VIII Data (1) is some
14 supplemental geological data.

15 A. Yes.

16 Q. Would you just briefly review that for us?

17 A. Sure. I wanted to present the Division with some
18 additional information so that they could see kind of what
19 the structure -- or lack of structure, would be probably
20 more correct to say in the area there.

21 So I basically provided three figures which
22 include an isopach map of the salt interval that I talked
23 about, which is significantly above the San Andres, but it
24 is about 1000 feet thick in the area, a little over 1000
25 feet thick, and this first figure is an isopach of that

1 salt interval.

2 The next figure is a figure of the structure
3 across the top of the San Andres. And you can see
4 essentially it's a very flat unit there, and it has a
5 little bit of a rise to the north and east of the plant.
6 And as a matter of fact, as you get further north and east,
7 the top portions of the San Andres become a little bit
8 productive for oil and gas, and so -- but in the area where
9 we are, down here at the South plant, the San Andres is
10 very wet, it's all saltwater.

11 And the last figure, Map 3, is an isopach or
12 thickness map of the San Andres, and you can see we're
13 looking at about 1100 to 1200 feet thickness in the
14 vicinity of the South Eunice Plant.

15 Q. Can you review for Mr. Jones the conclusions you
16 have been able to reach from your geological study of the
17 area?

18 A. Basically from the geological evaluation that we
19 did, we determined that the San Andres would be an
20 excellent reservoir for both acid gas and produced water,
21 because it's very porous, it is a closed system, it also is
22 a -- it has sufficient porosity and sufficient thickness,
23 if you will, net pay, that it will take the volumes of acid
24 gas and produced water that we're talking about, and affect
25 a very small area around the wellbore.

1 Q. Is this an expansion of an existing project?

2 A. No, it's not. It's really a new project,
3 although it will, as we noted before, replace the existing
4 saltwater disposal well at the facility.

5 Q. All right, let's go in the C-108, Exhibit 2, to
6 the tab marked Section Roman numeral V Data, and I'd ask
7 you to identify what is behind that tab.

8 A. If we look behind that tab, it's the -- really
9 the third major tab in the application. It says Section V
10 Data.

11 And I apologize for the difficulty in trying to
12 get through, but we're trying to follow the form, the C-108
13 form, and provide additional information, so it gets a
14 little cumbersome.

15 This -- it has three figures -- or actually it
16 has a little more than three figures, but the first figure
17 that we'll look at is a map that shows all of the wells
18 that are completed above the San Andres within a half mile
19 of the proposed injection well, and that shows both the
20 half-mile and the one-mile circle, but you can see the
21 wells that above the San Andres, which are the producing
22 wells, largely in the Seven Rivers, Queen, and the Grayburg
23 formation, are shown on that map.

24 Q. Okay, what is the next map?

25 A. The next map shows all of the wells within one

1 mile -- and you can see both again, the half-mile and the
2 one-mile circle -- that are completed in the San Andres.
3 And that's a total of four wells, one of which being the
4 one that is located on the plant site itself. And they are
5 all injection wells.

6 Q. The next page?

7 A. The next page shows the -- all of two wells
8 within a half mile. And as you can notice from the map,
9 they're right on the very edge of the half-mile circle,
10 that actually penetrate through the San Andres into the
11 deeper Blinbry formation.

12 Q. And then what is the final plat in this exhibit?

13 A. The final plat here is a plat that shows the
14 leases within the area of interest, and that was the basis
15 for us providing notice to the operators and the lessees in
16 the area.

17 Q. Let's now look at the wells in the area of review
18 that penetrate the injection zone. Mr. Gutiérrez, does
19 this exhibit contain the information required by the Oil
20 Conservation Division for each well in the areas of review
21 which penetrate the injection interval?

22 A. Yes, it does, and that information is located in
23 Section III Data number (1) tab, so that would be the
24 next -- let's see, the next -- it's a previous one --

25 Q. It's the previous --

1 A. -- previous tab. It would be the first major tab
2 in the application. It shows the wells -- It's divided
3 into three sub-tabs, if you will, one -- again, as we did
4 this by depth.

5 The first one has the wells that are completed --
6 a list of all the wells completed above the San Andres
7 formation within the half-mile; the next one is all the
8 wells completed within the target formation, the San Andres
9 formation, within one mile; and then Tab C is the -- and
10 I'm sorry, the next list is the wells that are completed
11 below the San Andres formation, which there's only two in
12 the Blinebry.

13 Q. Okay, let's go to plugged wells. Are there
14 plugged and abandoned wells within the area of review to
15 this injection well?

16 A. Yes, there are.

17 Q. And has Targa provided data in its C-108
18 application for the plugged and abandoned wells in the area
19 of review?

