

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

ORIGINAL

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

CASE 15356

APPLICATION OF WPX ENERGY PRODUCTION, LLC,
FOR APPROVAL OF THE WEST LYBROOK UNIT; CREATION
OF A NEW POOL FOR HORIZONTAL DEVELOPMENT
WITHIN THE UNIT AREA AND FOR ALLOWANCE OF 330
FOOT SETBACKS FROM THE EXTERIOR OF THE PROPOSED
UNIT, SAN JUAN COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

August 6, 2015

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
GABRIEL WADE, LEGAL EXAMINER

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This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, and Gabriel Wade, Legal Examiner, on
August 6, 2015, 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: ELLEN H. ALLANIC
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I N D E X

CASE NUMBER 15356 CALLED

APPLICANT WPX ENERGY PRODUCTION LLC
CASE-IN-CHIEF:

WITNESS BRENNAN WEST

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1 (Time noted 10:30 a.m.)

2 EXAMINER McMILLAN: At this time I would
3 like to call case No. 15356, Application of WPX Energy
4 Production, LLC, for approval of the West Lybrook Unit;
5 Creation of a New Pool for Horizontal Development within
6 the unit area and for allowance of 330 foot setbacks
7 from the exterior of the proposed unit, San Juan County,
8 New Mexico.

9 Call for appearances.

10 MS. KESSLER: Mr. Examiner, Jordan Kessler
11 and Michael Feldewert from the Holland and Hart Office
12 in Santa Fe on behalf of the applicant.

13 EXAMINER McMILLAN: Are there any other
14 appearances?

15 (No response.)

16 EXAMINER McMILLAN: For the record, we had
17 two individuals who signed up.

18 EXAMINER WADE: There are at least two
19 people who would like to make statements in this case;
20 is that correct?

21 Please stand and state your name.

22 MS. ARVISO: My name is Etta Arviso. And I
23 am the landowner on Case No. 15356.

24 MR. BETONI: I am Juan Betoni and I'm an
25 allottee of one of the allotments in question on the

1 drilling unit.

2 EXAMINER WADE: I think what we will do is
3 we allow WPX to present their case and give opportunity
4 for statements at the end. Okay.

5 MS. KESSLER: Mr. Examiner, I have two
6 witnesses today.

7 EXAMINER McMILLAN: The witnesses, please be
8 sworn in.

9 (WHEREUPON, the presenting witnesses
10 were administered the oath.)

11 BRENNAN WEST
12 having been first duly sworn, was examined and testified
13 as follows:

14 DIRECT EXAMINATION

15 BY MS. KESSLER:

16 Q. Please state your name for the record and tell
17 the Examiners by whom you are employed and in what
18 capacity.

19 A. I am Brennan West. I'm a landman for WPX Energy
20 working in the San Juan Basin.

21 Q. Have you previously testified before the
22 Division?

23 A. Yes, I have.

24 Q. And were your credentials as an expert in
25 petroleum land matters accepted and made a matter of

1 record?

2 A. Yes, they were.

3 Q. Are you familiar with the application that has
4 been filed in this case?

5 A. I am.

6 Q. And are you familiar with the status of the land
7 in the proposed unit area?

8 A. Yes.

9 MS. KESSLER: Mr. Examiner, I would tender
10 Mr. West as an expert in petroleum land matters.

11 EXAMINER McMILLAN: So accepted.

12 Q. Drawing your attention to Exhibit 1, can you
13 please identify this exhibit and explain what WPX seeks
14 under this application?

15 A. We are seeking approval for the West Lybrook unit
16 which will be an exploratory unit that consists of
17 12,807 acres. We're also seeking for a new horizontal
18 pool within the boundaries of the West Lybrook unit.

19 This exhibit shows the boundary of the West
20 Lybrook unit and the lands associated within the unit,
21 kind of the halves, gray are the allotments and then the
22 white would be federal acreage.

23 Q. What land is this acreage comprised of?

24 A. It comprised of 7,207 acres of federal and then
25 5,599 allotments would make it 56 percent federal and

1 43 percent allottee acreage.

2 Q. And this is located in township 23, north range,
3 8 West, and 23 North, 9 West?

4 A. That is correct.

5 Q. What pools are within the unitized area?

6 A. There are three pools within this unit, the Basin
7 Mancos Gas Pool, the Nageezi Gallup Pool, and the
8 Kimbeto Wash Gallup Oil Pool.

9 Q. Does WPX expect to primarily produce oil from
10 this unitized area?

11 A. Yes, we do.

12 Q. So you are asking for 330 foot setbacks?

13 A. That is correct.

14 Q. And is that an exception to the well location
15 requirements of the Basin Mancos Gas Pool?

16 A. Yes. The Basin Mancos provides for 660 foot
17 setbacks. We are asking for 330 feet.

18 Q. Which would comply with the 330-foot statewide
19 rule, correct?

20 A. Correct.

21 Q. For oil wells?

22 A. Correct.

23 Q. Could you please turn to Exhibit 2, and identify
24 this exhibit for the Examiners.

25 A. This is the unit agreement that the BLM formed

1 with two exceptions, one that it's horizontal specific
2 and the second that it provides for the entire area to
3 be a single participating area.

4 Q. Under Division rules will the unit area be a
5 single project area?

6 A. Yes, also a single project area.

7 Q. And is that identified in paragraph 11 of the
8 unit agreement?

9 A. Yes, it is.

10 Q. Can you identify how production will be allocated
11 within the unit agreement?

12 A. Yes. Production will be allocated based on an
13 acreage basis and shared equally across the unit so that
14 there will be equal distribution.

