

**Ezeanyim, Richard, EMNRD**

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**From:** jamesbruc@aol.com  
**Sent:** Monday, September 22, 2014 2:56 PM  
**To:** Ezeanyim, Richard, EMNRD  
**Subject:** Re: Mack Energy (Case 15182) and Cimarex (Case 14994)  
**Attachments:** bta-vaca draw-wellbore sketches.pdf

Richard: You are correct -- Mack is Case 15181.

Attached is a new wellbore diagram for Case 15159. I got it two weeks ago, but forgot to send it to you.

Jim

-----Original Message-----

**From:** Ezeanyim, Richard, EMNRD, EMNRD <[richard.ezeanyim@state.nm.us](mailto:richard.ezeanyim@state.nm.us)>  
**To:** jamesbruc <[jamesbruc@aol.com](mailto:jamesbruc@aol.com)>  
**Sent:** Mon, Sep 22, 2014 2:02 pm  
**Subject:** RE: Mack Energy (Case 15182) and Cimarex (Case 14994)

Jim:

F

I think you mean Case No. 15181 for Mack Energy (NOT 15182). Now in Case No. 15159, I requested that a new Form C-108 be submitted with a new injection well construction diagram etc., etc. I have not gotten that new Form C-108. What is going on with this application? Please let me know ASAP. Thank you.

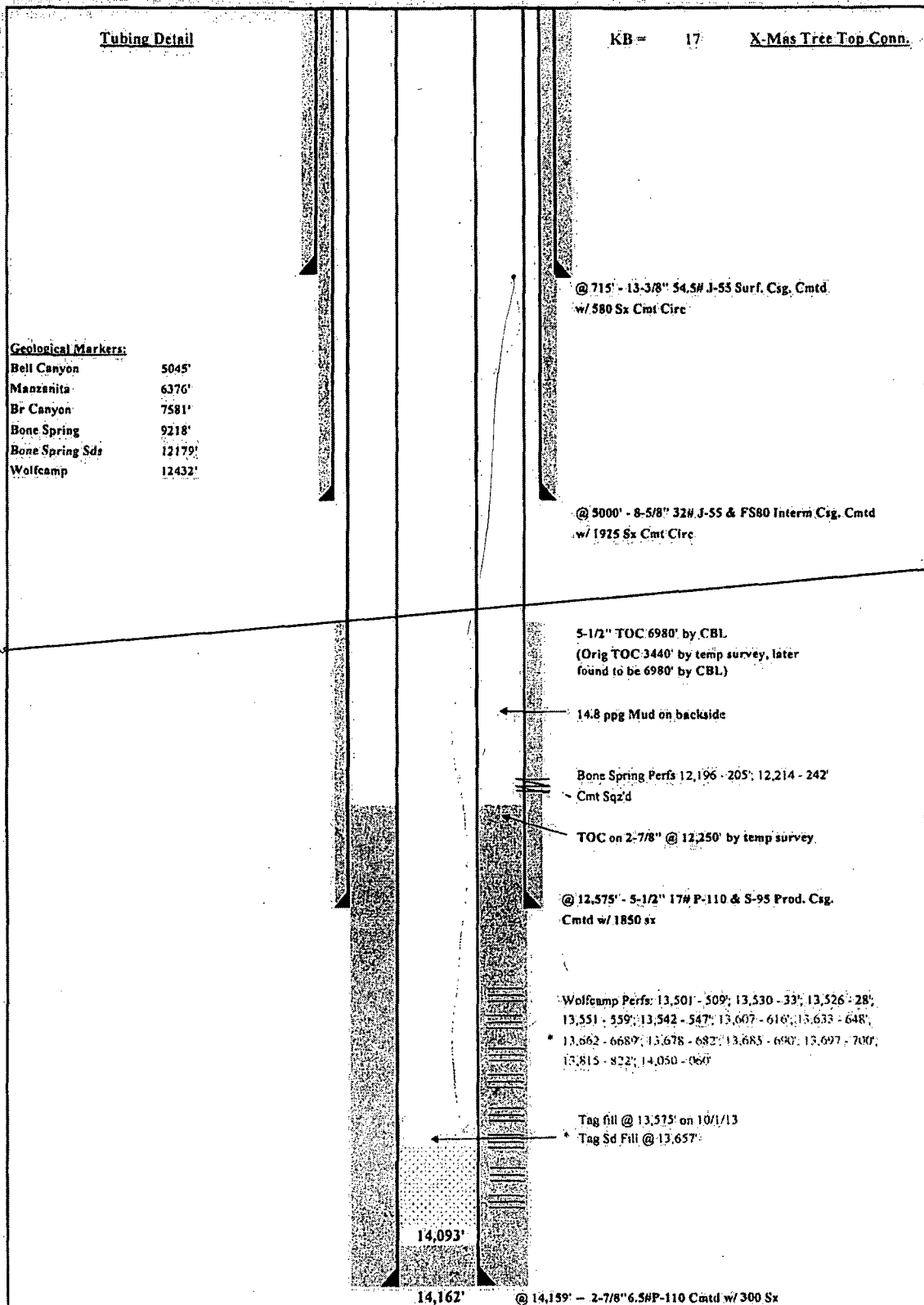
Richard

**From:** [jamesbruc@aol.com](mailto:jamesbruc@aol.com) [<mailto:jamesbruc@aol.com>]  
**Sent:** Monday, September 22, 2014 1:45 PM  
**To:** Ezeanyim, Richard, EMNRD  
**Subject:** Mack Energy (Case 15182) and Cimarex (Case 14994)

