

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. 13,313

APPLICATION OF RB OPERATING COMPANY FOR)
APPROVAL OF A SALTWATER DISPOSAL WELL,)
EDDY COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

August 19th, 2004

Santa Fe, New Mexico

2004 SEP 2 AM 9 59

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, August 19th, 2004, 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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I N D E X

August 19th, 2004
Examiner Hearing
CASE NO. 13,313

	PAGE
EXHIBITS	3
APPEARANCES	3
APPLICANT'S WITNESSES:	
<u>MICHAEL K. MCGINNIS</u> (Engineer)	
Direct Examination by Mr. Kellahin	8
Examination by Examiner Stogner	34
<u>MARTIN EMERY</u> (Geologist)	
Direct Examination by Mr. Kellahin	43
Examination by Examiner Stogner	46
REPORTER'S CERTIFICATE	49

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	10	34
Exhibit 2	15	34
Exhibit 3	22	34
Exhibit 4	23	34
Exhibit 5	26	34
Exhibit 6	26	34
Exhibit 7	32	34
Exhibit 8	34	34
Exhibit 9	19	34

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A P P E A R A N C E S

FOR THE APPLICANT:

KELLAHIN & KELLAHIN
117 N. Guadalupe
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
By: W. THOMAS KELLAHIN

* * *

1 WHEREUPON, the following proceedings were had at
2 10:04 a.m.:

3 EXAMINER STOGNER: At this time I'll call Case
4 Number 13,313. This is the Application of RB Operating
5 Company for approval of a saltwater disposal well, Eddy
6 County, New Mexico.

7 Call for appearances.

8 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
9 the Santa Fe law firm of Kellahin and Kellahin, appearing
10 on behalf of the Applicant, and I have two witnesses to be
11 sworn.

12 EXAMINER STOGNER: Any other appearances?

13 Will the two witnesses please stand to be sworn
14 at this time?

15 (Thereupon, the witnesses were sworn.)

16 MR. KELLAHIN: By way of introduction, Mr.
17 Stogner, I filed this case administratively for RB
18 Operating Company. We sent notice to all the appropriate
19 parties for which notice is required. We have obtained a
20 surface use agreement with the surface owner at the site of
21 the injection well. There were no objections received,
22 based upon our submittal.

23 However, we did publish notice in the newspaper,
24 and as a result of the newspaper notification there was a
25 timely objection filed by a Mr. W.T. Martin, Jr., an

1 attorney in Carlsbad, New Mexico, for four individual
2 surface owners within the area. Those individuals are
3 Draper Brantley, Jr.; George Henry Brantley; Henry McDonald
4 and Johnny Reed.

5 Yesterday morning, Mr. Martin called me and
6 suggested that he would have no objection to the Division
7 approving this Application if my client would agree to take
8 certain periodic water samples of some water sources in the
9 area.

10 We have agreed to do that, and as a consequence,
11 Mr. Martin and I have a stipulation that he's agreed to,
12 that we'll present as one of the exhibits, and we would ask
13 that you incorporate our proposed stipulation within the
14 context of the order when it's issued.

15 I have two witnesses, I have Mr. Mike McGinnis.
16 Mr. McGinnis is a petroleum engineer. He has done
17 substantially all the engineering work and integrated the
18 geologic information that he's received from Martin Emery
19 to support his application. We have Mr. McGinnis to
20 testify, and then Mr. Emery will be called to reconfirm the
21 geologic conclusions based upon the cross-sections that we
22 will initially introduce with Mr. McGinnis.

23 EXAMINER STOGNER: Mr. Kellahin --

24 MR. KELLAHIN: Yes, sir.

25 EXAMINER STOGNER: -- looking at the file on this

1 and the administrative application, I believe that you were
2 referring to --

3 MR. KELLAHIN: Uh-huh.

4 EXAMINER STOGNER: -- it is complete and here in
5 my documentation.

6 And also I have Mr. Jones' letter and it looks
7 like Mr. W.T. Martin on Martin and Lara stationery.

8 MR. KELLAHIN: Yes, sir.

9 EXAMINER STOGNER: It looks like it is all here.
10 How do you plan to proceed with this hearing? Do you want
11 to go over the complete application filed administratively,
12 or just address the particular conditions that you have
13 agreed to -- I'm sorry, that RB has agreed to with Mr.
14 Martin?

15 MR. KELLAHIN: By the time we realized that Mr.
16 Martin was withdrawing their objection my clients were en
17 route.

18 They have made a substantial effort to fully
19 prepare for the case, and to remove any doubt that you
20 might have in looking at the filing we would like to go
21 ahead and make that presentation, and we'll focus on the
22 specific details that you might be concerned about as you
23 look at the paperwork.

24 So our plan is to take it from start to finish
25 and at the end we will show you the wells for which Mr.

1 Martin would like us to take additional samples on a
2 periodic basis.

3 And I think it would be an informative way for
4 you to have a complete picture of our activity here.

5 EXAMINER STOGNER: I concur with you on that, and
6 also I think it's probably a wise choice on RB's decision
7 to have a public record on file as we proceed on through
8 the brave new environmental world. This may set some
9 precedents, it may not, but yet I think that's a wise
10 choice for RB.

11 So at this time, Mr. Kellahin, you may proceed.

12 MR. KELLAHIN: Thank you, Mr. Examiner.

13 We have distributed a package of exhibits, Mr.
14 Examiner. We've taken some of the information in the
15 original C-108 filing and have further refined the displays
16 to make them more visually appropriate.

17 In addition, we have taken the C-108 itself and
18 duplicated it and subdivided into two portions. There's
19 the notice portion, and then there will be the technical
20 part of that.

21 In addition, we've supplemented the filings with
22 exhibits today that Mr. Emery has prepared, which are the
23 geologic displays.

24 And with your permission, we'll start with Mr.
25 McGinnis.

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MICHAEL K. MCGINNIS,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. For the record, sir, would you please state your
name and occupation?

A. Michael K. McGinnis, district engineer.

Q. Where do you reside, sir?

A. In Fort Worth, Texas.

Q. And what is your occupation?

A. I'm the district engineer for Range Resources,
the parent company of RB Operating.

Q. And how long have you been employed in that
capacity?

A. I've been employed by Range for four years.

Q. When and where did you obtain your engineering
degree?

A. I obtained my engineering degree from Penn State
University. The degree is in petroleum and natural gas
engineering. I graduated in 1982.