15 Q. And that is also contained in paragraph 11,
16 correct?

17 A. Correct.

18 Q. Does the unit agreement identify a unitized
19 interval that is different than the interval described
20 in the application?

21 A. Yes, it does. The application provides for the
22 top of the Mancos down to the base of the Greenhorn.
23 Our unit agreement provides for the top of the Mancos at
24 3,820, the stratigraphic equivalent to Chaco No. 6 Well
25 at 3,820 down to 5,771.

1 Q. Is this revised unitized interval described in
2 the unit agreement in paragraph 3?

3 A. Yes, it is.

4 Q. Do all interest owners have to sign the unit
5 agreement before it becomes effective?

6 A. That is correct.

7 Q. And did the BLM approve the unitized interval as
8 included in the unit agreement?

9 A. They did.

10 Q. What is Exhibit A to the unit agreement?

11 A. Exhibit A is a map of the unit area showing the
12 unit outline and then all the specific tracts within the
13 unit area.

14 Q. And what is Exhibit B?

15 A. Exhibit B is a schedule of interest that breaks
16 it out by tract and shows the working interest
17 percentages to the lessees of record and the overriding
18 royalty interest owners in each tract.

19 Q. And, finally, Exhibit C?

20 A. Exhibit C is a type log showing a unitized
21 interval.

22 Q. And this shows the updated unitized interval?

23 A. That is correct.

24 Q. How many leases are within the unitized area?

25 A. There are seven federal leases and 35 allotments,

1 so making a total of 42 leases.

2 Q. Is there any unleased acreage?

3 A. Yes, there is. And if you will turn back to
4 Exhibit A of the unit agreement, the two unleased
5 federal tracts are the southeast quarter of section 35
6 and the southwest quarter of section 34.

7 Q. Does WPX hold all of the interest in those
8 leases?

9 A. No, we do not.

10 Q. Who are the other working interest owners?

11 A. There are 11 other parties that are -- that will
12 be part of this unit, JMJ Land and Minerals, Dugan
13 Production Company, Encana Oil and Gas, Logos, Coleman,
14 D.J. Simmons, XTO, I-Minerals, Key Production, and I
15 believe Elridge is the final one.

16 Q. And Santo LaGato?

17 A. Sorry. Yes, Santo LaGato.

18 Q. Have the other working interest owners agreed to
19 participate in the unit?

20 A. Yes, they have. We are working to get them
21 signed up to work with them to convey their interest in
22 the unit.

23 Q. You previously stated that Indian allotted leases
24 are within the unit area; is that correct?

25 A. Yes, it is.

1 Q. Who administers allotted leases?

2 A. The Federal Indian Minerals Office in Farmington
3 oversees the allotment acreage.

4 Q. Will FIMO be a signatory to this unit agreement?

5 A. Yes, they will.

6 Q. And will the BLM?

7 A. Yes.

8 Q. On what date do you expect the unit agreement to
9 become effective?

10 A. The unit agreement will become effective upon
11 final approval by the BLM and FIMO as outlined in
12 article 18 of the unit agreement.

13 Q. Have you requested that the Division backdate the
14 effective order for this unit?

15 A. We have not. Since there are no existing
16 horizontal wells, it will just be a unit that we'll
17 develop going forward.

18 Q. Please turn to Exhibit 3. Have you met with
19 representatives of the BLM and FIMO?

20 A. Yes, we have.

21 Q. When you met with the BLM, did they indicate that
22 their preliminary approval letter would include the BLM?

23 A. Yes.

24 Q. And did the BLM in fact provide preliminary
25 approval of the proposed unit?

1 A. They did.

2 Q. Is that included as Exhibit 3?

3 A. It is.

4 Q. Does the preliminary approval letter include
5 FIMO?

6 A. Yes, they were cc'd on this letter.

7 Q. In your discussions with BLM and FIMO, did you
8 review the nature of the unitized area and discuss your
9 developments?

10 A. We did.

11 Q. In your discussion with BLM, did they request
12 that WPX drill an obligation well?

13 A. Yes, they did. And our obligation well is going
14 to be the West Lybrook 702H which will be located in the
15 northeast quarter of the unit, I believe in section 8 of
16 23 north, 8 west.

17 Q. And ever since the BLM and FIMO approval, did WPX
18 undertake efforts to notify all of the allottees within
19 the unit area of this application and --

20 A. We did.

21 Q. Approximately, how many allottee owners were
22 actually there?

23 A. There were over 900 allottees.

24 Q. Do you have an address for all of these
25 allottees?

1 A. We do not.

2 Q. Did you receive information on the addresses of
3 the allottee owners from FIMO?

4 A. We did.

5 Q. Were all allottee interest owners of record as
6 identified by FIMO provided early notice of this
7 hearing?

8 A. Yes, they were.

9 Q. What additional efforts did WPX undertake to
10 locate the addresses of allottees?

11 A. For any allottee that we weren't able to locate
12 an address, we engaged a broker to do some research on
13 the internet to see if they could find additional
14 information.

15 Q. Is Exhibit 4 an affidavit with attached letters
16 providing notice of this application incurring to
17 allottees with addresses?

18 A. Yes, it is.

19 Q. And is a list of those allottees along with
20 tracking numbers for notice letters included as part of
21 Exhibit 4?

22 A. Yes.

23 Q. Did allottee owners, in addition to notice of
24 this hearing, also receive an invitation to an
25 informational meeting?

1 A. Yes, they did. And we had the informational
2 meeting last week in Farmington where we tried to
3 address any other questions that these allottees may
4 have.