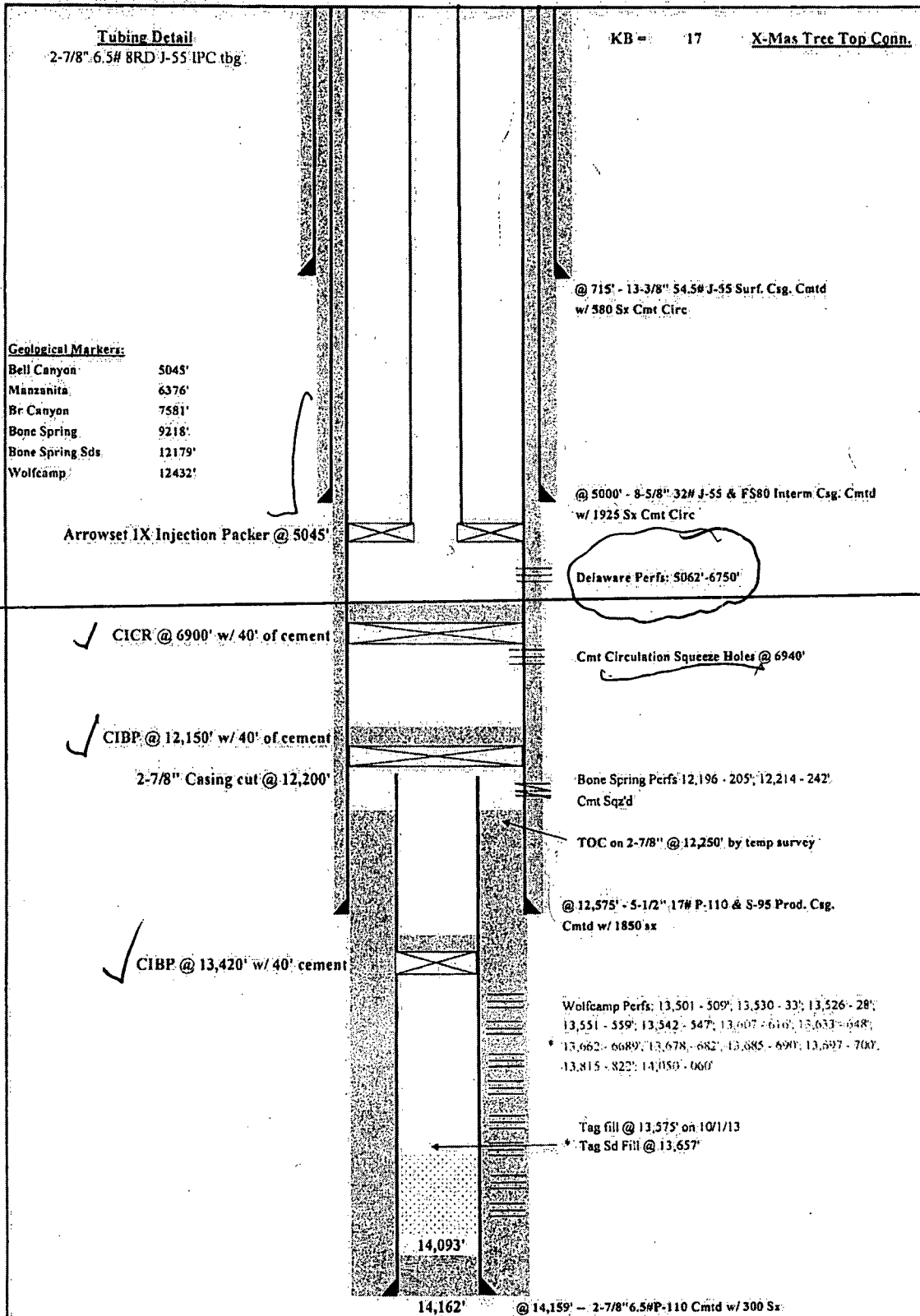
Richard: The parties have not come to terms in either case.


Jim

Received  
Today  
9/22/14



Revised		Gas Well		Drawn	TJW
RTW	2/20/2014	LEASE:	9418 JV-P Vaca Draw #1	3/29/2007	
		FIELD:	Johnson Ranch	Approved	
		LOCATION:	1980' FSL 1980' FWL Sec. 10 T25S R33E		
		COUNTY:	Lea	DATE	
		PRODUCING FORMATION:	Wolfcamp		
		BTA Oil Producers LLC			



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		COUNTY:	Lea	STATE:	New Mexico
		PRODUCING FORMATION:	Wolfcamp	Date	
				BTA Oil Producers LLC	

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:

ORIGINAL

APPLICATION OF BTA OIL PRODUCERS, LLC CASE NO. 15159  
FOR APPROVAL OF A SALTWATER DISPOSAL  
WELL, LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

June 26, 2014

Santa Fe, New Mexico

BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER

This matter came on for hearing before the  
New Mexico Oil Conservation Division, Richard Ezeanyim,  
Chief Examiner, on Thursday, June 26, 2014, 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

RECEIVED OGD  
2014 JUL 15 P 2:57

## APPEARANCES

FOR APPLICANT OF BTA OIL PRODUCERS, LLC:

JAMES G. BRUCE, ESQ.  
 Post Office Box 1056  
 Santa Fe, New Mexico 87504  
 (505) 982-2043  
 jamesbruc@aol.com

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## EXHIBITS OFFERED AND ADMITTED

BTA Oil Producers, LLC Exhibit Numbers 1 through 6 28

1 (10:10 a.m.)

2 EXAMINER EZEANYIM: At this time I call  
3 Case Number 15159. This is the application of BTA Oil  
4 Producers, LLP for approval for a saltwater disposal  
5 well, Lea County, New Mexico.

6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of  
8 Santa Fe representing the Applicant. I have one  
9 witness.

10 EXAMINER EZEANYIM: Any other appearances?  
11 Okay. May the witness stand up to be sworn  
12 in, and state your name first, please.

13 MR. EATON: Nick Eaton, E-A-T-O-N.

14 EXAMINER EZEANYIM: Counsel, you may  
15 proceed.

16 NICK EATON,  
17 after having been first duly sworn under oath, was  
18 questioned and testified as follows:

19 MR. BRUCE: Mr. Examiner, as I'm sure you  
20 know, BTA filed this application administratively, and  
21 it was initially objected to by EOG Resources. EOG has  
22 withdrawn its objection to the application. However,  
23 the BLM has notified the OCD that it does not want the  
24 subject well approved as a saltwater disposal well  
25 because the well is still producing. We will discuss

1 both issues. First we'll just go into the pure  
2 injection application itself, and then we'll discuss the  
3 BLM's objections.

4 EXAMINER EZEANYIM: Yeah. For the record,  
5 you are right, Counsel. There is a letter to the OCD  
6 that the Bureau of Land Management is objecting to this  
7 saltwater disposal based purely on the fact that the  
8 well is producing pay quantities. So for the record,  
9 the BLM is objecting to the issuance of an order for  
10 this saltwater disposal, just for the record.

11 Okay. You may proceed.

12 DIRECT EXAMINATION

13 BY MR. BRUCE:

14 Q. Mr. Eaton, where do you reside?

15 A. Midland, Texas.

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

17 A. BTA Oil Producers. I'm the drilling and  
18 regulatory manager, and I've been there for three years.

19 Q. Have you previously testified before the  
20 Division?

21 A. No.

22 Q. Can you please summarize for the Examiner your  
23 educational and employment background?

24 A. I got a petroleum engineering degree from Texas  
25 Tech University in 2009. I went to work, out of school,

1 for Chevron as a drilling engineer in the Midland  
2 Basin -- Midland and Delaware Basins and then moved to  
3 BTA. I've been there three years. I'm the drilling  
4 manager over the Delaware Basin and the Midland Basin.

5 Q. Does your area of responsibility at BTA include  
6 the lands on which this well is located?

7 A. Yes.

8 Q. And are you familiar with this application?

9 A. Yes.

10 MR. BRUCE: Mr. Examiner, I tender  
11 Mr. Eaton as an expert drilling engineer.

12 EXAMINER EZEANYIM: So accepted.

13 Q. (BY MR. BRUCE) Mr. Eaton, let's first go  
14 through Exhibit 1, the C-108, and I've numbered the  
15 pages at the bottom. If you could move on to page 4,  
16 could you identify the name of the well, its location  
17 and what its current status is?

18 A. The well name is the 9418 JV-P Vacā Draw #1.  
19 It's in Section 10, Township 25 South, Range 33 East,  
20 Lea County.

21 Q. And what is -- what is its current status?

22 A. It is currently a producer under -- or out of  
23 the Wolfcamp Formation.

24 Q. And what is the injection interval that BTA  
25 seeks approval for both of these footages of sand? What



1 zones are involved?

2 A. Footages are 5,056 foot to 6,007 foot, which is  
3 Bell Canyon and Upper Cherry Canyon.

4 Q. Let's move on to page 6, and there is data on a  
5 number of wells in here. But looking at the one-half  
6 mile area of review -- and we'll get into some  
7 additional wells, into some newer wells that are being  
8 drilled, but looking at the one-half mile area of  
9 review, at the time this plat was made, there are no  
10 other wells within the one-half mile area of review; is  
11 that correct?

