

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 Armstrong Energy  
Corporation for Reinstatement of  
Authorization to Inject for  
Waterflood Operations,  
Lea County, New Mexico

Cast No. 22080

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

AUGUST 5, 2021

This matter came on for hearing on August 5, 2021 before the New Mexico Oil Conservation Division, before Hearing Examiner William Brancard, Esq., Technical Examiners Baylen Lamkin and Kathleen Murphy, via Webex Virtual Conferencing Platform hosted by the New Mexico Department of Energy, Minerals and Natural Resources.

Reported by: Mary Therese Macfarlane  
New Mexico CCR #122  
PAUL BACA COURT REPORTERS  
500 Fourth Street NW, Suite 105  
Albuquerque, New Mexico 87102  
(505) 843-9241

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A P P E A R A N C E S

For Spur Energy Partners: Dana S. Hardy, Esq.  
Hinkle Shanor, LLP  
P.O. Box 2068  
Santa Fe, NM 87504-2068  
(505) 982-4544  
dhardy@hinklelawfirm.com

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1 (Time noted 10:02 a.m.)

2 EXAMINER BRANCARD: Okay. With that we go to  
3 Case 22080, Armstrong Energy.

4 MS. HARDY: Good morning again, Mr. Examiners.  
5 Dana Hardy with the Santa Fe office of Hinkle Shanor on  
6 behalf of Armstrong Energy Corporation.

7 EXAMINER BRANCARD: Are there any other persons  
8 interested in Case 22080? (Note: Pause.) Hearing none.

9 We may have a guest hearing examiner on  
10 this case. Ms. Murphy, are you with us?

11 MS. MURPHY: I believe I'm with you.

12 EXAMINER BRANCARD: Excellent. So Kathleen  
13 Murphy will also be a hearing examiner on this case.

14 Ms. Murphy, did you have a comment on the  
15 exhibits to begin with?

16 MS. MURPHY: You know, I'll discuss that with  
17 each of the witnesses.

18 EXAMINER BRANCARD: All right. Ms. Hardy,  
19 please proceed.

20 MS. HARDY: Thank you.

21 In this case Armstrong seeks an Order  
22 reinstating its injection authority for eleven injection  
23 wells within its Trinity Burrus Abo Unit Waterflood  
24 Project.

25 Order No. R-12496 approved the project,

1 which is comprised of 1,720 acres of federal, state and  
2 fee lands located in Sections 15, 22, 23 and 26, Township  
3 12 South, Range 38 East in Lea County.

4 The unitized interval is within the  
5 Wolfcamp Formation at 9,063 feet to 9,131 feet.

6 Armstrong has maintained waterflood  
7 operations within the Unit and propose to reinstate  
8 injection authority of these eleven wells that  
9 inadvertently lapsed in 2020.

10 We have provided the affidavits of three  
11 witnesses to support Armstrong's application. The  
12 witnesses are also available today for questioning.

13 And, Ms. Murphy, would you like me to go  
14 through the affidavits or how would you like me to  
15 proceed?

16 MS. MURPHY: Proceed as you were going to.  
17 That's fine.

18 MS. HARDY: Thank you.

19 Exhibit A is the affidavit of Landman Kevin  
20 Klein. Mr. Klein provides information regarding the  
21 background of the unit, including the original Order that  
22 approved it, and those are provided as Exhibit A-3, A-4.

23 He also describes the unit acreage and  
24 provides location maps, which are attached as Exhibits A-5  
25 and A-6.

1                   Armstrong's C-108 is attached to Mr.  
2 Klein's affidavit as Exhibit A-7.

3                   Exhibit A-8 includes the Hearing Notice  
4 Letter and Return Receipts. All affected parties,  
5 including the BLM and the State Land Office, were timely  
6 notified, and we also did publish Notice and that  
7 affidavit is provided in Exhibit A-9.

8                   We did not receive any objections to  
9 Armstrong's application.

10                  Exhibit B is the Affidavit of Engineer Kyle  
11 Alpers. Mr. Alpers explains that Armstrong proposes to  
12 inject water through a closed system through perforations  
13 at depths of 9,045 to 9,209 feet within the Wolfcamp  
14 Formation.

15                  The proposed average injection rate is  
16 expected to be 100 PSIG, and the expected maximum  
17 projection pressure is 1,800 PSIG, or as permitted by the  
18 Division.