20 A. We have. They're located -- and it's pretty
21 extensive because there are a number, quite a number, of
22 plugged wells there. And they are shown in Appendix VI,
23 Tab Number 2. Let me see if I can --

24 Q. It's the largest portion of the --

25 A. It's really the largest portion of the

1 application. It's the next-to-the-last major tab, and that
2 is again divided in those same zones.

3 All the plugged -- And you can see the bulk of
4 them are in zone -- in A. It's the wells that are above
5 the San Andres. And then there are the wells that are in
6 the San Andres, and then the wells that are below the San
7 Andres.

8 Q. There are a lot of wells in the area, but almost
9 all of them are either, at this time, plugged and abandoned
10 or used for injection; isn't that right?

11 A. That is correct.

12 Q. Have you reviewed the data available on the wells
13 within the areas of review for this acid gas injection well
14 and satisfied yourself that there is no remedial work
15 required on any of these wells to enable Targa or Versado
16 to safely operate this project?

17 A. Yes, with the exception of the current saltwater
18 disposal well.

19 Q. And what do you plan to do with that well?

20 A. We intend to plug that well prior to beginning
21 operation of this new well.

22 Q. You drill the new well, and then before you
23 commence injection you'll plug the old saltwater disposal
24 well?

25 A. That is correct.

1 Q. Let's look at the injection well. I think the
2 information on the injection well is, again, toward the
3 front of the exhibit, behind the tab marked Section Roman
4 numeral III Data, parentheses (2).

5 A. Yes.

6 Q. Could you review the information on this well for
7 the Examiner?

8 A. Yes, this is a basic schematic. Of course, a
9 more detailed one would be submitted with the sundry notice
10 to drill and complete the well, but this is essentially
11 what we anticipate the well to look like that we'll be
12 completing for injection.

13 We start with essentially a surface casing down
14 to approximately -- well, to approximately 530 feet. That
15 casing would be 13 3/8. It would be cemented to the
16 surface, and it would be in a 17-1/2-inch hole. Then we
17 would drill -- and that takes us well through the Ogallala
18 and all of the freshwater units in the area.

19 Then the next one will be a 9-5/8-inch casing
20 which we would take down to 530 feet, and -- I'm sorry, the
21 13-3/8 only goes to 45 feet, and then the 9-5/8 goes down
22 to 530.

23 And then we would take the 8-1/2-inch hole with a
24 7-inch casing down to the total depth of the well.

25 Q. You will be injecting through tubing?

1 A. We would be injecting through tubing. There
2 would be plastic-coated tubing with a retrievable
3 production packer, and there would be an inert fluid in the
4 borehole around the production tubing.

5 Q. In your opinion, will the construction of this
6 well as proposed assure that injected fluids stay in the
7 injection zone?

8 A. Yes. And furthermore, I want to add that Targa
9 operates another similar injection well and has been
10 operating it for quite some time at the Sandhills Plant in
11 Texas nearby, into a very similar unit.

12 Q. Let's look at the composition of the fluid to be
13 injected in the well, and we need to go to Section Roman
14 numeral VII Data (2).

15 A. Okay, that's three more tabs back now.

16 Q. And review this for Mr. Jones.

17 A. Sure. The first tab, A, has an actual printout
18 of an analysis of the acid gas that is intended to be
19 injected into the well. And you can see that the
20 approximate H₂S percent of that gas is about 14.5 percent.
21 Most of it is CO₂. Of course, there's some minor variety
22 of methane, nitrogen and other minor hydrocarbons. But
23 essentially, it's about 84-percent CO₂, and about 14.5
24 percent H₂S.

25 Q. Let's go to the next page.

1 A. The next page is really a diagram prepared by
2 Targa that shows what the pressure and temperature is,
3 where we would get this gas into a dense gas phase, about
4 1100 p.s.i.

5 Q. There is a -- now a Tab B in that section of the
6 exhibit. Behind that, a report of the Texas Water
7 Development Board. Would you identify that report and
8 explain why it is included in this exhibit?

9 A. Sure, this is a pretty representative study that
10 was done in the area of formation waters and is very
11 similar to the formation water that is, in fact, in the San
12 Andres. It has a lot of data. And the reason why we chose
13 this to represent it, rather than just a single analysis,
14 is because it's pretty representative of the formation
15 water in the San Andres. Roughly about 80,000 TDS.

16 Q. How will Targa monitor this well to ensure the
17 integrity of the wellbore?

18 A. Well, as I mentioned, we will have an annular
19 space that's filled with inert fluid, diesel probably, and
20 then we will also have a pressure gauge at the surface,
21 just as required by federal underground injection control
22 program. We will conduct tests as required before
23 initiating injection, as we agree upon and required by the
24 Division. We will prepare, submit and obtain approval for
25 a Rule 118 plan prior to initiating any operations at the

1 facility, and we will also be continuously recording tubing
2 pressure, annulus pressure and injection rates, and then
3 we'll be reporting those periodically to the Division as
4 agreed upon.