12 A. Correct.

13 Q. And if you turn to page 7, could you identify  
14 those four horizontal wells in Section 10?

15 A. We call them -- they're the Vaca Draw. It's  
16 the 2H, 3H, 4H and 5H.

17 Q. And what -- what zones are those wells testing,  
18 or will they test?

19 A. The Bone Spring intervals.

20 Q. And are the surface locations in the -- at the  
21 north end or at the south end of these wells?

22 A. North end.

23 Q. So the wellbores of all of those four wells are  
24 also outside the area of review?

25 A. Correct.

1           Q.    So within the one-half mile area of review,  
2   there are no other wells drilled, completed or plugged  
3   and abandoned?

4           A.    Correct.

5           Q.    The Bone Spring out here does produce some  
6   quantities of water; does it not?

7           A.    Yes.

8           Q.    And is that why you are seeking to convert this  
9   well to saltwater disposal?

10          A.    Yes.

11                   EXAMINER EZEANYIM:  Before you move on,  
12   let's get this -- on page 7, I think is its Section 10,  
13   right?

14                   MR. BRUCE:  Correct.

15                   CROSS-EXAMINATION

16   BY EXAMINER EZEANYIM:

17          Q.    Okay.  Those three wells, which well are we  
18   talking about?  They have three wells.  Which one are we  
19   converting?

20          A.    The Vaca Draw #1 falls almost right in the  
21   middle.

22          Q.    What?  The 4H?

23          A.    The #1 is the well that we're proposing  
24   to convert.

25          Q.    And then is that indicated by that dot?

1 A. Correct.

2 Q. What are those horizontal wells?

3 A. The horizontal wells? Two of the wells have  
4 been drilled, the 3H and the 4H. The 2H and the 5H are  
5 approved BLM APDs.

6 Q. They are what?

7 A. Approved BLM permits.

8 Q. Okay. Which formation are they producing from?

9 A. They're in the Bone Spring. The 4H is an  
10 Avalon Horizon, and the 3H is a 2nd Bone Spring.

11 Q. They don't penetrate the injection interval?  
12 Is that what you're saying?

13 A. I'm sorry?

14 Q. You say they don't penetrate your injection  
15 interval?

16 MR. BRUCE: Well, Mr. Examiner, they are  
17 Bone Spring wells, and they do penetrate the injection  
18 interval, but they are outside the one-half mile area of  
19 review. The surface locations are at the top of the  
20 section.

21 EXAMINER EZEANYIM: They are outside. I  
22 see that black circle.

23 MR. BRUCE: That's the injection well --  
24 the proposed injection well.

25 EXAMINER EZEANYIM: I mean, the black

1 circle is the half-mile area of review? Does that  
2 include those three wells?

3 MR. BRUCE: Those horizontal wells, the  
4 surface locations are outside the one-half mile area of  
5 review.

6 EXAMINER EZEANYIM: Oh, okay. But they are  
7 producing from what formation?

8 MR. BRUCE: Bone Spring.

9 THE WITNESS: Bone Spring.

10 Q. (BY EXAMINER EZEANYIM) So with respect to this  
11 producing well, there is no other well that penetrated  
12 the interval in the half-mile area of review?

13 A. Correct.

14 EXAMINER EZEANYIM: Okay. You may proceed.

15 CONTINUED DIRECT EXAMINATION

16 BY MR. BRUCE:

17 Q. And if you turn to page 8, Mr. Eaton, again,  
18 the wells at or near the half-mile radius -- I don't  
19 know why it's listed twice, but the #1 well is the  
20 currently -- the current Wolfcamp producer that you seek  
21 to convert?

22 A. Yes.

23 Q. And the other wells mentioned there, even  
24 though the surface locations are not within the one-half  
25 mile area of review, they are nearby, and those are

1 three of the potential or current Bone Spring producers?

2 A. Yes.

3 Q. And you seek to dispose of water from those  
4 wells into the proposed injection well?

5 A. Yes.

6 Q. And the Bone Spring wells, those are not old  
7 wells; they are all brand-new wells?

8 A. Brand-new. Two were drilled this year, and the  
9 plan is to drill the other two this year or next year.

10 Q. And even though they are not within the  
11 one-half mile area of review, have they been drilled or  
12 will they be drilled so as to prevent the movement of  
13 fluids between the zones?

14 A. Yes.

15 Q. In pages 10 through 12, is that simply  
16 additional data on wells within two miles or so of the  
17 proposed injector --

18 A. Yes.

19 Q. What volumes of fluids do you propose to inject  
20 into the proposed SWD well?

21 A. We would like to see up to 10,000 barrels a  
22 day. We anticipated three or four initially while --  
23 less than .2 psi per foot.

24 Q. So if you wanted to exceed that .2 psi, you  
25 would come back and seek approval from the Division?

1 A. Yes.

2 Q. Are there any water wells within two miles?

3 A. No.

4 Q. Exhibit 14 -- or page 14 is a cross section.

5 MR. BRUCE: Although I don't have full  
6 copies, Mr. Examiner, if you would turn to Exhibit 3 --  
7 not page 3 but Exhibit 3, there is a bigger copy of that  
8 cross section for you.

9 EXAMINER EZEANYIM: Okay.

10 MR. BRUCE: It's a little more legible.  
11 It's Exhibit 3. It's not part of Exhibit 1,  
12 Mr. Examiner.

13 EXAMINER EZEANYIM: Oh, okay.

14 MR. BRUCE: It's a separate exhibit.

15 EXAMINER EZEANYIM: Okay. Yeah, I see it.

16 Q. (BY MR. BRUCE) The middle is the #1 well, the  
17 proposed injector; is it not?

18 A. Yes.

19 Q. And you show perforations. Is that what you  
20 intend to do with the well?

21 A. Yes.

22 Q. In looking at the cross section, are there  
23 impermeable barriers above the injection zone and below  
24 the injection zone that will prevent the movement of  
25 fluid between zones?

1 A. Yes.

2 Q. And has the injector been completed so as to  
3 prevent any contamination of possible fresh water in the  
4 area?

5 A. That would be part of the recompleted --  
6 raising the top of cement and coming back into the  
7 previous casing.

8 Q. Okay. We'll get into that in a minute.

9 Why don't you move on to pages 16 through  
10 19, which is your -- I believe your reconfiguration  
11 procedure, and page 19 -- yeah. Page 19 is the well  
12 plat, right -- or the wellbore diagram?

13 A. Proposed wellbore diagram, yes.

14 EXAMINER EZEANYIM: What page are you on?

15 MR. BRUCE: Pages 16 through 19 of Exhibit  
16 1, and maybe if you could just look at page 19,  
17 Mr. Examiner.

18 Q. (BY MR. BRUCE) And, Mr. Eaton, would you  
19 describe what the well is like now and what you intend  
20 to do to make sure that the wellbore is properly  
21 completed so as to prevent any problems from injection?

22 A. Right now the well is producing from the  
23 Wolfcamp perms a cemented string of two-and-seven-  
24 eighths tubing. We call it casing here. The top of  
25 cement on the two-and-seven-eighths is 12,250. We

1 intend to cut that off and then plug back using cement  
2 bridge plugs and capping with cement. The last cement  
3 bridge plug will be just below the injection interval.  
4 It'll be at 6,930, with the bottom perf of the injection  
5 interval at 6,750. The procedure also includes  
6 perforating below and circulating cement up into the  
7 eight-and-five-eighths casing string.