Q. Subsequent to graduation, would you summarize
your employment as a petroleum engineer?

A. I've worked pretty much continuously in that
capacity, initially with Tenneco Oil Company, then Union

1 Pacific Resources, then Range Resources.

2 Q. Are you able to explain to us the relationship
3 between Range Resources and the Applicant, which is RB
4 Operating?

5 A. Yes, sir.

6 Q. What is that?

7 A. RB Operating was acquired -- 100 percent of RB
8 Operating stock was acquired from Range Resources, from Ram
9 Energy, in April of 2004. So RB is now being operated as a
10 wholly owned subsidiary of Range Resources Corporation.

11 Q. So in the OCD filings when we're designating
12 operators and obtaining approvals for the company, it is
13 for the RB Operating entity?

14 A. Yes, sir.

15 Q. Have you been the employee of RB Operating that's
16 been responsible for viewing and preparing the C-108?

17 A. Yes, I have.

18 Q. And have you done that?

19 A. Yes, sir.

20 Q. Based on your study of the details, do you now
21 have certain engineering opinions with regards to this
22 Application?

23 A. Yes, sir, I do.

24 Q. And have you prepared in association with Mr.
25 Emery the technical presentation to Mr. Stogner this

1 morning?

2 A. Yes, we have.

3 MR. KELLAHIN: We tender Mr. McGinnis as an
4 expert petroleum engineer.

5 EXAMINER STOGNER: Mr. McGinnis is so qualified.

6 Mr. McGinnis, on your history from Tenneco to
7 Union, was that a job change or just a name change of the
8 company?

9 THE WITNESS: That was a job change, sir.

10 EXAMINER STOGNER: Oh, okay. Now how about from
11 Union to Range?

12 THE WITNESS: That was also a job change.

13 EXAMINER STOGNER: Okay, I was trying to see if
14 there was --

15 THE WITNESS: Yes, sir.

16 EXAMINER STOGNER: -- a correlation there. Thank
17 you for that.

18 THE WITNESS: Two downturns in the industry.

19 EXAMINER STOGNER: Well, 1982 and working full --
20 Yup, I know how that is.

21 Okay, so qualified.

22 Mr. Kellahin?

23 Q. (By Mr. Kellahin) Mr. McGinnis, let's turn to
24 what we've marked as Exhibit Number 1.

25 A. Yes, sir.

1 Q. Identify that plat for us.

2 A. This plat is a map showing the half-mile radius
3 of review around the Candelario 24 Number 1 in the center.
4 This also indicates on the legend the current oil wells, a
5 single gas well, and there are currently no plugged and
6 abandoned wells within there.

7 The red diamonds are the tank batteries for the
8 individual leases, and the blue dots are the water wells
9 that we obtained from the State Engineer's website.

10 Q. Let's start with the water wells. The indication
11 on the display is that blue dots are water wells, and you
12 received that information how?

13 A. It was obtained from the State Engineer's website
14 in a search of the history -- or the water wells within the
15 surrounding sections to Section 24.

16 Q. Subsequently, have you made a personal field
17 inspection of this area?

18 A. Yes, sir, I have.

19 Q. Have you determined to your own satisfaction that
20 certain of these water well locations are mislocated on the
21 State Engineer's database?

22 A. Yes, sir, I have.

23 Q. We'll show Mr. Stogner in a moment those changes.

24 A. Yes.

25 Q. When we look at Exhibit 1, are we correctly

1 looking at the status of the wells within the half-mile
2 radius --

3 A. Yes, we are.

4 Q. -- except for the water wells?

5 A. Yes, sir, the locations are correct.

6 Q. The production within the half-mile radius, is it
7 exclusive as to certain formations?

8 A. Yes, sir, it is. With the exception of the one
9 gas well, all of the wells are producing from the Brushy
10 Canyon section of the Delaware.

11 Q. Your proposed plan for this injection well, the
12 Candelario -- what's -- the Candelario -- what is it?

13 A. The Candelario 24 Number 1.

14 Q. -- is to do what, sir?

15 A. The purpose is to dispose of produced saltwater
16 from the wells within this area, and RB Operating's leases
17 on the west side of the Pecos River, to dispose of the
18 produced water from the Brushy Canyon formation.

19 Q. Pursuant to Division Form C-108, have you made a
20 tabulation of all the wellbores within the half-mile
21 radius?

22 A. Yes, sir, I have.

23 Q. Are all those wellbores within the control of
24 your company?

25 A. Yes, sir, they are.

1 Q. The disposal formation is intended to be the
2 Cherry Canyon member of the Delaware?

3 A. Yes, it is.

4 Q. The source of that produced water is to be what
5 formation?

6 A. It is to be the Brushy Canyon formation.

7 Q. The Brushy Canyon portion of the Delaware?

8 A. Of the Delaware, yes, sir.

9 Q. Brushy Canyon is what, slightly below the --

10 A. It is --

11 Q. -- Cherry Canyon?

12 A. -- underlying the Cherry Canyon. The Cherry
13 Canyon is the middle portion of the Delaware section.

14 Q. When we look at Exhibit 1, has your company on
15 prior occasions obtained approval for any of these wells as
16 a disposal well?

17 A. Yes, sir.

18 Q. Identify for us what well that would have been?

19 A. The well is the SCB or South Culebra Bluff Number
20 6 B well. It is located in Unit E, I believe, of -- which
21 is the southwest of the northwest in Section 24.

22 MR. KELLAHIN: Mr. Examiner, for your information
23 I've got a copy of that administrative order. The filing
24 was made and the order was issued on April 18th of 1991.
25 It's administrative order SWD-413.

1 EXAMINER STOGNER: I'll take administrative
2 notice of the file on administrative order SWD-413. And
3 that well is what, about a -- right at a quarter of a mile
4 south of the proposed well; is that correct?

5 THE WITNESS: Yes, sir, it's about 1200 feet.

6 EXAMINER STOGNER: And that is currently a
7 disposal?

8 THE WITNESS: No, sir, it is currently a
9 producing well.

10 EXAMINER STOGNER: Okay.

11 Q. (By Mr. Kellahin) Did your company decide to go
12 ahead and with these approvals utilize this well as a
13 disposal well?