5 Q. And before you begin, you will have an H₂S
6 contingency plan approved pursuant to Rule 118; is that not
7 correct?

8 A. Absolutely.

9 Q. Let's talk about the injection volumes. What
10 volume of acid gas do Targa and Versado propose to inject?

11 A. We propose to inject about an average of 2200
12 barrels a day, maybe a maximum of 2500 barrels a day of
13 acid gas.

14 Q. We've indicated that along with the acid gas
15 there will be some produced water injected in this well.
16 How much additional produced water, other waste water, does
17 Targa propose to inject in this well?

18 A. Basically, the water that's going down the
19 saltwater disposal well now. And I want to explain what
20 that is, because it's not just produced water. There's
21 some produced water, but then there's also some small
22 amount of boiler blowdown that goes down that well as well.

23 And probably the bulk of that water is really
24 water from a remediation system that is being operated at
25 the facility by Chevron. We're actually allowing Chevron

1 to pump their water -- They've got a shallow groundwater
2 remediation system that has some hydrocarbons in the water,
3 and they're using that water -- that saltwater disposal
4 well for that. And we would envision continuing to use it
5 for those purposes.

6 Q. What do you anticipate being the total injection
7 volumes in this well, acid gas and water?

8 A. It varies from about 2450 to 4000 --
9 approximately 4000 barrels a day.

10 Q. And is that set out behind Tab Section Roman
11 numeral VIII Data parentheses (2)?

12 A. It is.

13 Q. Anything else on that exhibit that you'd like to
14 review for Mr. Jones?

15 A. No, I think that covers it. We'll get into how
16 that -- you know, how we calculated what kind of volume
17 that would take up in the formation.

18 Q. Can the injection formation take these volumes?

19 A. Yes, definitely, this and much more, actually.

20 Q. And if we look at Figure 5 behind Section -- it's
21 Roman numeral VII Data (1) -- it's Roman numeral VII Data
22 (1) -- and we actually go to Figure 5, that is -- You're
23 reviewed that. That shows or is -- basically shows the
24 porosity in the area; is that correct?

25 A. Yes, that is correct. That is the basis for how

1 we determine what -- how far the influence of the injection
2 would be.

3 Q. Have you calculated the maximum extent in terms
4 of the area that the injection fluids may occupy?

5 A. Yes, we have.

6 Q. And would that be found on the tab marked Section
7 XII Data (3)?

8 A. Section XII Data (3), yes. It shows supplemental
9 data for C-108, Section -- and it says Map of Maximum
10 Extent of Injected Fluid.

11 But let me just -- Before we get to that, if I
12 could, the tab that we were looking at before -- actually
13 it's just right -- located just before that, where it says
14 Porosity and Volume Calculations. There are the actual
15 calculations that support what we'll be looking at on the
16 maps. But you can see -- and I want to emphasize that the
17 map --

18 MR. CARR: Mr. Brooks -- Just one second.

19 THE WITNESS: Okay.

20 MR. CARR: -- we are back one tab --

21 THE WITNESS: Yes.

22 MR. CARR: -- the tab of the plat, and it's the
23 tab that's marked Section Roman numeral VIII.

24 THE WITNESS: It's this table right here.

25 Q. (By Mr. Carr) And Mr. Gutiérrez, this is the

1 information that has actually been utilized to construct
2 the plat that is behind the next tab; is that correct?

3 A. Yes, and what I want to emphasize here is that we
4 looked at both the low rate that we mentioned -- because it
5 is pretty variable, so we looked at both the low rate and
6 the high rate of injection here.

7 And what we plotted on the map that you will look
8 at in a moment, we also added -- because, as I'm sure that
9 the Hearing Officer is well aware, there are oftentimes
10 uncertainties in terms of porosity determinations in
11 formations. We've done the best we can with all the
12 available information, but in order to feel perfectly
13 comfortable we not only looked at how much volume would be
14 occupied by the proposed injection at both the low and the
15 high rate, but then we also said, Let's say that we're --
16 we have some uncertainties in our porosity.

17 So we added a 200-percent safety factor to that
18 injection rate and said, If the porosity is significantly
19 less than what we anticipate because of local variations,
20 we might get further effect from that injection than we
21 anticipate. And so on the map we actually showed the
22 maximum area that would be affected, including the 200-
23 percent safety factor. So I just wanted to make sure that
24 that was shown.

25 So if we turn to the map now, which is behind the

1 following tab, which is Section XII Data (3), it's this
2 little map that looks like a diagram of an atom on here,
3 and as you can see it's got two small black circles
4 immediately around the injection well. Those two show the
5 low- and high-rate injection after 40 years, how much space
6 would be occupied around the injection well. You can see
7 it's pretty small. It's on the order of about 12 acres at
8 the highest rate.