8 Q. And will your proposed recompletion of this  
9 well satisfy not only the Oil Conservation Division but  
10 the Bureau of Land Management regulations concerning  
11 wellbore construction?

12 A. Yes.

13 Q. And looking at the geology in this --

14 EXAMINER EZEANYIM: Counsel --

15 MR. BRUCE: Go ahead.

16 EXAMINER EZEANYIM: Counsel, please. Let's  
17 go back to page 19. That is very important. Here you  
18 are demonstrating both the current status and the  
19 conversion to injection, right? Counsel, you know how  
20 we do it, because this would be for consumption [sic] by  
21 the public. We need the current construction diagram,  
22 what is it right now, and then the conversion diagram.

23 MR. BRUCE: Okay. Page 19 is the  
24 conversion diagram. We will get you the current.

25 EXAMINER EZEANYIM: Yeah. I mean, you



1 might do this as your current, because that's what you  
2 have, up to 14,000 foot, but I want to plug back or, you  
3 know, put all those CIBCs [sic]. I want to see the  
4 injection diagram, you know, by itself, because it's for  
5 public consumption. Because right now somebody that  
6 comes in here doesn't know which is injection -- for  
7 injection or for the one that was constructed.

8                   So we need to have one depicting the  
9 current status of the well, producing, and the second,  
10 the injection conversion so that we can look at it to  
11 see whether it protects the groundwater, to see whether  
12 it's going to be a problem. If you muddle it together,  
13 we can't find that. Of course, also, it's for public  
14 consumption. We want to make it simple for anybody. We  
15 are converting a producing well to an injection well,  
16 and this is what we're doing.

17                   REXCROSS EXAMINATION

18                   BY EXAMINER EZEANYIM:

19                   Q.     Did you do this work?

20                   A.     The completion engineer did this work. He and  
21 I work together.

22                   Q.     But you know what I'm talking about?

23                   A.     Oh, yeah. I've got the current diagram. We  
24 can send it over.

25                   Q.     We really need to do that. Show me the current

1 status. Right now it's producing, right?

2 A. Yes.

3 Q. The well is producing?

4 A. Yes.

5 Q. Okay. But now, when you want to convert it, we  
6 need to see the construction diagram, where you are  
7 going to set your packer and the rest of that.

8 EXAMINER EZEANYIM: Okay. Go ahead.

9 CONTINUED DIRECT EXAMINATION

10 BY MR. BRUCE:

11 Q. And then finally on this exhibit, page 21,  
12 Mr. Eaton, is that simply an analysis of Delaware water?

13 A. Yes.

14 Q. The proposed injection zone?

15 A. Yes.

16 Q. And then if you go to Exhibit 2, Mr. Eaton, is  
17 this a Bone Spring water sample from the area?

18 A. Yes.

19 Q. Looking at the Delaware Formation water and the  
20 proposed Bone Spring injection water, do you see any  
21 compatibility issues between the injection water and the  
22 formation water?

23 A. No.

24 Q. They're both quite salty?

25 A. Yes.

1 Q. Highly salty?

2 A. Highly salty.

3 Q. Just looking at this strictly from conversion  
4 to injection, do you see any issues -- any technical  
5 issues that would prevent this well from being converted  
6 for injection and safely injecting into the well and  
7 Cherry Canyon zones?

8 A. No, no issues.

9 MR. BRUCE: Mr. Examiner, Exhibit 4 is  
10 simply my notice to the -- to offsets, as well as the  
11 surface owner, which is the Bureau of Land Management.  
12 And, of course, I always notify the pertinent district  
13 office.

14 Q. (BY MR. BRUCE) Let's move on to the BLM  
15 objection. Mr. Eaton, Mr. Ezeanyim did mention the  
16 letter dated June 12th. Is that letter marked as  
17 Exhibit 5 in this exhibit package?

18 A. Yes.

19 Q. And has BTA been in touch with the BLM seeking  
20 to satisfy their concerns about the conversion of this  
21 well?

22 A. Yes.

23 Q. First of all, is this, at this point, a  
24 prolific producer from the Wolfcamp Formation?

25 A. No.

1 Q. Is it nearing the end of its productive life?

2 A. Yes.

3 Q. And very briefly, what type of proposal was  
4 made to the BLM to satisfy their concerns about  
5 converting a producing well to injection?

6 A. We proposed to pay the BLM for potential lost  
7 royalty income.

8 Q. And without going into detail at this point,  
9 what was the -- what has been the BLM's primary, not  
10 objection, but reticence about doing that?

11 A. They're concerned that they would be unable to  
12 accept a payment like that.

13 Q. Mr. Eaton, is the proposal made by me to the  
14 BLM on BTA's behalf marked as Exhibit 6?

15 A. Yes.

16 Q. And has the BLM responded in e-mail to BTA and  
17 to me regarding this proposal?

18 A. Yes.

19 MR. BRUCE: Mr. Examiner, I don't have  
20 copies of all the e-mails, but I will get those to you.  
21 As Mr. Eaton said, at this point the BLM's main concern  
22 seems to be that ONRR, the Office of Natural Resources  
23 Revenue, which is the successor to the Minerals  
24 Management Service, doesn't have a particular line item  
25 in what they do to accept a payment like this. It's not

1 that they're averse to get money -- who is? -- but the  
2 ONRR isn't set up to accept a payment of, in essence,  
3 future royalties.

4 EXAMINER EZEANYIM: Who is ONRR? Who is  
5 that?

6 MR. BRUCE: It's the Office of Natural  
7 Resources Revenue. It's the federal agency that  
8 succeeded the Minerals Management Service, which accepts  
9 and calculates royalties, royalties from federal leases.

10 EXAMINER EZEANYIM: Okay. Because I'm not  
11 schooled in that line of work --

12 MR. BRUCE: Yeah.

13 EXAMINER EZEANYIM: -- why can't they  
14 accept royalties?

15 MR. BRUCE: Mr. Examiner, I do have one  
16 e-mail which I'll give you, and I will -- I meant to  
17 print them up this morning to give to you. But what  
18 you'll have here is an e-mail string from me to Joe  
19 Galluzzi, who is a geologist at the Santa Fe office of  
20 the BLM. And let me read from this letter. I followed  
21 up with Exhibit 6, and I'll have Mr. Eaton talk a little  
22 bit about the attachments to Exhibit 6 in a minute.

23 I e-mailed Mr. Galluzzi this Monday: "Does  
24 BLM have any interest in the proposal," I said. The  
25 response was: "I'm still looking into it, but I am not

1     sure we will be able to accept the proposal. It is from  
2     my understanding" -- this is Mr. Galluzzi speaking --  
3     "the Office of Natural Resources Revenue has no  
4     mechanism in place to handle such a case." And I  
5     responded that -- and I think this is more of a legal  
6     argument than anything.

7           Q.     (BY MR. BRUCE) Mr. Eaton, if this was a fee  
8     lease, you'd have no trouble converting this well?

9           A.     No trouble at all.

10          Q.     As a prudent operator -- do you think BTA is  
11     being a prudent operator to cease production---marginal  
12     production from the Wolfcamp to get this saltwater  
13     disposal well approved so that it can reduce --  
14     substantially reduce operating costs on its Bone Spring  
15     wells?