14 A. No, sir, that --

15 Q. What did you do?

16 A. We approximately a month ago recompleted that
17 well to add additional Brushy Canyon sands to the
18 production.

19 Q. Was it ever used as a disposal well?

20 A. No, sir, it was not.

21 Q. Do you have a need for the use of a disposal
22 well?

23 A. Yes, sir, we do.

24 Q. And why have you selected the proposed well
25 that's the subject of this Application?

1 A. The proposed well has tested most of the Brushy
2 Canyon section and is currently shut in. It has been shut
3 in for approximately a year. We looked at the potential
4 for returning it to production and saw none, so therefore
5 we determined it would be a good candidate for use as a
6 saltwater disposal.

7 Q. Let's turn, now, Mr. McGinnis, to Exhibit Number
8 2.

9 A. Yes, sir.

10 Q. Would you identify for us what is marked as
11 Exhibit 2?

12 A. Exhibit Number 2 is the same map as Exhibit
13 Number 1, with the addition of an aerial -- geographically
14 correct aerial photograph underneath the original map.

15 Q. Let's start with the source of the aerial
16 photograph. Where did you obtain that picture?

17 A. The picture was obtained -- I can't remember the
18 exact website, but it's a geological information website, I
19 believe co-sponsored by the State of New Mexico and the
20 University of New Mexico, I believe.

21 Q. What is your recollection of the vintage of that
22 photograph?

23 A. The vintage of this photograph is mid-1990s, 1994
24 to 1996, I believe.

25 Q. Starting with the photograph, then, you've

1 superimposed some information for the Examiner?

2 A. Yes, I have.

3 Q. First of all, you've superimposed the half-mile-
4 radius circle?

5 A. Yes.

6 Q. You've also superimposed the blue dots which are
7 the water wells obtained from the State Engineer's Office?

8 A. Yes, sir.

9 Q. Have you adjusted any of those dots at this point
10 to reflect where these wells are located on the ground?

11 A. No, sir, I have not.

12 Q. Let's describe for Examiner Stogner the important
13 ones that ought to be relocated.

14 A. The first one is labeled as number 10. The
15 numbers on there are only important to myself, they were
16 not obtained from the State Engineer's website. They're
17 for reference back to the information that I recovered off
18 the website.

19 Q. So you're looking in the northeast quarter of 23?

20 A. Looking in the northeast quarter of 23.

21 Q. And looking in the northwest portion of that
22 quarter section?

23 A. Yes, sir.

24 Q. And there is a number 10 below a blue --

25 A. -- blue dot --

1 Q. -- which is just to the east of an orange
2 square --

3 A. Yes, sir --

4 Q. -- of a red square?

5 A. -- of the tank battery, yes, sir. That well
6 should be located directly east. At the edge of the field
7 you can see a small enlargement of the levee dividing the
8 fields, and that's where that well is actually located.

9 Q. Okay, as we move to the east there's horizontal
10 lines --

11 A. Yes, sir.

12 Q. -- and then we move over and we intersect a
13 vertical line?

14 A. Yes.

15 Q. It's at the point of intersection of the
16 horizontal line and that vertical line, that it should have
17 been spotted as a water well?

18 A. Yes, sir.

19 Q. Are there any of the --

20 EXAMINER STOGNER: Before we go on, in fact, it
21 looks like there's a little pumphouse.

22 THE WITNESS: There's a windmill there, sir.

23 EXAMINER STOGNER: Ah, okay, so that's the
24 depiction of that windmill that's on that road --

25 THE WITNESS: Yes, sir.

1 EXAMINER STOGNER: -- quarter-section roadline,
2 and then that irrigation horizontal line that Mr. Kellahin
3 -- that is the windmill for that --

4 THE WITNESS: Yes, sir.

5 EXAMINER STOGNER: -- reference number 10?

6 THE WITNESS: Uh-huh.

7 EXAMINER STOGNER: Okay, thank you for allowing
8 me to -- while I had this fresh in my mind.

9 THE WITNESS: No problem.

10 Q. (By Mr. Kellahin) And this is also one of the
11 water sources that the opponents have asked us to test
12 periodically?

13 A. Yes, sir.

14 Q. Are there any other wells on this map that are
15 mis-spotted by the State Engineer that you want to comment
16 on?

17 A. The one in the southeast of the northeast, the
18 Number 3 that I've got listed as abandoned, that is
19 actually an inactive well. It's not currently being used.
20 It should be located due east, near the -- closer to the
21 southeast corner of the northeast section there, northeast
22 quarter. Approximately 800 feet east-southeast is where it
23 is located.

24 And also in the southwest of the northwest of 24,
25 labeled Number 6 active, that well is also mis-spotted

1 slightly. It should be just about on the 40-acre line
2 there, on the yellow line on the road there. So it's off
3 just a little bit.

4 Q. Mr. McGinnis, while we have this picture in front
5 of us and are locating these water sources, let's skip over
6 and have you pull out Exhibit 9, out of the exhibit
7 package --

8 A. Yes, sir.

9 Q. -- and let's look at the stipulated wells to be
10 tested. Do you have that display?

11 EXAMINER STOGNER: Mr. Kellahin, if I might, I
12 just want to make sure. If I might address and go back,
13 let's take that Number 6 water well.

14 THE WITNESS: Yes, sir.

15 EXAMINER STOGNER: Should it be over there near
16 that road, where the actual -- where you have depicted --
17 I'm referring now to Exhibit Number 2, where the Number 6
18 -- should it be over there or --

19 THE WITNESS: No, sir. If it would be all right,
20 I can come point it out to you.

21 EXAMINER STOGNER: I tell you what. Would you,
22 Mr. Kellahin, have him mark on my exhibit where the Number
23 3 and the Number 6 actually is? And also, why don't you
24 have in duplicate -- on this particular exhibit is the one
25 that will be in the permanent record to be given to the

1 court reporter.

2 Okay, Mr. Kellahin, on Exhibit Number 2 I've had
3 your witness change some locations, and -- on the water
4 well depicted as Number 10 and due east is drawn with a red
5 pen and put in parentheses the number "10". And then down
6 from the Number 3, going due east again, it looks like
7 about 800 feet, and it's in -- it looks like an
8 uncultivated area.

9 THE WITNESS: Yes, sir.

10 EXAMINER STOGNER: And then the Number 6 well has
11 been moved to the south and west maybe about 100 feet, and
12 it's also depicted with a red ink mark and the number "6";
13 is that correct?