9 And then with a 200-percent safety factor we
10 looked at it, and if it was equally distant from the well
11 it would be those two red circles around the well, which --
12 after 40 years.

13 But then, given the fact that we know the
14 formation as a higher porosity trend to the north and east,
15 and -- northwest -- slightly northwest and southeast, we
16 did this ellipse, and that's more what we believe would be
17 like, with a 200-percent safety factor, the kind of
18 geometry that we would expect from the injection of the
19 fluid.

20 Q. Now you've previously testified about the fluid
21 composition of what we anticipate we will be injecting, 83-
22 percent-plus carbon dioxide, 14.5-percent hydrogen sulfide,
23 and a number of other things. Are all the wastes to be
24 disposed in this well exempt from regulation as hazardous
25 waste by Subtitle C of RCRA?

1 A. Yes, they are.

2 Q. The system that we're proposing to use, will this
3 be an open or a closed system?

4 A. It's a closed system.

5 Q. Will you be injecting by gravity or under
6 pressure?

7 A. Well, it's interesting. The well that currently
8 exists there, at low rates -- it's been tested several
9 times, and the Division has witnessed a number of tests
10 there over the years -- at low rates of a few barrels a day
11 it actually takes the water under vacuum. But the maximum
12 pressure that we anticipate will be about 2000 p.s.i. for
13 the injection rates that we're looking at, the average more
14 like about 1200 p.s.i.

15 Q. Do these figures exceed an injection pressure of
16 .2 pound per foot of depth to the top of the injection
17 interval?

18 A. No, they don't.

19 Q. And would that limitation be satisfactory for
20 Targa and Versado?

21 A. Yes. I mean, at the depth of the proposed
22 injection the static pressure is about 4500 to 5000 pounds,
23 and because of the relative density differences with the
24 gas we will be injecting at, like I said, a maximum of
25 about 2000 p.s.i., but it's far below any potential

1 formation damage.

2 Q. And at these pressures there's no question about
3 there being sufficient permeability to accept the fluids?

4 A. No.

5 Q. If a higher pressure should be needed, would
6 Targa come to the Division and justify that request with a
7 separate test?

8 A. In the unlikely event that we would have to --
9 that additional pressure would be needed to achieve the
10 injection -- and we believe that to be highly unlikely --
11 we would apply for a permit modification and comply with
12 whatever requirements were appropriately imposed by the
13 Division.

14 Q. Could you describe for Mr. Jones -- We'll now
15 talk about the water questions. Could you describe for Mr.
16 Jones the formation water in the proposed injection zone?

17 A. Yes, as I mentioned, we researched the water and
18 looked at water analyses from the San Andres-Grayburg
19 throughout that area. It's pretty briny water. It ranges
20 from about 10,000 to about 400,000 TDS, and in the area the
21 average is probably about 80,000.

22 Q. And is this information set forth in Section
23 Roman numeral VII Data (2) of the application?

24 A. Yes, we just went through it a few minutes ago.
25 It was that.

1 Q. Are you proposing to reinject any water back into
2 the original producing formations?

3 A. The --

4 Q. The question really goes to, Mr. Gutiérrez, is
5 there any concern about compatibility of fluids in
6 injecting as you're proposing?

7 A. No, there isn't. In fact, as I mentioned, the
8 water that is being injected now is permitted under the
9 current saltwater disposal well.

10 Q. You've indicated earlier when we were looking at
11 the injection well that you were cementing through the
12 Ogallala. How thick is the Ogallala?

13 A. The Ogallala is about 100 to 200 feet thick in
14 this area, probably about 140 feet, 150 feet thick, and
15 it's located about 40 to 80 feet below the surface. So
16 roughly from about -- let's just say roughly it's from
17 about 50 feet to a maximum depth of about 200 or 250 feet.

18 Q. Are there other freshwater zones in this area?

19 A. No.

20 Q. Are the wells in the area that -- Well, let me
21 ask you this. Is injection as being proposed by Targa and
22 Versado in any way going to pose a threat to any freshwater
23 supply in the area?

24 A. No, as a matter of fact, the current injection
25 well is completed as to protect the shallow fresh water

1 there. That well will, as I mentioned, be plugged before
2 this new well is put into operation, and the new one will
3 be likewise completed to protect the freshwater zones.

4 Q. Are there any freshwater wells within a mile of
5 the proposed injection well?

6 A. There are, and I think those wells are shown on
7 Section XI Data (1) tab.

8 Q. Would you review that information for Mr. Jones?

9 A. Yes. Provided I can find it myself. Yes, here
10 we go.

11 Behind that tab which is immediately behind the
12 map we were just looking at in terms of the effect of the
13 injection, there are a variety of wells. The majority of
14 the shallow water wells in that area, as you can see, in
15 the immediate area, are all Versado's own freshwater
16 production wells, and then there are a couple of domestic
17 wells about a mile -- almost a mile to the north of the
18 facility, and a couple of domestic wells ranging from about
19 three-quarters of a mile to two miles or a mile and a half
20 away from the facility to the south and east.