16          A.     Yes.

17                   MR. BRUCE: And, Mr. Examiner, we believe  
18     that BTA is being a prudent operator, and that's what I  
19     suggested to the BLM in this e-mail string. And I will  
20     give this to you, and you'll see that the BLM said, "Our  
21     petroleum engineer is looking things over. They're  
22     still looking it over today. There have been people out  
23     of the office. But if the BLM engineers find this is  
24     agreeable," Mr. Galluzzi says, "we will see what can be  
25     done, but they're still going to have to deal with the

1 ONRR." And so I will just give you this e-mail string  
2 so at least you have this to see what we have been  
3 discussing with the BLM. I'm not marking it as an  
4 exhibit at this point.

5 EXAMINER EZEANYIM: Thank you.

6 MR. BRUCE: So it's not even a real legal  
7 issue at this point. It's that the Federal royalty  
8 management agency doesn't know how to handle a payment  
9 like this. And I will have one comment at the end.

10 Q. (BY MR. BRUCE) But could you just roughly run  
11 through the exhibits to Exhibit 6 -- the attachments to  
12 Exhibit 6, Mr. Eaton, and describe how you came up --  
13 how much life you think is left in the proposed  
14 injection well and what kind of costs you're currently  
15 incurring because of disposal from the Bone Spring  
16 producers?

17 A. Yeah. So on Exhibit A, it's a decline curve  
18 showing the decline from about --

19 EXAMINER EZEANYIM: Exhibit A? Where is  
20 that?

21 MR. BRUCE: Attachment A to Exhibit 6.

22 THE WITNESS: It just shows that the  
23 economic analysis was written based off of decline curve  
24 analysis, so history matching.

25 B -- page B is a letter from Trace

1 Wohlfahrt, the production engineer --

2 RECROSS EXAMINATION

3 BY EXAMINER EZEANYIM:

4 Q. Go back to A.

5 A. Yes.

6 Q. It's not in color. It's all white. I'm  
7 colorblind, so I don't understand. Which one is water?  
8 Which one is oil? Which one is which? It's all white.

9 A. Here's a color copy (indicating).

10 Q. It's nice to have it in color. Okay. Good.  
11 Then I can consume [sic] this. You know, because when  
12 it's white, I don't --

13 MR. BRUCE: Then you can mistake the colors  
14 (laughter).

15 EXAMINER EZEANYIM: Yeah. Don't get me --

16 MR. BRUCE: I do not have a color printer,  
17 and that was the issue.

18 THE WITNESS: So it's a gassy well that  
19 does produce some oil.

20 Q. (BY EXAMINER EZEANYIM) Okay. Do you have  
21 nomenclature? Green is the oil?

22 A. Green is oil.

23 Q. Now, it is still -- in 2014, it is still making  
24 some oil?

25 A. We sell about two loads of oil a year out of



1     there.

2           Q.     How much is a load?

3           A.     Approximately 160 barrels.

4           Q.     Okay.  Because, I mean, you are trying to tell  
5     me why this well should be converted, right?

6           A.     Yes.

7           Q.     That's your intent.  Okay.

8                     And then what is that -- is that gas?  What  
9     is that, the top line?  I don't know what color it is.

10          A.     This should be red, so that's the gas decline  
11     curve.

12          Q.     Okay.  And then the one below is water?

13          A.     It'll be either --

14          Q.     Blue is water?

15          A.     Blue is water, yes.

16          Q.     And green is oil?

17          A.     Green is oil, correct.

18                     EXAMINER EZEANYIM:  Okay.  Go ahead.

19                     CONTINUED DIRECT EXAMINATION

20     BY MR. BRUCE:

21          Q.     And then moving forward to Attachment B,  
22     Mr. Eaton, could you discuss what that shows with  
23     respect to remaining reserves?

24          A.     So this is from the production engineer,  
25     stating that the decline curve analysis was used, and

1 then we used the lease operating expense and lease  
2 product prices. And then the next page is the monthly  
3 cash flow report, basically our reserve report. It  
4 shows ultimate gross production, historic gross and then  
5 remaining gross. That's down here (indicating). So  
6 remaining gross of oil, we estimate 192 barrels of oil  
7 left.

8 Q. And that's just 192? Not 1,920 or 19,000?

9 A. That's 192 barrels of oil remaining in the --

10 EXAMINER EZEANYIM: What page are you  
11 talking about?

12 THE WITNESS: Monthly cash flow.

13 EXAMINER EZEANYIM: On this one  
14 (indicating)?

15 THE WITNESS: Correct.

16 MR. BRUCE: If you look down to the lower  
17 right, Mr. Examiner, where it says "Economic Summary,"  
18 you'll see the remaining gross figures for oil and gas.

19 EXAMINER EZEANYIM: That is remaining in  
20 this well's life, right?

21 THE WITNESS: In the Wolfcamp Formation.

22 EXAMINER EZEANYIM: Yeah. In the well's  
23 life, you can only get 192 barrels? Whether it took you  
24 20 years, that is what you're going to get, right?

25 THE WITNESS: Yeah. And we're showing an

1 economic life of 11 months. That's just what's left.

2 EXAMINER EZEANYIM: Oh, okay. And then gas  
3 is 9. -- 9.2 million, what you're going to get?

4 THE WITNESS: Correct. Yes.

5 EXAMINER EZEANYIM: What is remaining net?  
6 Net is even worse.

7 THE WITNESS: Remaining net would be net  
8 barrels to BTA.

9 EXAMINER EZEANYIM: You are working for  
10 BTA. All you are interested in is BTA?

11 THE WITNESS: Ultimately, yes.

12 EXAMINER EZEANYIM: Of course.

13 Q. (BY MR. BRUCE) And then is Attachment C just  
14 some backup data on lease operating costs?

15 A. Yes. This is our lease operating statement.  
16 So it shows January -- that should be January 2014,  
17 February, March and April. The gas sales -- there was  
18 one load of oil -- a load of oil and a partial load sold  
19 in February 2014.

20 Q. Again, the production is getting marginal?

21 A. Yes. The well is -- we have to use a  
22 compressor to sell into the pipeline.

23 Q. And then you move on to Attachment D. Is this  
24 the ultimate royalty calculation?

25 A. Effective -- I believe, this is June 19th.

1 Yes.

2 Q. And the \$7,236.01 is what you proposed -- what  
3 BTA proposed to pay the BLM. If they came back with a  
4 different reserve calculation, would you be willing to  
5 accept their reserve calculation?

6 A. Yes.

7 Q. And you mention the pipeline. Is the same  
8 pipeline being used for gas production from the Bone  
9 Spring wells?

10 A. Yes.

11 Q. And what will happen when those wells all come  
12 online?

13 A. We expect the pipeline pressure to increase.

14 Q. And would that also affect production from the  
15 Wolfcamp --

16 A. We really anticipate that it will kick the Vaca  
17 Draw #1 off production.

18 Q. And so if this well isn't approved for  
19 conversion, it'll just be sitting there anyway?

20 A. Yes.

21 Q. Let's move on, finally, to Attachment E. Could  
22 you discuss the current -- and this is really just the  
23 current disposal information from your initial Bone  
24 Spring horizontal well.

25 A. Yes. The Vaca Draw #4H is currently frack

1 stimulated and flowing back. We've been flowing back.  
2 It started at about 4,000 barrels a day, a little bit  
3 more than that. We're having it trucked commercially to  
4 SWD sites. The estimated disposal cost is \$6.00 a  
5 barrel.

