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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. 16130

APPLICATION OF BLACK RIVER WATER MANAGEMENT COMPANY, LLC FOR A SALTWATER DISPOSAL WELL AND AUTHORIZATION TO INJECT THROUGH ITS PROPOSED MALAGA SWD NO. 4 WELL, EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

May 31, 2018

Santa Fe, New Mexico

BEFORE: PHILLIP GOETZE, CHIEF EXAMINER WILLIAM V. JONES, TECHNICAL EXAMINER LEONARD LOWE, TECHNICAL EXAMINER DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Phillip Goetze, Chief Examiner, William V. Jones and Leonard Lowe, Technical Examiners, and David K. Brooks, Legal Examiner, on Thursday, May 31, 2018, at the New Mexico Energy, Minerals and Natural Resources Department, Wendell Chino Building, 1220 South St. Francis Drive, Porter Hall, Room 102, Santa Fe, New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR New Mexico CCR #20 Paul Baca Professional Court Reporters 500 4th Street, Northwest, Suite 105 Albuquerque, New Mexico 87102 (505) 843-9241

Page 2 1 APPEARANCES 2 FOR APPLICANT BLACK RIVER WATER MANAGEMENT COMPANY, LLC: MICHAEL H. FELDEWERT, ESQ. 3 HOLLAND & HART, LLP 110 North Guadalupe, Suite 1 4 Santa Fe, New Mexico 87501 5 (505) 988-4421 mfeldewert@hollandhart.com б 7 8 INDEX 9 PAGE Case Number 16130 Called 3 10 11 Exhibit Offered 3 5 Proceedings Conclude 12 13 Certificate of Court Reporter б 14 15 16 EXHIBITS OFFERED AND ADMITTED 17 Black River Water Management Company, LLC Exhibit 5 Number 1 18 19 20 21 22 23 24 25

Page 3 1 (8:27 a.m.) 2 EXAMINER GOETZE: Very good. Case Number 16130, application of Black River Water Management 3 Company, LLC for a saltwater disposal well and 4 5 authorization to inject through its proposed Malaga SWD No. 4 well, Eddy County, New Mexico. 6 7 Call for appearances. 8 MR. FELDEWERT: May it please the Examiner, 9 Michael Feldewert, with the Santa Fe office of Holland & 10 Hart, appearing on behalf of the Applicant. 11 EXAMINER GOETZE: So here we are. 12 MR. FELDEWERT: Here we are, Mr. Examiner. 13 EXAMINER GOETZE: We had an effort by Black River to administratively approve a disposal well --14 Devonian disposal well. The Division requested that 15 16 Black River expand its effort for this -- for this application because of the fact that it is in an area 17 18 with a concentrated population of Devonian wells. 19 With that, Black River responded by doing 20 additional notice, as well as increased the area of review and, with a prior meeting, provided information 21 22 regarding the effects of having several wells in the 23 same area, as well as geologic and engineering 24 information on reservoir characteristics and the impact 25 of multiple wells in the same location.

Page 4 With that, we received three protests, of 1 2 which two of them resolved -- or actually four protests. COG has since removed themselves from that, and 3 Mr. Barton has removed himself. And then we had an 4 5 individual provide a notice of protest, and this is why we're here today, correct? 6 7 MR. FELDEWERT: Yes, sir. 8 EXAMINER GOETZE: Okay. So where are we? 9 MR. FELDEWERT: So, Mr. Examiner, with the 10 additional notice, there was a woman by the name of Carla Kay Nearhood Dickson, who filed a protest and is a 11 12 remaining protestant in this particular matter that was filed administratively. It is my understanding she is 13 not here today. 14 EXAMINER GOETZE: I would suggest that you 15 16 are correct. 17 MR. FELDEWERT: Accordingly, I would like to introduce as Matador -- or Black River Exhibit 18 19 Number 1 letter under which notice of this hearing was 20 provided by certified mail to Ms. Carla Kay Nearhood Dickson at the address which she provided with her 21 22 protest, if may I approach. 23 EXAMINER GOETZE: Please. 24 MR. FELDEWERT: I see you have the protest. 25 EXAMINER GOETZE: Yes, I do.

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Page 5 MR. FELDEWERT: So, Mr. Examiner, with the 1 fact we provided notice to Ms. Dickson of this hearing 2 today and she has not appeared, we ask that Exhibit 3 Number 1 be included in the file and that this matter be 4 handled administratively. 5 EXAMINER GOETZE: We accept Exhibit 1 into 6 7 the record. 8 (Black River Water Management Company Exhibit Number 1 is offered and 9 admitted into evidence.) 10 11 EXAMINER GOETZE: And I have a question for 12 my attorney: Should we go ahead and just issue an order or remand it back to the administrative process? 13 EXAMINER BROOKS: There is not a rule on 14 that, but it'd probably be a good idea to have an order 15 16 remanding it back and doing an administrative order. 17 EXAMINER GOETZE: So we'll go ahead and issue an order and go with the recommendation of the 18 19 Applicant to go back to the administrative review 20 process. 21 MR. FELDEWERT: Thank you. 22 EXAMINER GOETZE: And with that, Case 16130 23 is taken under advisement. Thank you. 24 (Case Number 16130 concludes, 8:31 a.m.) 25

Page 6 1 STATE OF NEW MEXICO 2 COUNTY OF BERNALILLO 3 CERTIFICATE OF COURT REPORTER 4 5 I, MARY C. HANKINS, Certified Court Reporter, New Mexico Certified Court Reporter No. 20, 6 7 and Registered Professional Reporter, do hereby certify 8 that I reported the foregoing proceedings in 9 stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings that 10 were reduced to printed form by me to the best of my 11 12 ability. 13 I FURTHER CERTIFY that the Reporter's Record of the proceedings truly and accurately reflects 14 the exhibits, if any, offered by the respective parties. 15 16 I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or 17 18 attorneys in this case and that I have no interest in 19 the final disposition of this case. 20 DATED THIS 23rd day of June 2018. 21 22 MARY C. HANKINS, CCR, RPR 23 Certified Court Reporter New Mexico CCR No. 20 Date of CCR Expiration: 12/31/2018 24 Paul Baca Professional Court Reporters 25