5 Q. Is Exhibit 5 an affidavit of publication directed
6 to those allottee owners without an address?

7 A. Yes, it is.

8 Q. And did WPX Exhibit 4 also include notice of this
9 application to working interest owners?

10 A. Yes, it does.

11 Q. And was notice also provided to the offsets, the
12 330 foot offset affected parties to the NSL request due
13 to potential encroachment?

14 A. Yes, they were.

15 Q. Were Exhibit 1 through 3 prepared by you or
16 compiled under your direction and supervision?

17 A. They were.

18 MS. KESSLER: Mr. Examiner, I would move the
19 admission of Exhibits 1 through 4 -- excuse me -- 1
20 through 5.

21 EXAMINER McMILLAN: Exhibits 1 through 5 may
22 now be accepted as part of the record.

23 (WPX Energy Production, LLC, Exhibits 1
24 through 5 were offered and admitted.)

25 MS. KESSLER: And that concludes my

1 examination.

2 EXAMINATION BY EXAMINER McMILLAN

3 EXAMINER McMILLAN: Okay. The first
4 question I got is, looking at your exhibit -- I am going
5 back to Exhibit 2, part A.

6 THE WITNESS: Okay.

7 EXAMINER McMILLAN: And you stated in your
8 testimony that there is unleased mineral interest
9 owners.

10 THE WITNESS: There is unleased BLM --
11 unleased federal tracts within the unit.

12 EXAMINER McMILLAN: But then that brings up
13 the question, what happens if you don't get the leases?

14 THE WITNESS: We have spoken with the BLM
15 about this issue. And they agreed that when the leases
16 are issued, that there will be some stipulations that
17 the lessee, whoever takes them, will be subject to this
18 unit agreement.

19 EXAMINER McMILLAN: If someone else picks it
20 up, doesn't this change the unit agreement?

21 THE WITNESS: When they take the lease, they
22 will be subject to the stipulations that are included in
23 the lease. And one of those stipulations will be that
24 this will be included in this unit.

25 EXAMINER WADE: Is that conversation in

1 writing?

2 THE WITNESS: I don't know that it is
3 necessarily in writing. But we've had several
4 discussions with them about that.

5 And the BLM has approved its unit outline,
6 so they are aware of the issue of these unleased tracts.

7 EXAMINER McMILLAN: Will each well -- each
8 well will be dedicated to the earned acreage? It is not
9 going to be to the whole 12,307 acres, is it?

10 THE WITNESS: That's correct. Each well
11 will be dedicated to the entire unit. And the
12 production will be allocated based on an acreage
13 contribution to the unit.

14 EXAMINER McMILLAN: So one well can hold
15 12,000 acres?

16 THE WITNESS: Theoretically, yes. But the
17 BLM can come in and mandate -- and issue some drainages
18 and require you to engage in a development program.

19 EXAMINER WADE: Can a federal allottee
20 exploratory unit expand and contract according to what
21 has been produced?

22 THE WITNESS: I don't think it can contract,
23 just because it is undivided from the start. As far as
24 expansion goes, I think that would be something that the
25 BLM would have to weigh in on and all the unit owners

1 would have to agree to in order for something to expand,
2 for a unit to expand.

3 EXAMINER WADE: So I guess going back to the
4 question as to can one well theoretically hold an entire
5 unit, a 12,000-acre unit, why is that in theory only?

6 THE WITNESS: Once the first well is
7 drilled, all these leases are HVP. Now, the BLM will
8 require you to do some ongoing development and issue
9 some drainage demand letters in case they feel like
10 their acreage is being drained.

11 And so will FIMO as well, if they feel like
12 the allottee acreage is not being properly developed,
13 which we'll have to comply with those orders.

14 EXAMINER McMILLAN: So if the first well is
15 a really good well, how are correlative rights being
16 preserved if those interest owners in the good wells are
17 having to share with the other wells?

18 THE WITNESS: Well, geologically, I am going
19 to defer to my geologist. But we fully plan to develop
20 this across the unit. I mean, I think geologically we
21 feel like it's consistent across the unit. So that's
22 why we are unitizing the entire acreage.

23 MR. FELDEWERT: Mr. Examiner, if I may. If
24 you look at Exhibit 2, first off, while you are turning
25 there, because we are dealing with BLM lands, we are

1 required to follow the BLM form. So they dictate what's
2 required for their approval of this area in a unitized
3 plan.

4 If you look at, for example, on page 3,
5 paragraph 10, which is entitled, Plan of Further
6 Development and Operation, there's a number of divisions
7 in there that are required by the BLM to address, I
8 believe, the issue that you are speaking about now, and
9 that is for the development.

10 So you can go through this agreement, if you
11 would like to, but the point is, you know, we are
12 required to do what the BLM requires the company to do
13 under their form to develop the unit acreage. And we
14 can't deviate from that. They dictate.

15 EXAMINER WADE: And you are not asking the
16 OCD to approve a federal allottee exploratory unit; you
17 are asking the OCD to approve a project area?

18 MR. FELDEWERT: Correct. Well, what the
19 division actually approves is the combination of the
20 acreage into a unit. Does it make sense to bring this
21 acreage together into a unit from a geological
22 perspective?

23 The requirements associated with that, with
24 the development of that unit, are dictated by the unit
25 agreement, which is, in turn, dictated by the BLM.