14 THE WITNESS: Yes.

15 EXAMINER STOGNER: Thanks for indulging me or
16 letting me indulge in that. Just to get the record clear.

17 Okay, Mr. Kellahin, you may -- and thank you
18 again.

19 MR. KELLAHIN: As a point of information, Mr.
20 Examiner, the State Engineer's records are not intended to
21 be exactly where these wells are on the ground. Their
22 computer system plots it in to be in the correct quarter
23 quarter section. And so when you get on the field and use
24 a map like this, you can see that it is -- needs to be
25 altered to be correct.

1 EXAMINER STOGNER: Corrected for our
2 representative needs. So noted, and thank you.

3 Q. (By Mr. Kellahin) Now, let's go through Exhibit
4 9, Mr. McGinnis, and we've talked about -- let's talk about
5 the four sources for which we've agreed to take samples not
6 more frequently than once every two years.

7 The first one we talked about was the SCB Unit
8 Water Well Number 1, and that's up in 23, and it's the one
9 for which you've moved the location?

10 A. No, sir, that would be the one that lies outside
11 the half-mile radius of review, labeled Number 2 Active.

12 Q. All right, so it's in Unit Letter C.

13 A. Yes, sir.

14 Q. And if we move to the west of the well I was
15 describing, it's the blue dot on the edge of the display?

16 A. Yes, sir.

17 Q. And that's one of the source wells that we've
18 agreed to sample --

19 A. Yes, it is.

20 Q. -- and analyze?

21 When you look at Exhibit 9, Mr. McGinnis, the
22 second well listed, which is the SCB Unit Water Well Number
23 2, where is that well?

24 A. That is the well labeled Number 10.

25 Q. Okay. The third well is the Number 3, and it's

1 identified in Unit Letter E of Section 24.

2 A. That would be the water well labeled Number 6.

3 Q. Okay. And then the fourth sample would be a
4 sample drawn from a point in the Pecos River adjacent to
5 the disposal well?

6 A. Yes, sir.

7 Q. Does this picture include a depiction of the
8 Pecos River?

9 A. Yes, it does.

10 Q. That's what we're seeing here?

11 A. Yes, sir.

12 Q. Mr. McGinnis, let's turn now to Exhibit Number 3.
13 If you'll take a minute, let's unfold that. Identify for
14 the record, Mr. McGinnis, Exhibit Number 3.

15 A. This exhibit is a larger area map of the Exhibit
16 1 and 2, indicating the surface ownership within the
17 subject area, as well as the proposed saltwater gathering
18 system that will service the subject Candelario 24 Number 1
19 SWD well.

20 Q. Give us the general concept of the company's plan
21 for utilizing the Candelario well for injection purposes or
22 disposal purposes.

23 A. The company's plan is to lay poly -- 3-inch poly
24 plastic line from the existing tank batteries in Section
25 14, 23 and 24, and bring that water to a disposal site or a

1 facility at the South Culebra Bluff 6 B well, and then the
2 water will subsequently be pumped via a triplex pump to the
3 Candelario 24 Number 1 for disposal.

4 Q. What is your company currently doing with this
5 produced water?

6 A. Currently the water is being trucked, truck-
7 transported to a public disposal well.

8 Q. If you're allowed to have your own saltwater
9 disposal well for this system, will that result in an
10 operational savings for you?

11 A. Yes, it will.

12 Q. Is it of a magnitude such that you can prolong
13 the life of the production of these wells by reducing the
14 cost?

15 A. Yes, it will.

16 Q. And thereby recover oil that would not otherwise
17 be recovered?

18 A. Yes, sir.

19 Q. Let's turn now -- We've looked at the horizontal
20 configuration and the surface use. Let's look to see what
21 the reservoirs look like in a vertical sense. Let me have
22 you turn to Exhibit Number 4. Let's take a moment and
23 unfold that display.

24 Who prepared this exhibit, Mr. McGinnis?

25 A. Mr. Martin Emery.

1 Q. In doing your engineering work, have you relied
2 upon Mr. Emery's cross-sections?

3 A. Yes, sir, I have.

4 Q. Let's identify how we determine the injection
5 interval for the disposal well. How is it shown on Exhibit
6 Number 4?

7 A. The disposal interval is the Cherry Canyon
8 formation of the Delaware section. It is highlighted by
9 the yellow with the black dots.

10 Q. Let's look over at the legend to see the location
11 of the cross-section and the wells depicted. If you'll
12 look over on that legend, has Mr. Emery included the
13 previously approved disposal well?

14 A. Yes, sir, he has.

15 Q. And that's the wellbore just to the right of the
16 proposed injection well?

17 A. Yes, it is.

18 Q. Within this area have you or any other operator
19 been able to produce commercial oil out of the Cherry
20 Canyon?

21 A. No, sir, they have not.

22 Q. And in this wellbore that has been tested?

23 A. No, sir, in this wellbore it has not been tested.

24 Q. Based upon log analysis, do you see any
25 opportunity for oil production?

1 A. No, sir.

2 Q. So the plan, then, is to do what?

3 A. The plan would be to set -- to permanently
4 abandon, through the use of a cast-iron bridge plug and
5 cement, the Brushy Canyon interval and then perforate --
6 Mr. Emery has marked there in green what looks to be the
7 most injectable sections of the Cherry Canyon formation,
8 and set a production -- or the injection packer immediately
9 above the perforations and inject down 2-7/8 internally
10 coated plastic tubing.

11 Q. As an engineer, Mr. McGinnis, have you satisfied
12 yourself that there is adequate mechanical integrity for
13 the injection well to allow you to inject produced water
14 into the Cherry Canyon and have it remain confined to the
15 Cherry Canyon?

16 A. Yes, sir, I have.

17 Q. In doing your work, do you find what you would
18 characterize as a problem well within the half-mile radius?

19 A. No, sir.

20 Q. Your analysis is that all the wells within the
21 half-mile radius are properly cased and cemented in such a
22 way that they would not be a conduit by which injection
23 fluids would move out of the injection interval?

24 A. Yes, sir, they are all adequately cased and
25 cemented.

1 Q. Let's turn to the next cross-section. It would
2 be Exhibit Number 5. When Mr. Emery adds wells using a
3 different orientation to his cross-section, that's what
4 he's done here, right?

5 A. Yes, sir.

6 Q. Do you see any material difference in the cross-
7 sections that you want to explain to Mr. Stogner?

8 A. No, sir, the cross-section indicates basically no
9 structural component to the reservoirs involved.

10 Q. Do any of the wells within the half-mile radius
11 produce from any other formation than the Brushy Canyon?

12 A. We have the one well, the SCB Unit Number 1 well,
13 which I believe produces from the Atoka.

14 Q. So within the Delaware formations, all these
15 wells will produce from the Brushy Canyon interval of the
16 Delaware?