19                  The proposed average injection rate is  
20 expected to be 500 barrels of water per day, and the  
21 maximum daily injection rate would be 1,000 barrels of  
22 water per day, or as permitted by the Division.

23                  Mr. Alpers provides a production chart as  
24 Exhibit B-2, which shows the expected increased recovery  
25 from the Waterflood operations.

1                   Exhibit C is the affidavit of geologist  
2 Kelsey Garner. Ms. Garner provides a Type Log as Exhibit  
3 A-2 (sic), a structure map as Exhibit C-3, and a  
4 cross-section as Exhibit C-4.

5                   Ms. Garner testifies that injection fluids  
6 will be confined to the intended zone. She also states  
7 that she investigated sources of drinking water and states  
8 that there's no hydrogeologic connection between the  
9 injection zone and any underground sources of drinking  
10 water.

11                   The testimony of Armstrong's witnesses  
12 establishes that granting Armstrong's application is in  
13 the interests of conservation, the protection of  
14 correlative rights, and the prevention of waste.

15                   Armstrong's witnesses have not previously  
16 testified before the Division, and we have provided their  
17 CVs along with their affidavits, and we would ask that  
18 they be recognized as experts in their respective fields.

19                   Armstrong is anxious to get these injection  
20 wells back online as soon as possible and would really  
21 appreciate receiving an Order on as expedited a basis as  
22 possible.

23                   And with that, that concludes my  
24 presentation. I would request that the exhibits be  
25 admitted into the record and the case be taken under

1 advisement, unless there are questions for Armstrong's  
2 witnesses. Or questions for myself. Either way.

3 EXAMINER BRANCARD: Thank you.

4 Ms. Murphy.

5 MS. MURPHY: You know, I do have a number of  
6 questions and I'll try to direct them to, you know, who I  
7 believe they should go to, but people will let me know who  
8 the questions should go to.

9 I think the first one should go to Mr.  
10 Klein, who is the landman. Is that correct?

11 MS. HARDY: That's correct.

12 EXAMINER BRANCARD: Do you have all your  
13 witnesses available, Ms. Hardy?

14 MS. HARDY: Yes. Ms. Garner.

15 (Whereupon COG witnesses Kevin Klein, Kyle  
16 Alpers and Kelsey Garner were duly sworn by  
Examiner Brancard.)

17 EXAMINER BRANCARD: Ms. Murphy has questions, I  
18 believe, for Mr. Klein. Is that correct?

19 Ms. Garner, we can't hear you.

20 You'll have a hard time answering  
21 questions.

22 MS. GARNER: Can you hear me now?

23 EXAMINER BRANCARD: Yes, I don't know where you  
24 but we can hear you.

25 MS. GARNER: I switched rooms. I do swear.

1 EXAMINER BRANCARD: So you are Ron Hillman.

2 MS. GARNER: Yes.

3 MR. HILLMAN: Just for a moment.

4 EXAMINER BRANCARD: That's Ms. Garner on  
5 Mr. Hillman's screen.

6 All right. So let's go back to Ms.

7 Murphy. Questions, I believe, for Mr. Klein.

8 MS. MURPHY: My first question is for Mr.  
9 Klein.

10 KEVIN KLEIN,

11 duly sworn, testified as follows:

12 CROSS-EXAMINATION

13 BY MS. MURPHY:

14 Q. In the Area of Review maps, they were using a  
15 Midland map, and those aren't really adequate for us, and  
16 I'm wondering if you can change those maps and not use the  
17 Midland map. OCD has a GIS map that also has leases or  
18 wells, and that would be better suited so that we could  
19 review those. I think there is probably 11 of those maps.

20 A. Yeah, we can submit alternate maps, I'm sure.

21 MR. Brancard: Mr. Klein, you need to speak  
22 loudly. We're not picking up very well.

23 A. (Continued) Yes, we can definitely submit  
24 replacement maps.

25 Q. And can you add a tract map? I think there's

1 some in previous documents related to that case, a tract  
2 map of -- I think there's probably 12 or 13 tracts in that  
3 unit. Is that true?

4 A. I don't recall the number of tracts offhand, but  
5 that sounds close.

6 Q. And then thirdly, related to the Notice, that  
7 you Noticed the BLM and the SLO. And can you tie that  
8 Notice Table to a tract map by adding a column on the left  
9 for a lot of those fee owners to which tracts they  
10 participate in.