1 Because under the terms of the horizontal well rules --
2 I mean, a federal unit is a project area.

3 EXAMINER WADE: Can we go to that rule in
4 particular?

5 EXAMINER McMILLAN: 16.7.

6 MR. FELDEWERT: The horizontal well rule --

7 EXAMINER WADE: 16.15?

8 MR. FELDEWERT: Yes. Now look under the
9 definition of project area, L-2.

10 EXAMINER McMILLAN: Thank you. We have no
11 further questions.

12 THE WITNESS: Thank you.

13 MS. KESSLER: I would like to call my next
14 witness.

15 EXAMINER McMILLAN: Please proceed.

16 AMY M. RICHARDSON

17 having been first duly sworn, was examined and testified
18 as follows:

19 DIRECT EXAMINATION

20 BY MS. KESSLER:

21 Q. Please state your name for the record and tell
22 the examiners by whom you are employed and in what
23 capacity.

24 A. My name is Amy Richardson. I am employed by WPX
25 Energy as the geoscience manager for the San Juan Basin

1 Asset.

2 Q. Have you previously testified before the
3 Division?

4 A. I have.

5 Q. Were your credentials as a petroleum geoscientist
6 accepted and made a matter of record?

7 A. They were.

8 Q. Are you familiar with the application that's been
9 filed in this case?

10 A. I am.

11 Q. And have you conducted a geologic study of the
12 lands that are the subject of this application?

13 A. I have.

14 MS. KESSLER: We tender Ms. Richardson as an
15 expert in petroleum geoscience.

16 EXAMINER McMILLAN: So accepted.

17 Q. Are you familiar with the interval being unitized
18 for the West Lybrook Unit?

19 A. I am.

20 Q. And is Exhibit 6 a type log of a well showing the
21 unitized interval?

22 A. It is.

23 Q. What is the name of this well?

24 A. This is the Chaco Unit No. 6 Well.

25 Q. Where is it located?

1 A. It's in section 12, township 23 north, range 9
2 west.

3 Q. Is this the same lot that is used as Exhibit C to
4 the unit agreement?

5 A. It is.

6 Q. What interval is it that WPX would like to
7 unitize?

8 A. We would like to unitize the interval defined by
9 this log as the top of the Mancos at a measured depth of
10 3,820, stratigraphic equivalent thereof.

11 And the base of the interval would be the
12 stratigraphic equivalent to 5,071 measured depth in this
13 well.

14 Q. Is this different than the interval in WPX's
15 application?

16 A. It is different. We decided to change the
17 interval based on what we think is the most productive
18 target at this point in the Mancos.

19 Q. In your opinion, does the horizon identified in
20 Exhibit 6 extend across the unitized area?

21 A. I believe it does.

22 Q. Have you brought structure maps and cross
23 sections to support this conclusion?

24 A. Yes.

25 Q. Turning to Exhibit 7, could you please identify

1 this exhibit and explain what it shows.

2 A. This is a structure map on the top of the Mancos
3 and extending through the area. The contour interval is
4 25 feet. You can see that it shows the dip is going
5 down towards the northeast and up to the southwest.

6 And it is a relatively calm structure map through
7 the unit area.

8 Q. What do the red lines represent?

9 A. Those are the cross sections on the later
10 exhibits, A to A Prime, roughly along strike and B to B
11 Prime, along depth.

12 Q. Turning to Exhibit 8, is this the cross section
13 that corresponds with the wells on A to A Prime?

14 A. It is.

15 Q. What does this cross section show us?

16 A. It's just here to illustrate that the wells,
17 again, across the unit area show a pretty consistent
18 interval over that unit interval and within the area.

19 Q. What is the significance of these pink boxes?

20 A. Those just indicate where the vertical well was
21 perforated.

22 Q. And you have identified consistency across this
23 area?

24 A. I have.

25 Q. And what is Exhibit 9?

1 A. That is the second cross section along the dip, B
2 to B Prime. By the way, these are best structure cross
3 sections. You can see B is in the south; and B prime is
4 in the north and a little deeper.

5 And, again, the unit interval that we are looking
6 at, is very consistent across the area. The lines of
7 the scale are a little difficult to read. But the
8 resistivity probably stands out the easiest. It's of
9 very similar quality in all those wells as well as with
10 SD and gamma ray. The resistivity I think is easiest to
11 see at this scale.

12 Q. What have you identified with respect to
13 thickness in this formation?

14 A. The thickness varies but not significantly across
15 the area. I would say that the average is somewhere
16 around 1,300 feet or so for that unit interval.

17 Q. You can see that best on the resistivity logs --

18 A. On all the logs. I would say the resistivity
19 shows up best on the cross section.

20 Q. In your opinion, is the interval that WPX seeks
21 to unitize continuous across this area?

22 A. I believe it is, yes.

23 Q. And in your opinion are there any faults or
24 pinch-outs or other geologic impediments that would
25 prevent the acreage from contributing to the overall

1 production?

2 A. No, I have not seen any.

3 Q. In your opinion, can the unitized area be
4 effectively and efficiently developed under a unit plan?

5 A. It can.

6 Q. Are you familiar with the pools that are
7 currently in existence within that proposed unit area?

8 A. I am.

9 Q. If you could turn to Exhibit 10. Does this
10 exhibit identify the pools currently in existence?

11 A. It does.

12 Q. Are the reservoir fluids consistent between the
13 pools within the unitized area?

14 A. They are.

15 Q. Does that mean they are compatible?

16 A. They are.

17 Q. Is WPX expecting the wells to be primarily oil?

18 A. We are.

19 Q. And are the technical characteristics of the
20 hydrocarbons within the current pools in the unitized
21 area essentially identical?

22 A. They are. But API, the oil is very consistent
23 across the area, between about 38 and 40 API.

24 Q. Are the pools within the same vertical horizon?

25 A. Yes.

1 Q. And will the pressure gradients be relatively the
2 same within the unitized area?

3 A. Yes, they will.

4 Q. Will the combination of the unitized interval
5 enter a single pool for purposes of horizontal well
6 development result in any waste or loss of reserves?