17 A. Yes, sir.

18 Q. Are you satisfied that injection of water into
19 the Cherry Canyon formation into the injection well is not
20 going to compromise or impair your ability to produce oil
21 out of the Brushy Canyon?

22 A. Yes, sir, I am.

23 Q. Let's set those aside for a moment, Mr. McGinnis.
24 If you go ahead and come back to your Exhibit Number 1 as
25 our locator map, and if you'll turn to Exhibit 6, which is

1 the C-108 you prepared, and let's turn back to the
2 tabulation of the wellbore data. It's about halfway
3 through the package.

4 Does the C-108 attachment here showing the area-
5 of-review wells on the tabulation --

6 A. Yes, it does.

7 Q. -- include all the wells?

8 A. Yes, it does.

9 Q. Let's go through each of these and have you
10 demonstrate to Mr. Stogner that in your opinion each of
11 these is adequately cased and cemented in such a way that
12 they'll be isolated in the injection interval.

13 A. Okay.

14 Q. Indicate for him also the ones that you have
15 measured tops, cement circulated to the surface, or for
16 which you have made some calculation.

17 A. Yes, sir, starting with the Candelario Number 1
18 well, the first well on the list, the subject well for
19 disposal, the surface casing was cemented to surface. They
20 circulated 50 sacks of cement on the 5-1/2 production
21 casing.

22 The casing was cemented in a two-stage process.
23 The initial stage was 700 sacks. When the DV tool was
24 opened and circulation was established, approximately 95
25 sacks of cement were circulated to the surface, indicating

1 that the cement covered the DV tool at 3491 feet.

2 The second stage was 1000 sacks of cement. The
3 cement did not circulate to surface, but the calculated
4 volume is substantial enough, based on the 1.32 cubic feet
5 per sack, to have made it to the surface. A bond log was
6 subsequently run. It was not run to surface but was run to
7 3900 feet, which showed good bond to that point. It is my
8 opinion that we do have good cement to the DV tool and
9 largely fairly close to the surface, by calculation.

10 The South Culebra Bluff 6 B well, which is the
11 well immediately to the south of the Candelario Number 1
12 was originally drilled as a deep test. It had 13-3/8
13 casing cemented to the surface at 485 feet. A 7-5/8
14 intermediate casing string was run to 7006 feet and
15 cemented with 3055 sacks. That is more than enough cement
16 by calculation to have reached the surface. The top of
17 cement was established at least to 3900 feet by CBL. The
18 log was not run any higher than that, but by calculation it
19 would show complete coverage. The 4-1/2-inch liner is not
20 pertinent to this issue.

21 The next well, the South Culebra Bluff 23 Number
22 12, which is immediately to the west of the 6 B well,
23 surface casing was run to 579 feet, cemented to surface
24 with returns. Production casing was cemented also in two
25 stages. The first stage, top of cement was, through -- the

1 CBL was found at -- here again, the CBL was not run to
2 surface. The calculation shows that it did reach the DV
3 tool, because they did have cement to surface on their
4 circulation through the DV tool. Top of cement is just due
5 to the log not being run all the way to surface. DV tool
6 at 3434 feet was cemented with 1200 sacks. The cement did
7 circulate to surface on the second stage.

8 The South Culebra Bluff 4 B well, which is
9 directly west of the Candelario Number 1, that was also a
10 deep test. It was cemented, surface casing, circulated 125
11 sacks, 7-5/8 intermediate casing which -- there's a typo
12 there, it's supposed -- I believe it is 6180 feet -- was
13 cemented with 6200 sacks of cement. The top of cement was
14 checked with a temperature log at 700 feet. A bond log was
15 run subsequent on 12-2 of 2002 to a depth of 3700 feet and
16 showed good bond to that depth. That was run so the well
17 could be recompleted to the Brushy Canyon. But there again
18 the cement, by temperature log, was shown to be at 700
19 feet.

20 The South Culebra Bluff Number 1 was the original
21 unit well. It was drilled as a deep test, and it too had
22 13-3/8 casing set to 418 feet, cement was circulated to
23 surface. 9-5/8 intermediate casing was set at 6355 feet
24 and cemented with 1065-sack first stage when the DV tool
25 was up and 25 sacks were circulated to surface, indicating

1 cement was to the DV tool at 2875. And then it was
2 cemented with 1640 sacks on the second stage. Top of
3 cement was at 40 feet, it was topped out with one inch. A
4 7-inch casing string was run subsequent to that. It was
5 cemented only at the base from 11,745 to 5710. That is an
6 additional casing string inside the 9-5/8.

7 The sixth well is the Reed Number 2. It is
8 almost due north of the South Culebra Bluff 4 B well. That
9 well was -- also had 8-5/8 casing set to 509 feet,
10 cemented. It did not have returns to surface, but the top
11 of cement was calculated at the surface. 5-1/2 casing was
12 run to 6300 feet, the initial stage, there was 550 sacks,
13 when the DV tool was opened and circulated 100 sacks were
14 circulated to surface. The DV tool was cemented with 1150
15 sacks, and the top of cement, it did circulate to surface.

16 The final well is the RB Operating Candie 13
17 Number 1. It had surface casing set at 582 feet, cemented
18 to surface with 350 sacks, had 64 sacks circulated. The
19 initial stage on the production casing, the top of cement
20 was calculated at the DV tool. They did not see any cement
21 returns, however when the DV tool was circulated 26 barrels
22 of cement was brought to surface on that well.

23 So all of our production casings were set below
24 the usable water -- or the water as indicated in the cross-
25 sections, all cemented to surface. And the production

1 casing strings were also either by measurement, calculation
2 or viewing cement to surface, were also cemented to
3 surface.

4 Q. When we look at the cement calculations and
5 compare it to the injection interval, have you satisfied
6 yourself that there is sufficient cement above the top of
7 the injection interval to take you up a certain footage?

8 A. Yes, sir, I have -- in the injection well I ran
9 the calculations that show that the amount of cement pumped
10 is in excess of two times the annular volume of the 5-1/2-
11 inch casing in 7-7/8-inch hole. So yes, sir, I have
12 satisfied myself that we have cement, adequate amount of
13 cement above the injection interval to contain it there.