6 The three disposal sites we've been able to  
7 use are the Mesquite, the Eata Fajita and the Bebidas,  
8 the Eata Fajita being the closest, 60-mile round trip,  
9 so it's a couple of hours loading and unloading. But at  
10 4,000 barrels a day, it's approximately 30 truckloads of  
11 water that we're having to haul off. When we're able to  
12 dispose just down a pipeline to an injection well, if we  
13 go to our own injection well, those costs go to about 25  
14 cents a barrel.

15 Q. So there are a couple of issues here,  
16 Mr. Eaton. First of all, current disposal costs are  
17 consuming more money in a few days than the remaining  
18 reserves in the Wolfcamp?

19 A. Yes.

20 Q. And if you can convert this well into disposal,  
21 it will -- substantially, you could save -- massively  
22 reduce overhead costs?

23 A. Yes.

24 Q. And that would make the current Bone Spring  
25 producer and the future Bone Spring producers much more

1 economic and long-lived?

2 A. Yes.

3 Q. One final thing, are there other Delaware  
4 injectors, saltwater disposal wells in this general  
5 area?

6 A. Yes.

7 Q. So it is a common injection zone?

8 A. It is common. We've modeled off of four other  
9 wells. The Paducah SWD, they have two that are  
10 injecting into this interval. They're about five miles  
11 to the west. And then EOG has two injectors, the Los  
12 Rojas [phonetic] and the Black Bear Estate [phonetic].

13 Q. So, again, there is really no technical  
14 objection to injecting into the Bell Canyon and Upper  
15 Cherry Canyon?

16 A. No objection, no.

17 Q. Were Exhibits 1 through 6 either prepared by  
18 you or under your supervision or compiled from company  
19 business records?

20 A. Yes.

21 Q. And in your opinion, is the granting of this  
22 application in the interest of conservation and the  
23 prevention of waste?

24 A. Yes.

25 MR. BRUCE: Mr. Examiner, I would move the

1 admission of Exhibits 1 through 6.

2 EXAMINER EZEANYIM: Exhibits 1 through 6  
3 will be admitted.

4 (BTA Oil Producers, LLP Exhibit Numbers  
5 1 through 6 were offered and admitted into  
6 evidence.)

7 MR. BRUCE: And the only other comment I  
8 have, Mr. Examiner, before I pass the witness to you is  
9 simply that we think the well is obviously technically  
10 sound for injection purposes. We think that what a  
11 prudent operator would do is convert this well to  
12 injection to reduce other leasehold operating costs.  
13 And we know that the BLM has regulatory authority over  
14 the well, and we're going to have deal with them on  
15 that, but we think, just based on the Division  
16 standards, injection into this well should be approved.

17 And I pass the witness.

18 EXAMINER EZEANYIM: Thank you very much.

19 RECROSS EXAMINATION

20 BY EXAMINER EZEANYIM:

21 Q. Okay. Since we're here on this page -- because  
22 I want to address BLM issues before I address OCD  
23 issues. Okay. If you look at -- starting on this page,  
24 what we're looking at is 11 months' production left in  
25 this well. And I'm glad you did these calculations,

1 which is very prudent of you.

2 First of all, I want to make a point. I  
3 like to think that operators are prudent, because if I  
4 don't make that assumption, whatever they tell me I'm  
5 going to think is suspicious. So I want to make sure  
6 that everybody knows that we think all operators are  
7 prudent, and I want you to be prudent so whatever you  
8 tell the OCD is true.

9 Okay. Now, if you go back to D, Attachment  
10 D, where did you get that calculation, which is very  
11 important to this application? Attachment D -- that's  
12 what the BLM is looking at. If you leave [sic] this  
13 well, the BLM will get \$7,200, right, based on 93 -- \$93  
14 a barrel, and then how much? 4.3 of mcf, right? That's  
15 what they're looking at?

16 A. Yes.

17 Q. Okay. You see? That is the most important  
18 thing we look at. We look at are we inducing waste, or  
19 are we preventing waste? That's what a prudent operator  
20 is looking at, and that's what the OCD will be looking  
21 at. Okay? And that's what we're going to be looking  
22 at. I don't know what the BLM is looking at. But  
23 whatever they look at it -- if we look at it from the  
24 OCD point, if we approve the application, then it's up  
25 to you to make a contingent with the BLM because the



1 land belongs to BLM.

2 But if you look at that \$7,200 -- maybe  
3 they have done the calculation, and they found that  
4 that's what they're going to get. And you know why they  
5 are saying we don't want that well to be converted?  
6 Because a new SWD could be drilled and then this well  
7 will produce until we get that life. I'm glad you did  
8 this calculation because it's a very, very important  
9 calculation.

10 Now, the calculation I like to see from you  
11 is the opportunity cost of not converting this well.  
12 This well, if you don't convert it, BLM's royalties --  
13 what is the royalty you are talking about here?  
14 One-eighth of 7,236. Seven-eighths will belong to  
15 whoever, belongs to the working interest owners.  
16 Multiply that by seven is what you will be losing. Do  
17 you compare that with if you don't convert this well,  
18 what the opportunity cost would be? Because what we're  
19 trying to do here is to prevent waste and protect  
20 correlative rights. The BLM thinks that correlative  
21 rights will be impaired if you convert that well because  
22 they will be losing 7,236. You guys would be losing  
23 7,236 multiplied by seven.

24 A. Seven.

25 Q. Uh-huh. Because you have seven-eighths.

1                   You see where I'm going? Because this is  
2 really very important before we go to the technical  
3 aspects of Form C-108.

4           A.     Uh-huh.

5           Q.     So I need to point this out. As you know, if  
6 there is oil there, we need to make sure we produce that  
7 oil. Is there anything we can do to produce that oil?  
8 If you even get an approval from BLM and they say, Yes,  
9 doesn't mean that OCD will say yes. That's why we're in  
10 the hearing, the chance of the OCD to prevent waste of  
11 hydrocarbons. Can you understand that? I mean, it's to  
12 prevent waste. We can't induce waste. Otherwise, we  
13 are not meeting our obligations.

14                   So this is the calculation that shows that  
15 BTA would be harmed by not converting this well to SWD.

16                   MR. BRUCE: If I could direct a couple of  
17 questions -- if you turn to the next page, Mr. Examiner.

18                   EXAMINER EZEANYIM: On page what?

19                   MR. BRUCE: Attachment E, the saltwater  
20 disposal.

21                   EXAMINER EZEANYIM: Okay.

22                   REDIRECT EXAMINATION

23           BY MR. BRUCE:

24           Q.     And, Mr. Eaton, at \$6.00 a barrel, what type of  
25 money has to go to operating costs and overhead per day,

1 just per day, for the initial Bone Spring well?

2 A. So the one well, the first week, it averaged  
3 4,000 barrels a day of water, and at \$6.00 a barrel,  
4 that's \$24,000 a day that we're spending. So to this  
5 date, we've spent about \$250,000 in disposal costs.

6 RECROSS EXAMINATION

7 BY EXAMINER EZEANYIM:

8 Q. For this particular well?

9 A. Yes. And it's been on 12 days.

10 Q. How did you arrive at 250,000?

11 A. That was the \$6.00 a barrel, and, you know, we  
12 have to get rid of every barrel that's being produced.

13 Q. And you are trucking between 4 miles and 16  
14 miles -- you are disposing it at a commercial disposal,  
15 right?