7 A. No.

8 Q. And in your opinion, will WPX's request to create
9 a new pool within the unit area prevent waste?

10 A. Yes.

11 Q. Did you prepare Exhibits 6 through 10?

12 A. I did.

13 MS. KESSLER: Mr. Examiner, I would ask that
14 Exhibits 6 through 10 be admitted into evidence.

15 EXAMINER McMILLAN: Exhibits 6 through 10
16 may now be accepted as part of the record.

17 (WPX Energy Production, LLC, Exhibit 6
18 through 10 were offered and admitted.)

19 MS. KESSLER: And that concludes my
20 examination.

21 EXAMINATION BY EXAMINER McMILLAN

22 EXAMINER McMILLAN: The first question I've
23 got, I guess I'm looking at 6 -- just tell me the API
24 number, do you know it? I can't read that.

25 THE WITNESS: I can't make it out. I think

1 it is in the unit agreement.

2 EXAMINER McMILLAN: Okay. Now, is your --
3 does your pool consist of the entire Mancos or are you
4 leaving out a portion of the Mancos?

5 THE WITNESS: We are actually leaving out a
6 portion of it. So we are leaving out the lower Mancos
7 and Greenhorn limestone, which is somewhat unusual.

8 The primary reason is right now we have
9 identified one primary target and another possible
10 target. And those are all included within this unitized
11 interval.

12 EXAMINER McMILLAN: So what's going to
13 happen in the future if you come back and look at the
14 lower sand?

15 THE WITNESS: Decide that we want to expand
16 it --

17 EXAMINER McMILLAN: Yes.

18 THE WITNESS: We'd either have to go through
19 and expand unit interval to include that or perform an
20 additional unit, I would think.

21 EXAMINER McMILLAN: So do your leases within
22 the pool have any depth severances of any type?

23 THE WITNESS: I believe a few of them do,
24 yes -- I shouldn't say that.

25 I believe the ownership differs to different

1 depths on one or two of the leases. I cannot identify
2 those all for you, though.

3 EXAMINER McMILLAN: So you are saying there
4 are depth severances within the new pool?

5 THE WITNESS: No, not within the new pool.

6 EXAMINER McMILLAN: But within the Mancos
7 there might be?

8 THE WITNESS: Yes. But the new pool, this
9 unit interval, there are no depth severances within it.

10 EXAMINER McMILLAN: So the new pool will not
11 encompass the entire Mancos?

12 THE WITNESS: It will not.

13 EXAMINER McMILLAN: In looking at the other
14 pools, the other pools that are existing pools within
15 this, what are their setbacks?

16 THE WITNESS: What are their setbacks?

17 EXAMINER McMILLAN: Yes, the Nageezi,
18 Kimbedo? Within the Nageezi and the Kimbedo, are they
19 statewides?

20 THE WITNESS: I believe those are 330. I'm
21 not confident on that on all of them.

22 MR. FELDEWERT: Mr. Examiner, the Nageezi
23 Pool is 40 acres, so it has to be statewide rules.

24 EXAMINER McMILLAN: Okay.

25 THE WITNESS: With the exception of the

1 Basin Mancos, that's going to be a 660. But, yes, I
2 believe that Nageezi is 330 and the Kimbeto is just that
3 40 acres.

4 EXAMINER McMILLAN: And would you object if
5 another operator made a project area 330 from the unit
6 boundary?

7 THE WITNESS: No.

8 EXAMINER WADE: Or to clarify you seeked a
9 non-standard location closer -- would you object if
10 another operator wanted to develop at the same distance
11 a 330 setback from the project area being requested?

12 THE WITNESS: I would not.

13 EXAMINER McMILLAN: Why do you feel you
14 should have a 330 setback in a pool that's presently
15 based in Basin Mancos with a 660 setback?

16 THE WITNESS: The primary reason it is Basin
17 Mancos is just because there was a lack of an existing
18 Gallup oil pool. And the existing Gallup oil pools in
19 the area do have a 330 setback.

20 I think the 330 setback is more appropriate
21 for an oil reservoir.

22 EXAMINER WADE: Do you have any data
23 supporting that at this point?

24 THE WITNESS: I do not.

25 EXAMINER WADE: Would you be willing to

1 supply the OCD with well communication data, drainage
2 data, within a certain amount of time?

3 THE WITNESS: I'm sure we would do whatever
4 we could to help comply with that.

5 EXAMINER WADE: Would you be able to speak
6 to the federal unit at all, the details, specifically
7 the plan of development that is in this unit agreement.
8 And if you can't, that is fine --

9 THE WITNESS: I probably can't right now
10 without reviewing them first.

11 EXAMINER WADE: Would you be able to speak
12 to any kind of WPX business plan of development as to
13 what you are projecting, what timeline wells will be put
14 in?

15 THE WITNESS: I think that a timeline is
16 always flexible, dependent both on our ability to find
17 surface locations and get them appropriately permitted,
18 and also the economics.

19 But I can tell you we are proceeding now
20 with plans to again find surface locations and submit
21 those permits.

22 EXAMINER WADE: But you don't know anything
23 more specific than that?

24 THE WITNESS: I can't be more specific.

25 EXAMINER McMILLAN: And I am assuming you

1 are wanting to drill diagonals, right?

2 THE WITNESS: We are. We are planning to
3 orient the wells basically northwest to southeast.

4 EXAMINER McMILLAN: And the reason being?

5 THE WITNESS: We believe that will give us a
6 more efficient completion. As Mr. McQueen stated
7 earlier today, the evidence that we have seen from
8 microseismic that we have run has indicated that the
9 general frac direction is northeast to southwest.