14 Q. When you flip back a couple of pages in the
15 C-108, in the exhibit, we have the proposed, the existing
16 wellbore schematics, and then you have your data sheet
17 where you describe in writing the details of what you're
18 trying to do. Let me ask you the conclusions.

19 Are you proposing to start at an injection
20 pressure that is the equivalent of the Division practice of
21 giving you .2 p.s.i. per foot of depth to the top
22 perforation?

23 A. Yes, we are.

24 Q. And if step-rate tests later determine that you
25 can safely inject above that threshold limit, then you

1 propose to submit the step-rate test to the Division for
2 additional injection pressure approval?

3 A. Yes, we will.

4 Q. Do you have a range of expectation as to the
5 maximum volume of disposal in the well?

6 A. The maximum that we are anticipating, we're
7 asking for 4000 barrels a day. At this point in time, I
8 don't know if the formation will take that at the pressures
9 stipulated, but we are -- have located sands within the
10 Cherry Canyon interval that we believe will take water at
11 fairly good rates. Currently we're looking at
12 approximately 1000 barrels a day to start off with, with
13 additional recompletion work and possible additional
14 drilling, we'll be looking to increase that volume with
15 time.

16 Q. Mr. McGinnis, has your company obtained the
17 approval of the owner of the surface at the injection
18 well --

19 A. Yes, we have.

20 Q. -- to utilize this well?

21 A. Yes, we have.

22 Q. And is that what's indicated by Exhibit Number 7?

23 A. Yes, it is.

24 Q. There's a memorandum of agreement with the
25 surface owner?

1 A. Yes, it is.

2 Q. And that would allow you to use this well for
3 bringing up produced water from these other areas and
4 putting it into this well?

5 A. Yes, it will.

6 Q. Have you submitted in the C-108 the water
7 analysis on the various source waters that you have had
8 data on?

9 A. Yes, we have.

10 Q. Do each of those represent the three water source
11 wells that the opponents asked you to sample?

12 A. Yes, we have.

13 Q. So you currently have background analysis on each
14 of those three?

15 A. Yes, we do.

16 Q. And then the fourth one is to take a sample out
17 of the Pecos River?

18 A. That's correct.

19 Q. Do you find any opportunity for incompatibility
20 of the produced water, produced out of the Brushy Canyon,
21 with any fluids that may exist in the Cherry Canyon?

22 A. No, sir, I do not.

23 Q. These are all about the same vintage in terms of
24 geologic time?

25 A. Yes, they are. They both are characterized by

1 high chlorides content and high dissolved solids.

2 Q. I believe the exhibit package, Mr. McGinnis,
3 includes an Exhibit 8, which is a portion of the C-108 that
4 shows the parties to whom notice was sent?

5 A. Yes.

6 Q. And that was taken out of your files?

7 A. Yes, it was.

8 MR. KELLAHIN: Mr. Stogner, that concludes my
9 examination of Mr. McGinnis.

10 We move the introduction of Exhibits 1 through 9.

11 EXAMINER STOGNER: Exhibits 1 through 9 will be
12 admitted into evidence at this time.

13 EXAMINATION

14 BY EXAMINER STOGNER:

15 Q. Okay, I'm referring now to either Exhibit 1 or 2,
16 doesn't matter, and Exhibit 9. I want to make sure that
17 the wells that you're showing on the stipulation, that I
18 have straight in mind which ones they're talking about.

19 The one in subparagraph (a), the SCB Unit Water
20 Well Number 1, now, you show that to be in Unit Letter C.
21 That corresponds to the Number 2 Active Water Well on --
22 I'm referring now to Exhibit Number 1. Would that be
23 right?

24 A. Yes, sir.

25 Q. Okay. And then the SCB Unit Water Well Number 2,

1 that is in Unit A of 23. That would be the well that you
2 show or that is identified as the Number 10 Active?

3 A. Yes, sir.

4 Q. And then the subparagraph (c) SCB Unit Water Well
5 Number 3, that is the one to the south as Number 6; is that
6 correct?

7 A. Yes, it is.

8 Q. Why these three wells? I can understand the two
9 closer ones, but why the one far away?

10 A. That was just an additional water well. At the
11 time there weren't many there, so we just -- we added that
12 well on for our own reference, to have a well a little
13 further away from the injection well that if something were
14 to happen we would have another reference point.

15 Q. Now, any particular place on the Pecos River that
16 you're to take the sample?

17 A. Well, sir, there's a low-water crossing right
18 there. You look at the aerial photograph, you can kind of
19 see where the road horseshoes across the river --

20 Q. Yes.

21 A. -- where there's a low-water crossing there, it
22 would be easy access, it would be downstream of the
23 disposal well. So if there was any problems, that would be
24 where we would see it.

25 Q. Now that you've brought that up, I'm referring

1 now to Exhibit Number 2, and I'm looking at that low-water
2 crossing --

3 A. Uh-huh.

4 Q. -- is there a pipeline across there?

5 A. Yes, sir, there is.

6 Q. Okay, is that a big pipeline or a --

7 A. It is a --

8 Q. Is it a main --

9 A. -- Gulf Terra -- No, sir, it is a gathering line
10 out there. It is, I believe, currently operated by Gulf
11 Terra.

12 Q. Okay.

13 A. Yes, sir, that is a gas line that runs through
14 there.

15 Q. Okay. Now, could you explain to me -- more out
16 of curiosity too -- how are these water samples to be
17 taken, who are to take them, what is being looked for?

18 A. Well, I'm not exactly sure. I believe the letter
19 requested indications of hydrocarbons. The water that we
20 plan to inject will be clean, so there should be no
21 hydrocarbons involved.

22 The original samples were taken by a
23 representative of Baker Petrolite under the supervision of
24 RB's pumper, with the assistance of the land owner going
25 out and turning the well on. These wells, of course, do

1 not run all the time. They're used for irrigation
2 purposes.

3 And so if the landowners request a sample, the
4 first one to be, you know, two years after this initial
5 one, at their request we will take a third party out there,
6 have them gather samples and run analysis on them.

7 Q. Okay, again, referring to Exhibit Number 1, what
8 does that term SCB stand for?

9 A. That is an abbreviation for South Culebra Bluff.

10 Q. Is that a recognized name or term or shows up on
11 the State Engineer's report to identify that well?

12 A. Oh, no, sir, those were for our reference only.

13 Q. Could you provide me a reference of those three
14 wells that shows up in the public records of the State
15 Engineer's Office?