11 A. Yes, we can do that.

12 Q. All righty. One other question about the Notice  
13 Table.

14 There were a lot of documents that they  
15 couldn't find the correct owner. They were just returned,  
16 or were they -- you couldn't get the address for a lot of  
17 the participants this time, is that true?

18 A. Yes. A lot of those tracts are fee tracts  
19 and -- you know, with a lot of owners, and some of them we  
20 were just unable to locate, using quite a few different  
21 methods as well as contact the land company that we use.

22 MS. MURPHY: Okay. And then I think that's my  
23 questions for you.

24 Mr. Alpers, I think these questions would  
25 be for you.

1 WITNESS ALPERS: Okay.

2 KYLE ALPERS,

3 duly sworn, testified as follows:

4 CROSS-EXAMINATION

5 BY MS. MURPHY:

6 Q. Only injection has lapsed in the Unit,  
7 not production?

8 A. That is correct.

9 Q. Okay. And then I had a question on the 4H. I  
10 believe you can answer this, and if not Ms. Garner could  
11 answer. But the 4H, is that a horizontal well?

12 A. Yes, I believe it is. That well, if I remember  
13 it correctly, either someone or (inaudible) had shut that  
14 well off. And I'm not completely sure what the reasoning  
15 was. I think possibly, you know, they may have initially  
16 thought they could get a more productive zone. But I  
17 believe they thought they might try it as an injection, as  
18 a horizontal injection.

19 I'm trying to find my wellbore diagram for  
20 that one right now.

21 Let's see here. (Note: Pause.) Almost  
22 there.

23 Yes. It is a -- I believe it's a very  
24 short lateral in that well.

25 Q. So they plugged it back, and then did they --

1     **they deepened it as an injector. Is that the situation?**

2           A.    Uh, you know I'm really not sure, Ms. Murphy. I  
3     can tell that -- I really can't tell if there was a plug  
4     back. In other words, I'm not for sure if that was built  
5     as a vertical initially and then take-off. I can  
6     definitely find out for you, though.

7           **Q.    I think that's the only horizontal well of these**  
8     **eleven. Is that true?**

9           A.    There is one procedure that is in the same boat,  
10    the No. 2. But yes, ma'am, out of the injectors this is  
11    the only one that has this kind of a lateral on it, or any  
12    lateral whatsoever.

13          **Q.    Well, if you could give me just a summary of**  
14    **that well's history --**

15          A.    Sure. Yes, ma'am.

16          **Q.    -- and its plugging.**

17                    **And I believe you can probably answer this**  
18    **next question: Is there a diagram of the injectors and**  
19    **the producers that's set up in this unit?**

20          A.    There was not one completed (inaudible) but I  
21    can definitely get you one. I believe we have that  
22    available.

23                    MS. MURPHY: All right. Thank you.

24                    MR. ALPERS: Yes, ma'am.

25                    MS. MURPHY: And I think the last questions are

1 probably for Ms. Garner. Is that the geologist?

2 Welcome, Ms. Garner, as a fellow Midwestern  
3 geologist. It seems you're from the Midwest.

4 WITNESS GARNER: Thank you.

5 MS. MURPHY: One of my questions is: Did you do  
6 the wellbore diagrams?

7 WITNESS GARNER: I did not.

8 MS. MURPHY: And were those Mr. Alpers or Mr.  
9 Klein, then?

10 MR. ALPERS: I believe it was me, Mr. Alpers.

11 MS. MURPHY: Okay. The wellbore diagrams I was  
12 unable to see.

13 MR. ALPERS: Oh, okay.

14 MS. MURPHY: And I don't think it's me. If it  
15 was me. I, would 'fess up. But I'm hoping you will  
16 resubmit those and just put those on separate pages. You  
17 don't have to try to fit them in that small space.

18 MR. ALPERS: Yes, ma'am. No problem

19 MS. MURPHY: And I did try. I looked at them,  
20 you know, with my readers; I looked at them in the .pdf  
21 and zoomed in, but it's just trying to fit them in those  
22 small spaces was not working well.

23 So that's: Resubmit the wellbore diagrams.

24 And another question is for the Area of  
25 Review wells, did you check for changes in the wells when

1 they went offline in '20? Since then versus now I don't  
2 think there is probably a lot of changes, but you weren't  
3 counting on several years ago when the Order was issued.  
4 You checked for very recent changes?