16 A. Commercial site, right.

17 Q. Who owns the commercial?

18 A. The Mesquite -- the Paducah SWD that's owned by  
19 Mesquite as a company.

20 Q. And the rest is sent to COG?

21 A. And the other two are COG, yes.

22 Q. If we convert this well, is it going to be a  
23 commercial disposal or just lease disposal?

24 A. It'll be a commercial disposal.

25 Q. It'll be a commercial disposal. That's what I

1 thought we were doing here. So it's not only disposing  
2 BTA, water produced from this well or from any BTA well,  
3 but you are going to accept commercial disposal for  
4 the -- is that Bone Spring?

5 A. Primarily Bone Spring.

6 Q. Since we're talking about it, where are you  
7 going to accept water from? Only the Bone Spring or  
8 from any other formation?

9 A. Any other formation, the Delaware, the Bone  
10 Spring.

11 Q. We don't have any sample to indicate what type  
12 of water they have? Of course, you have indicated that  
13 the water is not protectable.

14 A. Uh-huh.

15 Q. 100,000 TDS. But anyway, we need to know --

16 MR. BRUCE: Mr. Examiner, page 21 of  
17 Exhibit 1 is a Delaware water sample. Page 21 of  
18 Exhibit 1 is the Delaware water sample, and then Exhibit  
19 2 is the Bone Spring water sample. And those are the  
20 two primary producing zones in this general area.

21 REDIRECT EXAMINATION

22 BY MR. BRUCE:

23 Q. Are they not, Mr. Eaton?

24 A. Yes.

25 Q. And looking at the disposal costs, the net

1 revenue interest to all interest owners is being reduced  
2 because of the disposal costs at this point?

3 A. Very much reduced.

4 RECROSS EXAMINATION

5 BY EXAMINER EZEANYIM:

6 Q. What is reduced?

7 A. Essentially from -- well, we'd be reducing from  
8 \$6.00 a barrel to approximately 25 cents a barrel.

9 Q. Why is that?

10 A. Because we're eliminating the trucking and then  
11 paying a disposal fee to a commercial site.

12 Q. But you see why it is a two-edged sword, you  
13 know? The well is producing something, and then you  
14 want to use it to help other wells, although the  
15 commercial saltwater disposal could have been different  
16 if you saw just a water disposal.

17 The only thing that the BLM tells me is  
18 that they don't want you to do it because it's producing  
19 paying quantities. But how much is it paying? How much  
20 are you going to lose if you don't convert?

21 Is it possible to drill a new well? How  
22 much will that cost BTA? Because I don't want you to  
23 drill a new well that will cost 7 million, and then you  
24 don't recover. So I don't know. Those are things we  
25 have to look at.

1 A. We looked at --

2 Q. If there is anything that can help the OCD to  
3 determine, it should be done here regardless of what BLM  
4 says, because you might get BLM to agree. Are you sure  
5 you're going to get the OCD to agree? I don't know  
6 until we look at the data.

7 A. We've surveyed and staked another location for  
8 a new drill SWD. Just, you know, to get to this  
9 formation and build a confident wellbore, we're looking  
10 at a million-and-a-half dollars in well-construction  
11 costs.

12 Q. To drill the well?

13 A. For a new drill SWD.

14 REDIRECT EXAMINATION

15 BY MR. BRUCE:

16 Q. Not counting the saltwater disposal  
17 conversion -- or saltwater disposal costs or the  
18 injection costs, right?

19 A. Yeah. That would be just the construction of a  
20 new wellbore.

21 Q. And what is the cost of converting this #1 well  
22 to disposal?

23 A. I believe we had a conservative AFE of  
24 \$270,000.

25 RECROSS EXAMINATION

1 BY EXAMINER EZEANYIM:

2 Q. What?

3 A. 270,000.

4 Q. For?

5 A. Conversion of the Vaca Draw #1.

6 Q. To drill, 1.5? Conversion, 270-?

7 A. Yes. It's really 1.5 to have a Cherry Canyon  
8 disposal.

9 Q. Versus 270-?

10 A. Correct.

11 Q. Because I can do a calculation and see whether  
12 if I include the 7,000 that is left to be recovered from  
13 this well towards what you are doing here, whether it is  
14 going to work.

15 A. Yes.

16 Q. That is the point. We need to know what's  
17 going on.

18 A. That's why we believe -- you know, having gone  
19 down those avenues of a new drill or conversion for the  
20 remaining royalty payment, you know, we feel that's very  
21 much being a prudent operator, is a conversion.

22 Q. You continue to mention prudent operator. BTA  
23 is a prudent operator. I mean, I would like to -- any  
24 operator is prudent. You should be prudent. If you're  
25 not prudent, you're not supposed to be here, I assume.

1 Okay. So now I've beaten this to death.

2 Let's go back to Form C-108 because  
3 something needs to be rectified, so we can put them  
4 together when we consider this application. Okay. Go  
5 to Form C-108. I know you work with somebody. Who  
6 prepared Form C-108?

7 A. Pam Inskeep.

8 Q. She is not here today?

9 A. No, she is not.

10 Q. Look at page 4 where you have the injection  
11 interval, 5,056 to 6,670. You are going to set your  
12 packer below the injection interval. Is that a typo on  
13 page 5 [sic]? If you look at the packer setting, it  
14 says 900. That is way below --

15 A. That is --

16 Q. You plugged the other before, you know. Form  
17 C-108 is a very important form, and that information you  
18 put in there is digested to be able to approve any  
19 SWD --

20 A. Yes.

21 Q. -- especially this SWD commercial. So do you  
22 know what that should be?

23 A. Yes. It's on the wellbore diagram. So page --

24 MR. BRUCE: Page 19.

25 A. Page 19. The Arrowset is set at 5,045.



1 Q. (BY EXAMINER EZEANYIM) 5,045. That's about 11  
2 feet above the -- above the first perms.

3 A. Right above the top perf.

4 Q. We needed that diagram. You see why I wanted  
5 you to explain with the diagram? I have the diagram for  
6 the current status of the well and the conversion to  
7 injection. Those will be clear, and we're going to scan  
8 it online for somebody to read. The one you have now is  
9 just one condensed, and it's not very clear.

10 A. Okay.

11 Q. I wonder why they put 6,900 there. Whenever  
12 you do Form C-108, you have to be very, very careful  
13 because it's a very important form that we need. But  
14 you can't take your packer to below the perms. All the  
15 injected -- that way you're setting the packer -- your  
16 application is denied because you can't set the packer  
17 below the perms. I know it is a typo.

18 Now, there are more things I want to talk  
19 about in Form C-108. Again, we are talking about, you  
20 know, the production, you know, over line on the line.  
21 We don't have any wells within the area of review,  
22 correct?

23 A. No wells.

24 Q. Okay. Go back to page 5 on that Number 5.

25 "Give the name and depths of any oil or gas zones

1 underlying or overlying the proposed injection zone....."

2 So what's happening there? You say the "Bell Canyon  
3 5045." There is production there, right, but it's way  
4 off from the half-mile area of review. And if that is  
5 true, it's way off of the two-mile area of review --

6 A. It is.

7 Q. Because we don't want to inject this commercial  
8 saltwater to drown production from those areas.

9 A. Yeah. The Paducah field is the closest field  
10 out of the Bell Canyon, Cherry Canyon. In fact, it's  
11 five miles west.

12 Q. And you say "Cherry Canyon 6376." Is that  
13 within the injection interval?

14 A. Yes.

15 Q. Now, how far away is that well from that Cherry  
16 Canyon that is producing?

17 A. Again, that would be the Paducah field, five  
18 miles to the west, which is enclosed in a four-way  
19 closure. That's why it's oil and gas bearing.