21 And the list of those wells and their completion
22 depths are provided immediately following that map, and you
23 can see that the deepest of those wells is completed at a
24 depth of about roughly 180 feet. Most of them are
25 completed in the 110- to 140-foot range.

1 Q. Is an analysis of the groundwater in the tab
2 immediately following this, Tab Roman numeral XI --

3 A. Yes --

4 Q. -- Data (2)?

5 A. -- and this is an analysis of the water from the
6 -- one of Versado's own wells.

7 Q. Mr. Gutiérrez, have you examined the available
8 geologic and engineering data on this reservoir, and as a
9 result of that examination have you found any evidence of
10 open faults or other hydrologic connections between the
11 injection interval and any underground source of drinking
12 water?

13 A. No, and as a matter of fact, there's a
14 significant almost 1000-foot-thick zone between the fresh
15 water and the formation we're injecting into.

16 Q. Let's talk a little bit now about the notice. At
17 the meeting with the OCD in October, special notice
18 requirements were agreed to; is that correct?

19 A. That's correct.

20 Q. Has Targa complied with these requirements?

21 A. We have.

22 Q. In fact, have you exceeded those?

23 A. Yes, we've actually provided notice to some
24 additional parties that were kind of on the boundary line
25 of the notice provisions.

1 Q. If we look in the exhibit at Table -- and it is
2 marked Roman numeral XIII-1 -- it's toward the back of --

3 A. It's the last major tab, yes.

4 Q. In the San Andres, you will require to notify
5 operators, or if none, lessees, or if none, mineral owners
6 within one mile of the proposed injection well. Did you do
7 that?

8 A. We did.

9 Q. How many wells were actually located in that one
10 mile area, do you recall?

11 A. In the -- that actually went to the San Andres?

12 Q. Yes.

13 A. Four.

14 Q. And were they disposal wells?

15 A. Yes, one of them being Targa's own well.

16 A. Now above the San Andres and below the San Andres
17 you were required to provide notice to these same entities
18 within a half mile of the proposed injection well, and did
19 you do that?

20 A. Yes, we did.

21 Q. And how many of these operators were you able --
22 or wells, were you able to find; do you recall?

23 A. Yes. Below, I remember there were only two
24 wells, and there was the same one single operator. Above,
25 there were a number of wells, but they were all -- they're

1 all mainly part of this, either the Langlie-Mattix-Penrose
2 Unit, which is operated by Legacy, or the Skelly-Penrose
3 Unit that is operated Cimarex. And there were a couple of
4 additional wells in there, and we notified those operators
5 as well.

6 Q. Did you notify all surface owners within a mile?

7 A. We did, as -- if you will note behind the tab
8 that says Section XIII Data, that gives just a summary of
9 the notice requirements that we agreed upon. And the first
10 table there is all the operators and lessees within the
11 required notice area, plus a draft of the letter that we
12 used to notice them. And then there's this colored map
13 that shows the surface ownership within one mile, and we
14 noticed all of the surface owners within that one mile.

15 Q. And that data was actually obtained from county
16 assessor records, was it not?

17 A. That is correct.

18 Q. Does this portion of the exhibit also contain a
19 copy of the letter providing notice of today's hearing?

20 A. No, it --

21 Q. Yes, it does, it's in page 5 of that.

22 A. Let's see. I think it -- this was the legal
23 notice --

24 Q. No, it's before that.

25 A. -- for the Application. I think the notice for

1 the hearing we have in a separate exhibit.

2 Q. No, it's actually earlier, and it is in the
3 exhibit.

4 A. Okay, I must have missed it then.

5 MR. CARR: Mr. Examiner, I have confirmed that,
6 in fact, the notice letter is here. If you'd like me to
7 take five minutes, we can find it --

8 EXAMINER JONES: No, that's all right.

9 MR. CARR: -- but I'd also would like to advise
10 the Commission -- or Division counsel, that it does provide
11 the time and the date and the location of today's hearing.

12 MR. BROOKS: Thank you.

13 Q. (By Mr. Carr) Does the exhibit also contain a
14 copy of the advertisement published in the Hobbs newspaper?

15 A. It does.

16 Q. Is Exhibit Number 3, separate exhibit, a copy of
17 the legal advertisement for today's hearing published in
18 the *Lovington Leader* on January the 6th?

19 A. Yes.

20 Q. And to be sure we have covered all the bases on
21 the notice, is Target [*sic*] Exhibit Number 4 an affidavit
22 from you confirming that notice has been provided in
23 accordance with the Rules and directives of the Oil
24 Conservation Division?

