

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

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

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

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

**RECEIVED**

OCT 2 2003

Oil Conservation Division  
CASE NOS. 13,151

and 13,151

(Consolidated)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

September 18th, 2003

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, September 18th, 2003, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*

STEVEN T. BRENNER, CCR  
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## I N D E X

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

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\* \* \*

## A P P E A R A N C E S

## FOR THE DIVISION:

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Deputy General Counsel  
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Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

JAMES G. BRUCE  
Attorney at Law  
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\* \* \*

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

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

6 Do you want to combine these two cases?

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

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

11 Call for appearances in these two cases.

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

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

16 (Thereupon, the witnesses were sworn.)

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

20 DIRECT EXAMINATION

21 BY MR. BRUCE:

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

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

24 Q. Where do you reside?

25 A. Midland, Texas.

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

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

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

5 A. Yes, sir.

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

8 A. Yes, sir.

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

11 A. Yes, sir.

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

14 A. Yes.

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

17 EXAMINER JONES: Mr. Land is so qualified.

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

20 THE WITNESS: Born and bred.

21 EXAMINER JONES: You knew that was coming up.

22 (Laughter)

23 THE WITNESS: It's easy to remember.

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

1 the three leases involved in this Application?

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

9 EXAMINER JONES: Okay.

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

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

15 A. Right. Yes, sir.

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

19 EXAMINER JONES: Okay.

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

23 A. That's correct.

24 Q. And these are the four wells involved?

25 A. That's correct.

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

3 A. Yes.

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

6 A. Yes, sir.

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

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

11 Q. Okay. And again there are --

12 A. -- 11 wells.

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

15 A. That's correct.

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

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

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

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

8 A. Yes, sir.

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

10 A. Yes, sir.

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

13 A. Yes, sir.

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

16 A. All notice has been given.

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

19 EXAMINER JONES: Okay.

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

22 EXAMINER JONES: Okay.

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



1 A. Yes, sir.

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

4 A. Yes, sir.

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

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

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

12 EXAMINER JONES: Okay, thank you.

13 EXAMINATION

14 BY EXAMINER JONES:

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

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

1 get more in details on that.

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

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

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

16 A. On -- Arch's?

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

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

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

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

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

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

12 Q. 72, 73? Very low.

13 A. Yeah.

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

15 A. That's exactly --

16 Q. -- 72 percent.

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

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

1 allocate production back to the wellbores.

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

4 A. Yes, sir.

5 Q. It's still kept separate?

6 A. Yes, sir.

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

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

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

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

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

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

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

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

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

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

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

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

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

12            THE WITNESS: Right.

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

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

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

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

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

4 THE WITNESS: Right, right.

5 EXAMINER JONES: Okay.

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

8 EXAMINER JONES: Okay.

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

10 EXAMINER JONES: Okay.

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

15 THE WITNESS: Right.

16 MR. BRUCE: -- actually, right?

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

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

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

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

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

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

14 EXAMINER JONES: Okay.

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

17 EXAMINER JONES: Okay.

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

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

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

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

1 A-2 --

2 THE WITNESS: Right.

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

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

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

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

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

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

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

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

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



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

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

3 REX JASPER,

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

6 DIRECT EXAMINATION

7 BY MR. BRUCE:

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

10 A. Rex Jasper, Midland, Texas.

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

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

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

16 A. No.

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

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

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

1 A. Yes, I have.

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

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

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

6 A. Yes.

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

9 EXAMINER JONES: Mr. Jasper is so qualified.

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

11 THE WITNESS: Yes, sir, 38 years.

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

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

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

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

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

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

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

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

1           A.    Yes, it will.

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

4           A.    Yes.

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

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

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

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

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

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

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

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

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

11          A.    Yes, they were.

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

15          A.    Yes, it is.

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

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

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

22          A.    Yes, so --

23          Q.    -- cleanup -- remediation requirements?

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

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

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

5 EXAMINATION

6 BY EXAMINER JONES:

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

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

12 Q. So --

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

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

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

19 Q. And water?

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

23 Q. Okay.

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

1 incompatible.

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

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

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

11 A. A low-pressure separator.

12 Q. It's a vertical separator?

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

15 Q. Okay.

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

19 Q. What kind of meter?

20 A. It's an orifice recorder.

21 Q. A chart?

22 A. Chart recorder, yes, sir.

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

24 A. No.

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

1 A. The pumpers read the chart --

2 Q. Just the pumper.

3 A. -- lease operators.

4 Q. Kind of look at it --

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

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

9 A. Right.

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

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

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

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

19 Q. Okay.

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

23 Q. Okay.

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



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

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

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

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

14 Q. Okay.

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

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

19 A. Yes.

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

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

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

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

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

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

17 A. So varied --

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

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

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

1 retroactive --

2 A. That's correct.

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

5 MS. MacQUESTEN: (Shakes head)

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

7 THE WITNESS: Thank you.

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

10 EXAMINER JONES: On the notice --

11 MR. BRUCE: Yes.

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

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

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

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

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

1 MR. BRUCE: Thank you.

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

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

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

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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

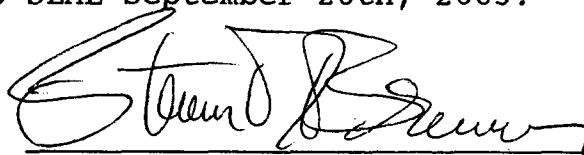
## CERTIFICATE OF REPORTER

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

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

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

WITNESS MY HAND AND SEAL September 20th, 2003.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 16th, 2006