20 Q. So that's within five miles. How do I know  
21 that? Because I don't want -- you know, I don't want  
22 you to put this commercial saltwater to drown from  
23 production within a half mile or two miles. If it's  
24 five miles, then we can determine. See what I mean?

25 MR. BRUCE: Well, I can get you information

1 on that pool, Mr. Examiner.

2 EXAMINER EZEANYIM: I'm concerned about  
3 drowning other production, not even on this well. I'm  
4 talking about other wells nearby, even if they are not  
5 within the area of review, because the area of review is  
6 half a mile. Okay. I need to check that out.

7 Q. (BY EXAMINER EZEANYIM) Page 8, on those -- what  
8 is that? What is that? What am I going to get from  
9 this page 8?

10 A. Those are -- it's supposed to be the half-mile  
11 radius review. So truly, the horizontal wells fall  
12 outside of that. Pam just included them because they're  
13 really close. And then the only well that falls within  
14 the half-mile radius of review is the well we're wanting  
15 to convert, the Vaca Draw #1.

16 Q. Is that the same well, the 12- and 14,000?

17 A. Yes. She's just showing that there are two --  
18 or it did penetrate deeper.

19 Q. Okay. Very good.

20 On page 9, what is that showing? Is that  
21 the area of review?

22 A. It should be -- just the Vaca Draw #1 is truly  
23 the only well that falls in there, but she's showing the  
24 wellbore construction with the top of cement.

25 Q. Is that one well? Okay. Because the well says

1 it's in the area of review. That's the first time I  
2 have heard about that.

3 And then the two-mile area of review is  
4 Exhibit A, right?

5 A. Correct.

6 Q. I'm trying to make sure we do the Form C-108  
7 because some of it is going to have to be corrected.  
8 What is Exhibit A trying to tell me?

9 A. A is just showing the well -- a list of the  
10 wells that are within the two-mile review.

11 Q. Are you a geologist?

12 A. No, sir.

13 Q. Do you have a geologist? Your geologist wrote  
14 this up?

15 A. I'm not. I've managed this project, so I'm  
16 familiar with the geology.

17 Q. Did you decide -- how did you decide -- there  
18 is some barrier overlying, underlying the injection  
19 zone, right?

20 A. Yes.

21 Q. How did we find that out, if you go to page 14?

22 A. It would be the -- the shale above would be the  
23 upper barrier, and then really it would be the thickness  
24 and the shale intervals below us.

25 Q. And the interval is, I think, about 1,000 feet?

1 1,500 feet?

2 A. Correct. Exhibit 3 is the larger cross  
3 section --

4 Q. Oh, yeah. Yeah, yeah --

5 A. -- that falls out.

6 Q. That's true.

7 Oh, these are subseas. These are subseas?

8 A. Correct, along the left side.

9 Q. Okay. Very good.

10 You said there is some shale on top.

11 I mean, the Cherry Canyon and the Bell  
12 Canyon, I mean, they are very good for water disposal,  
13 but the point is is that well still viable? And the  
14 point is is that going to drown out all the wells around  
15 it? Commercial well, saltwater disposal second. It's  
16 producing even as we are speaking, right?

17 A. Yes. But we started gas sales on the new  
18 horizontal yesterday, and that's why we really -- with  
19 the increase volume, the pipeline pressure is going to  
20 increase. The current well had pressure up. The  
21 producer is 75 pounds.

22 Q. Yeah. According to your record -- according to  
23 the record here, you reported production up to March of  
24 this year.

25 A. Uh-huh.

1 Q. So I don't have April or May. It's producing  
2 oil. It's producing gas, which is true, because you did  
3 that calculation using this --

4 A. Uh-huh.

5 Q. So those will be taken under consideration.

6 A. And while the 11 -- on the economic analysis,  
7 11 months was -- you know, that was off the current  
8 pipeline pressure before we brought on any of our new  
9 wells.

10 Q. Oh, is that what happened? Okay.

11 A. And having gas sales for one day, we saw about  
12 a 20-pound increase in pipeline pressure, which we just  
13 didn't have enough time to evaluate if that was going to  
14 kill the Vaca Draw #1.

15 EXAMINER EZEANYIM: Counsel, I haven't read  
16 the e-mail of the BLM. Is the Division [sic] seeking a  
17 continuance?

18 MR. BRUCE: Yes. Yes.

19 EXAMINER EZEANYIM: Then I will say this,  
20 if you reach an agreement with them, that they agree you  
21 can inject, let me know. But don't hold your breath  
22 because we don't know what we're going to do. Yeah,  
23 don't hold your breath. But if they agree with you, I  
24 mean, that's one off your back, right? Then you have to  
25 deal with us.

1 THE WITNESS: Uh-huh.

2 EXAMINER EZEANYIM: See what I mean?

3 Counsel, whenever you get an agreement with  
4 the BLM, make sure you let me know. I will read what  
5 you have already done. I don't have time to read it  
6 now.

7 MR. BRUCE: Yeah.

8 EXAMINER EZEANYIM: Okay. Now, we need  
9 some, you know, corrections of this Form C-108. It's  
10 not bad, but I need to see every information on that  
11 injection well and that construction diagram, because  
12 that's really your -- converted injection well. I need  
13 to examine it to make sure if we inject this commercial  
14 saltwater, whether it is going to hold so that it  
15 doesn't contaminate our drinking water, and it doesn't  
16 drain production. Okay? So I need the construction  
17 diagram for the current well and then the construction  
18 diagram for the converted injection well, and then  
19 correct some of the typos you have in here.

20 MR. BRUCE: We will take care of that.

21 EXAMINER EZEANYIM: I just pointed it out,  
22 right?

23 MR. BRUCE: We will do that.

24 EXAMINER EZEANYIM: Okay. Good.

25 Let me see. I think I may have something

1 else that I wrote down.

2 Q. (BY EXAMINER EZEANYIM) You are going to be  
3 taking 10,000 barrels a day, but they are going to be  
4 under .2 psi?

5 A. Correct.

6 Q. There are no water wells in the area?

7 A. No water wells.

8 Q. Okay. You may step down. Thank you very much.

9 EXAMINER EZEANYIM: At this time Case 15159  
10 will be taken under advisement.

11 And this concludes the hearings today.  
12 Thank you very much.

13 (Case Number 15159 concludes, 11:07 a.m.)  
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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. 15159  
24 heard by me on 5/21/15  
25

[Signature] Examiner  
Oil Conservation Division



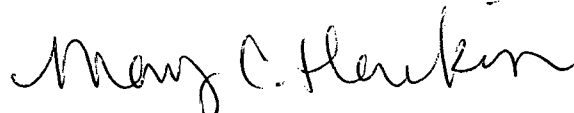
1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO  
3

4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, New Mexico Certified  
6 Court Reporter No. 20, and Registered Professional  
7 Reporter, do hereby certify that I reported the  
8 foregoing proceedings in stenographic shorthand and that  
9 the foregoing pages are a true and correct transcript of  
10 those proceedings that were reduced to printed form by  
11 me to the best of my ability.

12 I FURTHER CERTIFY that the Reporter's  
13 Record of the proceedings truly and accurately reflects  
14 the exhibits, if any, offered by the respective parties.

15 I FURTHER CERTIFY that I am neither  
16 employed by nor related to any of the parties or  
17 attorneys in this case and that I have no interest in  
18 the final disposition of this case.

19   
20

21 MARY C. HANKINS, CCR, RPR  
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