25 A. It is, and as a basis for that affidavit, the

1 very last tab in here shows copies of all of the return
2 receipts for certified mail for all of the notices, and I
3 have brought with me today the actual original returned
4 receipts from those notices.

5 MR. CARR: We have here -- and if you want them
6 included as a separate exhibit, we can provide the actual
7 copies of the return receipts and the letters that were
8 sent providing notice of today's hearing. There are copies
9 -- The parties to whom notice was provided are identified
10 in the exhibit; the copies of the original application and
11 the return receipts are also included, as are copies of the
12 letter. We do have the originals, if you'd like those.

13 MR. BROOKS: I don't think the originals are
14 necessary.

15 Q. (By Mr. Carr) Mr. Gutiérrez, has anyone objected
16 to the Application?

17 A. No.

18 Q. In your opinion will the granting of this
19 Application and the disposal of acid gas as proposed be in
20 the best interest of conservation, the prevention of waste
21 and protection of correlative rights?

22 A. Yes.

23 Q. Were Targa Resources Exhibits 1 through 4 either
24 prepared by you or compiled under your direction and
25 supervision?

1 Resources, L.L.C. So it may be that the bond is under
2 Versado Gas Processor, but I'd have to check for that.

3 Q. Okay --

4 MR. CARR: We'll confirm that to you, because
5 Targa operates some other facilities in New Mexico, but
6 we'll confirm to you today exactly the status of the bond
7 and the --

8 EXAMINER JONES: Okay.

9 MR. CARR: -- name of the person to be designated
10 operator.

11 Q. (By Examiner Jones) Okay. Because I saw the
12 original injection well is -- on our records, is called
13 Targa Midstream Services, LTD, PTR, so...

14 A. It's the same company. I think they've just gone
15 through a variety of name changes, so --

16 Q. Okay.

17 A. -- we'll --

18 EXAMINER JONES: Okay, I'll have to check that
19 before anything is released. I'll check bonds and --

20 MR. CARR: And I think I can provide you with
21 some information on that.

22 Q. (By Examiner Jones) Okay. The -- Speaking of
23 that, the original well -- I notice it was deepened from --
24 I think 4000 down to 4500 is open hole.

25 A. That's right.

1 Q. And do you know the history on that? Why was it
2 -- Was it an injection well before it was deepened, and
3 then it was deepened to increase injectivity? Was that
4 the --

5 A. As best I could tell from the -- As you may know,
6 this was not originally a Targa facility, so we've been
7 able to gather a fair amount of information that was
8 available, but the well was originally drilled as a test,
9 an oil test, really, and then it was converted to an
10 injection well.

11 But it was originally drilled in 1961, actually,
12 and it was drilled to an actual total depth of about 4550
13 feet, and it was an injection -- it was completed as an
14 injection well at that time. So I guess I didn't really
15 see that it was deepened. It seemed to me like it was at
16 that depth when it was drilled originally.

17 But it was an open hole, yes.

18 Q. I think the original depth was reported at 3900
19 or something, and then I saw where they deepened it to 4500
20 or something.

21 But the point is, they're open-hole, they're
22 injecting open-hole. Do you know where that water is going
23 in that open hole? Did they run any injection profiles?

24 A. They have not run injection profiles, to the best
25 of my knowledge. I would -- Based on my evaluation of the

1 log for the well and the completion, I would imagine that
2 that water is going -- it's staying pretty much in the top
3 portion of that San Andres formation, because -- and it's
4 probably, you know, going out according to which zones are
5 more permeable and porous. But there's a tremendous amount
6 of porosity in that upper zone.

7 Q. Is it -- is the Grayburg and the San Andres at
8 all connected there? Is there some barrier between them?

9 A. They are connected. There's some -- there are a
10 series of -- when you look at the well logs, there are --
11 this San Andres really has a -- quite a fining-upward kind
12 of sequence there, and you get mudstones and siltstones
13 that pretty much separate the Grayburg and the San Andres.
14 But our intent when we drilled this well is to probably
15 stay, you know, kind of below that zone completely.

16 Q. The completion on this well, are you going to
17 fracture it?

18 A. No, we're not intending to fracture it.

19 Q. But you're not going to complete open-hole?

20 A. No.

21 Q. Are you going to acidize it then?

22 A. Probably there may be some acidizing that would
23 be required, but at least based on our work to date it
24 doesn't appear that we will need to do any fracturing.

25 Q. The well that's out there is injecting right now;

1 is that correct?

2 A. That is correct.

3 Q. So you could potentially find out exactly where
4 the water is going before you abandon that well?

5 A. We could, yes.

6 Q. The depths that you're proposing to inject in
7 this well, let me make sure I've got the exact depths. Is
8 it 4500 to 5000 feet?