10 We believe drilling transverse to that will
11 show off a more efficient production.

12 EXAMINER McMILLAN: So how big are the
13 spacing units going to be?

14 THE WITNESS: How big are the spacing units?

15 EXAMINER McMILLAN: Yes. Are you trying to
16 get it up statewide or are you trying to get three
17 twenties or things like that?

18 MR. FELDEWERT: Mr. Examiner, as I
19 understand the concepts of units, particularly an
20 undivided unit like this where you don't have
21 participating areas that are brought in gradually like
22 spacing units, that spacing unit goes away.

23 Now I don't know if there is an
24 administrative reason to have spacing units. But if you
25 think about the C-102, the well has to be dedicated to

1 the entire unitized area in order for the allocation to
2 occur properly.

3 So what you do on the C-102 in terms of
4 drawing in in the diagram -- I think there's a lot of
5 question about that. And there needs to be some
6 discussion about that.

7 But from a conceptual standpoint, once you
8 create a unit like this and all the wells are dedicated
9 to that unit, I am not sure where spacing comes into
10 play. And I've never viewed it as spacing units within
11 a unit. It is a unit, particularly when you have your
12 setbacks in the outer boundary of the unitized area.

13 EXAMINER WADE: I think the OCD would agree
14 that there needs to be further discussion, and I don't
15 know if you could call a witness that could further
16 elaborate on this issue.

17 If you look at your traditional view of a
18 spacing unit, it's something that a single well can
19 effectively drain. At this point, what you are asking
20 for is theoretically, again, the ability for a single
21 well to hold an entire 12,000-acre area. And there is
22 no real evidence that a single well could ever drain
23 that.

24 MR. FELDEWERT: So I think we are mixing
25 concepts. I understand the definition of spacing unit.

1 I think what the Division has traditionally done is, as
2 I understand it, is they have, particularly for the unit
3 where you have oil, they defaulted to the standard
4 statewide rules for oil wells, to the extent spacing is
5 necessary.

6 So if you are asking the extent it's
7 necessary and what it should be in this case, we
8 understand that would be the normal scenario as it's
9 been done so far by the Division. But what we have to
10 recognize is that one of these are unitized, and so they
11 can orient their wells to better meet the formation.
12 And how that plays into the traditional spacing units is
13 a little fuzzy in my mind.

14 EXAMINER WADE: I think it is fuzzy in our
15 minds as well.

16 MR. FELDEWERT: But it shouldn't hold up the
17 unit concept because the unit concept is what it is. I
18 think what you're dealing more with is an administrative
19 issue of what needs to be inputted into the --

20 EXAMINER WADE: That's one issue. And I
21 think the other issue that we asked your landman, and
22 maybe you can clarify, is whether one well can hold the
23 entire 12,000-acre area.

24 MR. FELDEWERT: Let's go to paragraph ten.
25 I haven't looked at it in a while.

1 EXAMINER WADE: Paragraph ten.

2 MR. FELDEWERT: On Exhibit 2.

3 EXAMINER WADE: And that's the --

4 EXAMINER McMILLAN: Are you on page 3?

5 MR. FELDEWERT: Yes. Paragraph ten on page
6 3 of Exhibit 2, which is the plan of further development
7 operation. If you read through this, you will see that
8 the BLM designates an AO. I guess that means
9 "authorized officer."

10 That authorized officer has very broad
11 discretions under this section 10, such that if you look
12 at the second paragraph, Any plan submitted to this
13 section shall provide for the time and the exploration
14 of the unitized area and for the diligent drilling
15 necessary for determination of areas capable of
16 producing unitized substances according to this plan.
17 This plan shall be complete and adequate as the AO may
18 determine to be necessary for timely development and
19 proper conservation over the oil and gas resources of
20 the unitized area and shall -- and it goes on.

21 That AO has very broad discretion. That AO
22 determines what is necessary in the plan of development
23 for this unitized area.

24 And if you flip over to paragraph 15 on the
25 next page, The unit operator shall take such measures as

1 the AO deems appropriate and adequate to drain unitized
2 substances -- essentially to protect against drainage.

3 So there are a couple of things I want to
4 point out here. First off, this is not the first time
5 we are dealing with units in a unitized areas. We just
6 had a case today where a project area was formed, it was
7 a communitized area, but you see that WPX developed the
8 entire area, and that was done within a year.

9 EXAMINER WADE: Can I note on that
10 particular case what you are referring to is the
11 Northeast Chaco, the case we heard earlier --

12 MR. FELDEWERT: Yes.

13 EXAMINER WADE: And in that case, WPX, who
14 you represented, provided the OCD with detailed
15 information as to the development plan. And I wonder
16 why in this case that is not happening.

17 MR. FELDEWERT: If you are asking -- first
18 of all, we can provide you with a development plan. But
19 at the end of the day what is going to -- pursuant to
20 this the terms of the unit agreement, what's going to
21 dictate the development plan is what the AO determines.
22 We have to follow that under the terms of the unit
23 agreement. We have no choice. That person dictates
24 what needs to be done.

25 Now, what I have seen done in the past, for

1 example, if you look at the Bravo Dome Unit, which is
2 one of the first units that the Division did, a very
3 large unitized area, the biggest unitized area in the
4 world, the Division in their order required the operator
5 to submit the development plan to the Division that it
6 submits to the BLM under the unit agreement.

7 EXAMINER WADE: I think if I understand what
8 you are saying correctly, you are asking the OCD to
9 approve a project area?