16 A. I believe that they are listed by the owner, and
17 even that now, it's difficult. But yes, sir, I can.

18 EXAMINER STOGNER: Okay, I'm a little concerned
19 about the vagueness of the description if this is to be put
20 into a rough draft -- I mean into a draft order. Are you
21 proposing that it be a part of the order, Mr. Kellahin,
22 or --

23 MR. KELLAHIN: That was Mr. Martin's request, is
24 that there be a paragraph in the order that was like what
25 we've submitted.

1 EXAMINER STOGNER: Okay.

2 MR. KELLAHIN: I agree with you, in the haste of
3 doing this yesterday, there may be a question about the
4 exact locations, and I think what we'll do is, we'll give
5 you the exact footages.

6 EXAMINER STOGNER: Give me some exact footages,
7 some more reference points, yeah, let's make this a little
8 more detailed about where these wells are, because Unit
9 Letter C, Unit Letter A, Unit Letter E, that's not even an
10 official designation; that's an OCD thing set up years ago.
11 It's a very good one, but it's still very vague, and that's
12 what concerns me on that.

13 MR. KELLAHIN: We'll do that, Mr. Examiner.

14 EXAMINER STOGNER: Also it says to provide copies
15 to the Division. Copies of the report?

16 MR. KELLAHIN: That was not Mr. Martin's
17 suggestion. I simply added it as a means to put them in
18 the public record somewhere --

19 EXAMINER STOGNER: Okay, put them in the public
20 record, okay.

21 MR. KELLAHIN: -- so they would be in the case
22 file if anybody wanted to look at those and see if there
23 was a problem.

24 EXAMINER STOGNER: Okay.

25 MR. KELLAHIN: There's no indication here that

1 either party was assuming responsibility for whatever
2 contamination would show up on any subsequent test; it was
3 just a way to have information generated so either the
4 rancher or the owner could then investigate what may be the
5 source of an impairment of his water quality.

6 EXAMINER STOGNER: Okay, has there been an
7 initial analysis on these three -- or, I'm sorry, these
8 four samples? Is there one on record now?

9 MR. KELLAHIN: Yes, sir --

10 EXAMINER STOGNER: Do you have them?

11 MR. KELLAHIN: -- and that's how this was done.
12 Mr. Martin took out of our C-108 the three water analyses
13 that Mr. McGinnis has provided and simply faxed them back
14 to me as the three wells to be sampled.

15 EXAMINER STOGNER: How about the Pecos River
16 water?

17 MR. KELLAHIN: We don't have a sample of that.
18 That was an add-on that he thought about afterwards.

19 EXAMINER STOGNER: Does RB have a sample of that
20 river water?

21 THE WITNESS: We can get one, sir.

22 EXAMINER STOGNER: I would strongly suggest,
23 subsequent to the hearing, that that be taken shortly after
24 today and at least put in the record.

25 Now, let's talk about how this is to be put into

1 the Division record if it's put in. What happens -- or
2 means today, what's put in the order and what actually
3 happens in the future could be three different things, or
4 at least two different things.

5 What I would suggest is, when this copy is sent
6 to the Division, that you reference the case number and the
7 subsequent order number, because what I would visualize is,
8 when that comes in and it is -- whoever it comes to, I'd
9 suggest you send it to the director, because if it goes to
10 one of the other bureaus and maybe put somewhere, but I'd
11 like to see that put into the case file. And since we have
12 imaging now, that could be directly put in every time we
13 get something on this. So please reference the case number
14 and the order number and even the paragraph number that
15 this was a stipulation set forth.

16 I want at least to have in the record today that
17 we're looking to set up some sort of an operation, even
18 though that won't be put in the case file, *per se*, but how
19 it is to be manually done, and so let's do it that way.

20 So what I'm seeking from you at this point, Mr.
21 Kellahin, is the description of those wells, and even that
22 low-water crossing, kind of where it is. Let's make those
23 directions a little more clearer, and -- I'm not making
24 that a requirement, but I'm just suggesting that you get an
25 initial water sample from the river now. That way there

1 will be some comparison.

2 I don't know what we're looking for or what they
3 would be looking for on that, but -- and I'm assuming --
4 the reason I was talking about that -- Are you going to
5 take the water sample upstream or downstream from the road
6 crossing and the pipeline crossing? I suggest you take it
7 upstream, but that's not a requirement, but that's still --
8 I'd take it upstream.

9 MR. KELLAHIN: This was Mr. Martin's request, and
10 as an accommodation to his clients we decided to acquiesce
11 and go ahead and take these samples.

12 EXAMINER STOGNER: I'm not saying the pipeline
13 leaks or anything, but at least you won't be held
14 responsible for it.

15 MR. KELLAHIN: Good point.

16 EXAMINER STOGNER: Or if people -- I had an old
17 car that leaked a lot of oil, and if I drove across that
18 low-water area there would definitely be some hydrocarbon
19 indication from my old Chevrolet in that.

20 Q. (By Examiner Stogner) Okay, the water wells that
21 are within your area of review, what depths are they? Is
22 the water -- What depth are these wells?

23 A. The wells, per the State Engineer's record, are
24 all shallower than 200 feet.

25 Q. Okay.

1 A. And where the water depth is indicated, it is
2 less than 75 feet.

3 Q. And what is the top of the Rustler-Salado, the --
4 those formations, your --

5 A. That section is listed by Mr. Emery as an
6 evaporite section made up --

7 Q. Yes.

8 A. -- mostly of anhydrites and salts.

9 Q. What's the top of those formations, is that
10 formation, or will he address that?

11 A. I'd defer to that, I'll let him answer that
12 question, sir.

13 EXAMINER STOGNER: All right, I'm getting ahead
14 of myself then.

15 THE WITNESS: That's okay.

16 EXAMINER STOGNER: I'll tell you what, I have no
17 other questions of this witness.

18 Are there any questions of Mr. McGinnis at this
19 time?

20 MR. KELLAHIN: No, sir.

21 EXAMINER STOGNER: You may be excused. Thank
22 you, sir.

23 THE WITNESS: Thank you.

24 EXAMINER STOGNER: I don't know the ways of the
25 State Engineer's Office, but I'll bet after today I'm going

1 to get a real education.