9 A. Yes, I would say that we would finalize the exact
10 interval based on the logs that we got, but I would
11 envision that it would be somewhere between about 4400 and
12 about 5000.

13 Q. Uh-huh. Okay. The well itself, the plan right
14 now is to drill it to 4900. I was a little confused on the
15 45-foot setting depth for the surface pipe when the water
16 is 180 feet deep. Since this Application is not opposed,
17 would you be opposed to us talking about us talking about
18 the design of the casing program after it gets --

19 A. Not at all, we would be happy to modify that
20 surface casing to make sure that the water is protected,
21 and if you wanted that largest casing to go all the way
22 through the Ogallala, that wouldn't be a problem.

23 Q. Okay. There might have been a reason for that.
24 Sometimes the 45-foot is a conductor pipe, and --

25 A. Usually that's what it is.

1 Q. Okay.

2 A. Yeah.

3 Q. So it may have been that -- And I noticed the
4 salt is 1200 to 2400 feet out there.

5 A. That is correct.

6 Q. So -- and the San Andres starts at 3990?

7 A. Yeah, roughly 4000 feet, roughly.

8 Q. Okay. And you only want to put 2-7/8 tubing in
9 it?

10 A. That's what we anticipate.

11 Q. You're going to drill 7-inch -- you're going to
12 put 7-inch casing and only 2-7/8 tubing, and put diesel in
13 the back side --

14 A. Yes.

15 Q. -- probably? At those low -- 2450 to 4000
16 barrels a day, I guess 2-7/8 would probably be just fine.

17 Is there a phase envelope for the acid gas? In
18 other words, is -- Are you going to alternate acid gas and
19 water? Is that the deal, or are you going to --

20 A. The way they currently do it, our intent is --
21 and by the way, Targa mentioned to me that they would like
22 to make an offer to the Division to -- if the Division's
23 representative would like to tour the Sandhills facility,
24 which has essentially the same kind of operation going,
25 they'd be happy to take them on a tour of that facility.

1 But it's not really an alternate. You really
2 will put the gas in a dense phase, and then they will be
3 injecting it concurrently with the produced water.

4 Q. Okay. So the density of the injected fluid will
5 be pretty consistent?

6 A. Yes.

7 Q. Okay. Do you have the density of the injected
8 fluid, or -- should it -- In other words, we normally go
9 with .2 p.s.i. per foot over the top perf, or the top
10 injection interval, to start out with.

11 I noticed there was a step rate test on the well
12 that you've got out there now --

13 A. Yes.

14 Q. -- already. Do you know what the allowable
15 pressure is on that well?

16 A. Let me look that up. Right off the top of my
17 head I don't know.

18 Q. Yeah, if it's in there, I can find it later.

19 A. Yeah, I think it is. And if not, I'll be happy
20 to provide it to you.

21 Q. Actually, I looked at the well file and I saw the
22 chart. It was kind of a straight line. I didn't see any
23 breaks in it at all --

24 A. Right.

25 Q. -- and it had a bottomhole and a surface

1 pressure. But normally we start out at .2 p.s.i. per foot,
2 and that would only be 880 pounds --

3 A. Right.

4 Q. -- and you're needing 1200 pounds, average, to
5 inject, and I understand that if the density is less than
6 water, well, we could grant you a higher pressure right off
7 the bat. But you know, you may be in a situation where
8 you're running some step-rate tests in the future on this
9 well, especially since it's going to be completed
10 differently than the original well --

11 A. Yes --

12 Q. -- as a --

13 A. -- and we probably would do that as a prudent
14 measure anyway to begin with. But, you know, one of the --
15 I think that as we have discussed in some prior, you know,
16 applications, that because of the density difference we do
17 usually have to get a little bit higher top pressure.

18 Q. Yeah, that's understandable. So you're going to
19 keep it full of fluid on the back side and keep a pressure
20 gauge on it, or are you going to maintain pressure on it?
21 Or will you just do what we say in the order?

22 A. We'll do what you say in the order, but I mean --

23 Q. Okay.

24 A. -- it's our intent to keep fluid and monitor that
25 annular fluid, yes.

1 Q. Okay. Being near the plant, they probably have a
2 way to maintain some pressure on it without too much
3 trouble.

4 A. Yeah, I would have to check. But I mean, I think
5 the intent would be to essentially have the same -- similar
6 kind of design as what we have at Sandhills, which is some
7 fluid behind that tubing.

8 Q. Okay. And the location that you've got now, you
9 gave it as exactly the same location as the well, and I
10 understand that's approximate, so which direction would you
11 be moving?