10 MR. FELDEWERT: No. I am asking them to
11 approve a unitized area.

12 EXAMINER WADE: The unitized area which
13 terms are dictated in this federal unit agreement?

14 MR. FELDEWERT: Correct.

15 EXAMINER WADE: And then we would have no
16 oversight as to what the AO can decide beyond that?

17 MR. FELDEWERT: Now, you are asking me to
18 get into the relationship between the Oil Conservation
19 Division and the BLM.

20 EXAMINER WADE: This is where we are
21 struggling. And you are talking about where the rules
22 for development of project areas and the BLM
23 requirements intersect.

24 MR. FELDEWERT: As you know, there used to
25 be a Memorandum of Understanding between agencies.

1 EXAMINER WADE: We are discussing things
2 like that currently.

3 MR. FELDEWERT: I guess what I'm suggesting
4 is that the unit operator in all of these units is going
5 to have to submit a yearly plan of development to the
6 BLM. I know WPX would have no problem submitting that
7 same plan to the Division. And if the Division and the
8 BLM want to get together and talk about it as part of
9 the their Memorandum of Understanding to determine what
10 needs to be done, I can see that happening.

11 EXAMINER WADE: I guess specific to 10 then
12 and the terms that you find in paragraph 10, it does not
13 look like you have to give any kind of plan of
14 development until after you developed a single well;
15 whereas, as we talked about in the previous Northeast
16 Chaco application you had -- WPX had a plan of
17 development.

18 MR. FELDEWERT: A distinction there, it
19 didn't have a unit agreement that sought a unitized
20 area. We do here. And I think that's a big
21 distinction.

22 And No. 2, you are correct, read the first
23 sentence of paragraph 10, Within 12 months after the
24 completion of a well capable of producing unitized
25 substances of big quantities, the unit operator shall

1 submit for approval of the AO for an acceptable plan of
2 development.

3 EXAMINER WADE: So you didn't have a unit
4 agreement but you did have a Com agreement; is that
5 correct?

6 MR. FELDEWERT: As I recall we had -- yes, I
7 am trying to remember exactly.

8 EXAMINER WADE: And I don't remember the
9 terms of that particular Com agreement, but was there a
10 plan of development requirement in that particular --

11 MR. FELDEWERT: I don't know the answer to
12 that off the top of my head.

13 EXAMINER WADE: But I think what I heard you
14 say is that WPX is not adverse to providing the OCD with
15 a plan of development upfront?

16 MR. FELDEWERT: Under the terms of this,
17 correct.

18 EXAMINER WADE: Only under the terms of
19 this, but not as previously done under the Northeast
20 Chaco, where you provided us with a list of wells and
21 the time that they would be spudded and drilled -- or
22 completed.

23 MR. FELDEWERT: We can certainly do that. I
24 would hope that that would not hold up the approval of
25 this unit because we are trying to move forward. But we

1 could certainly give you the plan of development we have
2 now and plan to submit to the BLM.

3 EXAMINER WADE: We would like to recall your
4 landman regarding the issue as to basically dividing the
5 pool interval.

6 MR. FELDEWERT: Before you do that, may I
7 ask a question of our geologist?

8 EXAMINER McMILLAN: Sure.

9 EXAMINATION OF MS. RICHARDSON

10 BY MR. FELDERWERT:

11 MR. FELDEWERT: The interval that you seek
12 to unitize in the pool we're here today, based on the
13 information that you have available, is that the
14 productive portion of the Mancos Formation as you
15 understand it today.

16 MS. RICHARDSON: It is. That interval
17 includes the zones that we are presently targeting for
18 horizontal drilling and finding us good targets to
19 develop as well.

20 MR. FELDEWERT: And all you are excluding
21 from that unitized area and, in turn, the pool, is what
22 is the portion of the formation that at this point in
23 time does not work for that.

24 MS. RICHARDSON: Does not, that portion of
25 the formation does not to my knowledge have a horizontal

1 well in the area and due to higher clay content it is
2 not viewed as a good reservoir or completion candidate.

3 MR. FELDEWERT: In any event, if that
4 interpretation changes, the company could go back for
5 example and expand the unit area, correct?

6 MS. RICHARDSON: Yes.

7 MR. FELDEWERT: And just as the Division
8 always does, expand the pool?

9 MS. RICHARDSON: Right.

10 EXAMINER WADE: I am not sure we actually
11 need to call the landman back because the affidavit as
12 to notice has actually been signed by Ms. Kessler, which
13 makes her a witness of sorts.

14 Did you notice everybody within the entire
15 Mancos Pool or just -- in the inner formation -- or is
16 it just the interval that you are requesting the pool be
17 formed in?

18 MS. KESSLER: It was in the entire
19 formation.

20 EXAMINATION OF MS. RICHARDSON

21 BY EXAMINER McMILLAN

22 EXAMINER McMILLAN: Okay. In the lower
23 interval has there ever been any production? The
24 portion that has been excluded, has there ever been any
25 production?

1 MS. RICHARDSON: It has been completed. I
2 don't have any knowledge of stand-alone production from
3 that interval anywhere in the unit area.

4 EXAMINER McMILLAN: Do you believe there is
5 separation between your primary zone and a lower zone?
6 Are there going to be barriers?

7 MS. RICHARDSON: Yes. Again from
8 correlative data nearby, WPX drilled two pilot holes in
9 the townships neighboring this area and ran dipole sonic
10 logs. And those indicate that below that interval it's
11 a higher stress interval that would be a barrier to a
12 fracture stimulation going down there. Does that make
13 sense?

14 EXAMINER McMILLAN: Yes. Thank you very
15 much. And at this time I would like to allow the
16 allottees to please come up and speak. Please state
17 your name for the record.