2 MR. KELLAHIN: We're all going to learn, Mr.
3 Stogner.

4 EXAMINER STOGNER: Oh, you bet you. I'm going to
5 get a personal lesson, I'm sure.

6 MARTIN EMERY,
7 the witness herein, after having been first duly sworn upon
8 his oath, was examined and testified as follows:

9 DIRECT EXAMINATION

10 BY MR. KELLAHIN:

11 Q. For the record, Mr. Emery, please state your name
12 and occupation.

13 A. My name is Martin Emery, and I'm chief geologist
14 for Range Resources Corporation.

15 Q. Mr. Emery, on prior occasions have you testified
16 before the Division?

17 A. Yes, I have.

18 Q. And have your qualifications as an expert
19 geologist been made a matter of record?

20 A. Yes.

21 Q. Do the geologic displays that Mr. McGinnis
22 testified about represent your work product?

23 A. Yes.

24 Q. Are you familiar with the geology concerning this
25 Application?

1 A. Yes, I am.

2 MR. KELLAHIN: We tender Mr. Emery as an expert
3 petroleum geologist.

4 EXAMINER STOGNER: Mr. Emery is so qualified.

5 Q. (By Mr. Kellahin) Mr. Emery, we can take either
6 one or both of these displays, and let me ask you some
7 conclusionary questions about your work. Is there anything
8 Mr. McGinnis testified to with which you have a
9 disagreement?

10 A. No, there is not.

11 Q. Have you independently satisfied yourself as a
12 geologist that if produced water is introduced into the
13 Cherry Canyon as your company proposes in this well, it
14 will remain confined to the Cherry Canyon?

15 A. Yes, I have.

16 Q. Are there any hydrocarbons, to the best of your
17 knowledge, in the Cherry Canyon formation into which you're
18 going to inject produced water that would be compromised by
19 this injection?

20 A. No. Based on mudlogs and log analysis, the
21 Cherry Canyon formation of the Delaware Mountain Group in
22 the immediate are of the Candelario well is wet.

23 Q. Let's talk about the lithology. Describe for us
24 from the base of the Cherry Canyon to the top of the Brushy
25 Canyon, what is the distance and the composition of the

1 materials?

2 A. In the Candelario well it's approximately 70 feet
3 from the base of the proposed injection interval to the top
4 of the Brushy Canyon, and that interval is comprised of
5 calcareous shale and tight siltstone.

6 Q. In this area are the hydrocarbons in the top of
7 the Brushy Canyon -- do they remain confined to the top of
8 the Brushy Canyon?

9 A. Yes, that interval that I just described, that
10 70-foot interval, is actually the top seal for the
11 hydrocarbons contained in the uppermost part of the Brushy
12 Canyon.

13 Q. And based upon your experience, that is an
14 adequate seal to separate out the Brushy Canyon from the
15 base of the Cherry Canyon?

16 A. Correct.

17 Q. As we move vertically, we get up into the Rustler
18 and these other formations.

19 A. Uh-huh.

20 Q. And what's the lithology of the interval shown in
21 purple?

22 A. It's all evaporites comprised of interbedded
23 anhydrite and salt. The uppermost part of the Rustler-
24 Salado-Castille formations is anyhdrate.

25 Q. We're injecting down about 4300 feet?

1 A. That's correct.

2 Q. Are you satisfied that there are not any faults
3 or other hydrologic connections that would communicate the
4 injection fluids in the Cherry Canyon to shallower
5 freshwater sands?

6 A. Yes, I am satisfied. These are structural cross-
7 sections, and you can see from both cross-sections which
8 incorporate all the nearby wells that there are no
9 structural discontinuities evident from the well-to-well
10 correlations.

11 Q. What's your understanding of the deepest
12 freshwater sources in this area?

13 A. The information that we gathered from the State
14 Engineer was that the deepest freshwater formations are
15 shallower than 200 feet, or the 200 feet that all the water
16 wells are shallower than.

17 MR. KELLAHIN: That concludes my examination of
18 Mr. Emery.

19 EXAMINATION

20 BY EXAMINER STOGNER:

21 Q. Mr. Emery, were you a party to this agreement on
22 the water wells?

23 A. Yes.

24 Q. You were. So did you look over it, or was it
25 with the initial -- or were there any kind of discussions

1 with Mr. Martin that you had?

2 A. We were just made aware of this proposal
3 yesterday at Tom Kellahin's office, but yes, we did discuss
4 it as a group at that time.

5 Q. But not with Mr. Martin?

6 A. Not with Mr. Martin, no.

7 Q. And so what depth out here, before I hit the top
8 of the Rustler formation in this general area?

9 A. It's somewhat difficult to ascertain because
10 there's very few wells that really have logs that go up
11 shallower than a couple hundred feet, but it's in the 200-
12 to 400-foot range, and I think there's some dissolution at
13 the top of this evaporite section, so it does vary
14 somewhat, as indicated by the squiggly line, the
15 unconformity drawn at the base of the light blue stippling.

16 Q. What kind of water quality would I get or would
17 you suspect if I drilled one of my -- had one of my water
18 wells that went into the Rustler formation, and the water
19 was coming shallower and I -- Would it be saltier than if I
20 completed around 75 feet or higher up into the aquifer?

21 A. I would suspect it is, and I think Mr. McGinnis
22 has some further knowledge about water qualities from some
23 of the various water wells in the area, some of which are
24 fairly poor water quality.

25 EXAMINER STOGNER: I have no other questions of

1 either witness at this point. Mr. Kellahin, do you have
2 anything further?

3 MR. KELLAHIN: No, sir, that concludes our
4 presentation.

5 EXAMINER STOGNER: I would welcome a rough
6 draft --

7 MR. KELLAHIN: Yes, sir.

8 EXAMINER STOGNER: -- and particularly the
9 locations of where the samples are to be taken.

10 MR. KELLAHIN: We'll take care of that.

11 EXAMINER STOGNER: With that, then, Case Number
12 13,313 will be taken under advisement. Thank you very
13 much.

14 And with that, today's hearing is adjourned.

15 (Thereupon, these proceedings were concluded at
16 11:07 a.m.)

17 * * *

18
19
20
21 I do hereby certify that the foregoing is
22 a complete record of the proceedings in
23 the Examiner hearing of Case No. 13313
24 heard by me on 19 August 2004.

25

Examiner
Oil Conservation Division

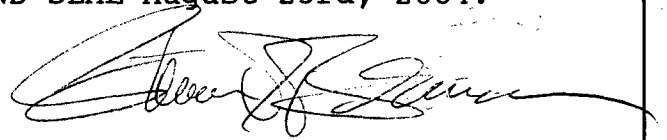
CERTIFICATE OF REPORTER

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 August 23rd, 2004.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006