12 A. I think we'd probably move just south --

13 Q. Okay.

14 A. -- so maybe 100 or 150 feet south from that well.

15 Q. Okay. And that wouldn't change the area-of-
16 review search too much. I noticed your --

17 A. No, it would -- in fact, it actually -- if we did
18 that, it would put the two wells that actually go all the
19 way through the San Andres outside of the area of review,
20 but it effectively doesn't change it much.

21 Q. One thing I did notice is, the cementing on --
22 the wells out there are extremely hard to cement, I noticed
23 they're sucking up a lot of the cement.

24 A. I think in part some of that happens when you go
25 through that salt zone. And then also, you know, the

1 formations themselves are pretty poor, so --

2 Q. Okay.

3 A. -- they do take a fair amount of cement.

4 Q. Even down in the Blinebry, maybe?

5 A. (Nods)

6 Q. Okay, but you're only wanting to go in the San
7 Andres?

8 A. That's right, we're going to stop before we get
9 to the Blinebry.

10 Q. Okay. I think your area of review looks pretty
11 good, from what I've seen so far.

12 This well was approved in SWD-29 in 1961; is that
13 correct?

14 A. That's right.

15 Q. Okay. So I should be able to find that order and
16 look at that.

17 As far as the surface, we have a bureau here that
18 kind of concentrates on the surface environmental concerns.

19 A. Yes.

20 Q. Did you provide them a copy of this Application
21 to review originally?

22 A. I think we did. I think we sent three copies
23 here, so...

24 And I think that -- and we have had -- I've had
25 discussions with Wayne Price and Carl both, and of course

1 we've assured them that well before initiating -- in fact,
2 probably before even drilling the well, we will have
3 submitted a Rule 118 plan that has appropriate safety
4 provisions and monitoring provisions similar to what we
5 prepared for the Duke Linam Ranch facility.

6 Q. But the well will be located inside the plant?

7 A. That is correct.

8 Q. So the pipelines coming to the well itself will
9 be pretty short?

10 A. That's correct. It may be that if we -- There is
11 a possibility that the gas would be -- that we would be
12 transmitting gas from the Middle Eunice Plant, which is
13 about five miles north of there, and -- but if we do that,
14 we will seek approval for that pipeline as a separate
15 action.

16 Q. Okay. The permit that we issue in this case, we
17 do look at the safety concerns, but it's primarily an
18 injection permit --

19 A. That's correct.

20 Q. -- so you don't have a problem with maintaining a
21 dialogue with our environmental bureau as far as the
22 surface safety design of this facility?

23 A. Mr. Hearing Officer, that's our full intent, is
24 to continue that dialogue. And once we have finalized what
25 -- the determination of whether we will, for example, be

1 bringing gas from the Middle Eunice Plant, then we would be
2 talking to them about not only the surface facilities
3 around the well but all of the monitoring along the
4 pipeline, et cetera.

5 Q. And any kind of change in permits that they may
6 require, as far as the --

7 A. -- discharge plan or whatever --

8 Q. -- discharge plan?

9 A. -- yes, that is correct. Yeah, we discussed
10 that, I think, if you recall, at our meeting in October.
11 And you know, to whatever extent they feel that that will
12 be necessary when we finalize exactly what the surface
13 facility design will be, then we will seek approval, of
14 course, prior to commencing operation.

15 EXAMINER JONES: Okay. Okay, that's -- Mr.
16 Brooks, do you have questions?

17 MR. BROOKS: No, I have no questions.

18 EXAMINER JONES: I think we're done asking
19 questions here.

20 MR. CARR: Mr. Examiner, a few minutes ago I
21 referenced the notice letters, and they are behind Section
22 Roman numeral XIII, and they're referenced by Mr. Gutiérrez
23 in his notice affidavit.

24 But what is missing, we have the text of the
25 legal notice that was run in the Hobbs paper, but not the

1 notice affidavit. I do have that here, and with your
2 permission I would like to mark it as Exhibit 5 and ask
3 that it be included in the record. It's the same, but it
4 just is the affidavit of publication.

5 EXAMINER JONES: Okay, we will admit Exhibit 5,
6 the affidavit of publication.

7 MR. CARR: That concludes our presentation.

8 EXAMINER JONES: I think we're done here.

9 THE WITNESS: Thank you.

10 EXAMINER JONES: Thank you very much, Mr. Carr,
11 Mr. Gutiérrez.

12 With that, we'll take Case 13,865 under
13 advisement.

14 And let's take a 10-minute break here.

15 (Thereupon, these proceedings were concluded at
16 10:04 a.m.)

17 * * *

18
19 I do hereby certify that the foregoing is
20 a complete record of the proceedings in
the Examiner hearing of Case No. _____,
heard by me on _____.

21 _____, Examiner
22 Oil Conservation Division

23

24

25

CERTIFICATE OF REPORTER

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

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

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

WITNESS MY HAND AND SEAL February 4th, 2007.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2010