5 MR. KLEIN: When I did the Area of Review, yes,  
6 ma'am, I -- at that time, which would have been in March,  
7 I believe, of this year, I did check. I have not recent  
8 to this hearing.

9 MS. MURPHY: Okay. Well, we understand that.  
10 Okay. Well, thank you. Those are my  
11 questions and my requests.

12 EXAMINER BRANCARD: Thank you.

13 Mr. Lamkin, did you have any questions?

14 EXAMINER LAMKIN: No, I'm going to defer to  
15 Kathleen's expertise on this one.

16 EXAMINER BRANCARD: Okay. So are these requests  
17 clear, do you think, Ms. Hardy? Do you need to check with  
18 your witnesses?

19 MS. HARDY: I believe they are clear. Mr.  
20 Klein, Mr. Alpers, are these requests clear to you?

21 MR. KLEIN: Yes.

22 MR. ALPERS: Yes, ma'am.

23 MS. HARDY: Thank you. We will work on getting  
24 this information to the Division as soon as possible.

25 EXAMINER BRANCARD: Okay. So the question, Ms.

1 Murphy, is: Do you think this information is simply  
2 helping supplement the record or will this information  
3 create more questions that would be best to continue this  
4 case to another hearing date?

5 MS. MURPHY: I think it will just supplement it.  
6 I don't think it needs to be continued.

7 EXAMINER BRANCARD: All right.

8 So given all of this request, what is a  
9 good time frame, Ms. Hardy, to -- you can check with your  
10 witnesses now about when they think they can get all this  
11 to us.

12 MS. HARDY: Mr. Alpers, Mr. Klein, how long do  
13 you think it would take to provide this information?

14 MR. ALPERS: I can have mine today.

15 MR. KLEIN: Definitely by Friday. In a day or  
16 two, maybe.

17 Can you guys hear me now?

18 MS. HARDY: Yes. It sounds like we could get  
19 all of this to the Division by early next week.

20 EXAMINER BRANCARD: Okay. Excellent.

21 So, Ms. Hardy, any further testimony,  
22 information for the record today? Do you have redirect or  
23 anything of your witnesses?

24 MS. HARDY: I do not. Thank you.

25 EXAMINER BRANCARD: All right. I will check

1 once again if there are any other interested parties in  
2 Case 22080. (Note: Pause.) Hearing none, I appreciate  
3 that.

4 These witnesses are -- I should have  
5 admitted them as experts to begin with, but so far what  
6 you have as exhibits are admitted into the record. We are  
7 leaving the record open, and I have:

8 A request to change 11 maps.

9 A request for a tract map.

10 A request to tie Notice information to the  
11 tracts.

12 A summary of the well history for the one  
13 horizontal lateral well.

14 A diagram, I believe of injectors and  
15 procedures. Is that correct?

16 And then resubmit all these wellbore  
17 diagrams as separate documents in a more legible format.

18 And I believe that's it. Is that correct,  
19 Ms. Murphy?

20 MS. MURPHY: That's correct. Thank you.

21 EXAMINER BRANCARD: All right. So by next week  
22 hopefully you will get all this information to us, Ms.  
23 Hardy, and then we can take the information and take this  
24 case under advisement, and try to get an Order out.

25 MS. HARDY: Thank you very much. We appreciate

1 your time.

2 EXAMINER BRANCARD: Is that workable, Ms.  
3 Murphy?

4 MS. MURPHY: I believe so.

5 EXAMINER BRANCARD: All right. Well, we'll let  
6 you know if there's a problem. Thank you.

7 Then with that, Case 22080, the record is  
8 left open, and after that will be taken under advisement.  
9 Thank you.

10 MS. HARDY: Thank you.

11 (Time noted 10:24 a.m.)

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1 STATE OF NEW MEXICO ).  
2 : SS  
3 COUNTY OF TAOS )  
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5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico Reporter  
7 CCR No. 122, DO HEREBY CERTIFY that on Thursday, August 5,  
8 2021, the proceedings in the above-captioned matter were  
9 taken before me; that I did report in stenographic  
10 shorthand the proceedings set forth herein, and the  
11 foregoing pages are a true and correct transcription to  
12 the best of my ability and control.

13 I FURTHER CERTIFY that I am neither employed by  
14 nor related to nor contracted with (unless excepted by the  
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16 that I have no interest whatsoever in the final  
17 disposition of this case in any court.

18 /s/ Mary Macfarlane  
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