18 MR. BETONI: Yes, I will. My name is Juan
19 Earl Betoni. That is how I am listed on the allotment
20 records. I am from Nageezi, New Mexico.

21 EXAMINER McMILLAN: Can you help me out,
22 could you please spell your last name.

23 MR. BETONI: B-e-t-o-n-i.

24 EXAMINER McMILLAN: Thank you. Please
25 proceed.

1 MR. BETONI: Good morning. Like I said, my
2 name is Juan Earl Betoni. I'm from Nageezi, New Mexico.
3 I am an allottee on one of the allotments that are in
4 the drilling unit. About a little over a year ago, we
5 on my allotment -- meaning me and my siblings -- there
6 are nine, ten of us with my dad, my aunt and some
7 cousins that -- from my aunts and uncles -- we signed a
8 consent for an oil and gas lease for WPX.

9 And we got -- they got the majority of the
10 allottees' interests to approve the oil and gas lease.
11 So in return WPX filed an application with the Federal
12 Indian Minerals Office in Farmington. And they were
13 approved by the BIA and FIMO per federal regulations,
14 the CFR, parts 212, that deals with oil and gas leases
15 on Indian lands. So they did that.

16 And they did all the correct procedures and
17 now they are going through their applications to get the
18 drilling approved. But to this date, we, on our
19 allotment, have not consented to anybody, any
20 individual, any environmental firm, any law firm, to
21 represent us as a group, as allottee for the allotment,
22 to file any injunctions, to file any lawsuits.

23 And also they don't have any approvals from
24 the Bureau of Indian Affairs or FIMO to act on our
25 behalf as allottees. So we allottees got together, my

1 brothers, my sister, my aunts and my uncles and
2 questioned why are these people questioning our consent
3 to go ahead and drill the wells.

4 So I said, I told them that we got a letter
5 to go to Farmington last Monday to review the meeting
6 there at San Juan College. And then I told them I will
7 come here and see what you guys are saying.

8 The allottees on the allotment that I am on
9 are asking this committee to go ahead and approve WPX's
10 application. And also we ask if any other comments that
11 will be made, we would like the persons that are making
12 the comments to produce documentation on the allotments
13 that they are on.

14 If they are on my allotment, they can make a
15 comment. But if they are on somebody else's or
16 somewhere else, I don't think they should be making any
17 comments at this time. Or if they have approval from
18 the Bureau of Indian Affairs and the Farmington Federal
19 Indian Minerals Office to represent the allotments that
20 I am on, then I think they can go ahead and make
21 comments.

22 But like I said, before they can do that, I
23 would like to see documentation of those approvals from
24 the Bureau of Indian Affairs and the Federal Indian
25 Minerals Office.

1 I did some investigation with those offices.
2 And I asked them if there's any approvals that they gave
3 out to anybody to represent me as an allottee or to
4 speak for me as an allottee, I would like to see those
5 documents. And they said they didn't have any. They
6 hadn't approved anybody or gave them authorizations to
7 be speaking for my allotment.

8 So like I said, we ask you as a committee to
9 go ahead and approve WPX's request. Thank you very
10 much.

11 EXAMINER McMILLAN: Thank you. Any
12 questions?

13 (No response.)

14 EXAMINER McMILLAN: Thank you, sir.

15 So please come up and please state your
16 name.

17 MS. ARVISO: My name is Etta Arviso. And I
18 am a land owner on allotment lands. And I received a
19 letter (indicating), a certified letter. And then I'm a
20 landowner with interest on today's hearing.

21 I am also a member under the Dine Medicine
22 Man's Association. And also I am very concerned about
23 our sacred sites. There's no wording, no discussion of
24 any kind on any paperwork or anything. And it is very
25 important.

1 On the 160 acres, I speak for myself, I am
2 an individual landowner and these properties -- the BIA
3 and the Federal Indian Affairs Office are supposed to
4 have oversight. And they have not done enough, a good
5 job to come out to do a presentation.

6 And I did go to the public hearing to WPX
7 and also we also had a land commission that came out
8 from the Navajo Nation on the concerns that we have.
9 And I speak on behalf of the interests from my ancestors
10 that has my name on it.

11 And also the area -- nobody talks about
12 safety. There were no plans, from the BLM, the BIA, the
13 Tribe or either of the companies. And this -- it is
14 also good, yes, to approve this, but, first of all,
15 where is the documentation on our sacred sites?

16 Every home site we have, every place on our
17 land, in our belief is sacred. It is like trespassing
18 onto a church and drilling right next to a church or
19 telling them to remove the church and drill right there.

20 So I went to Window Rock and I went to the
21 historic preservation. The formal leader and staff did
22 not do their job. And so we are asking for documents,
23 how did you do your historic preservation on the sacred
24 sites?

25 We want some records. We want to see why

1 this was overlooked. And I still do respect and
2 practice my culture and my tradition. And we just don't
3 go in and start digging into the earth or removing trees
4 or whatever. Whatever we take, whatever there is, we do
5 an offering. And we ask the Creator, This is why we are
6 going to use it.

7 We don't destroy. We live off the land.
8 Our ancestors lived off the land for years after years.

9 Natural springs, water are very important to
10 us. That is where our medicine people make offering to
11 pray for rain. And this here nearby the springs are
12 where the drillings are. We don't want our water
13 contaminated.

14 And a lot of the staff that work for all the
15 companies that are Dine people need to realize some of
16 us still practice and we still have our medicine people
17 with us and around us. And we still have natural herbs.
18 Those things weren't identified before the doser went
19 and killed some of those herbs off. Those are our
20 medicines for healing.

21 The natural herbs, that is what I am
22 concerned about. How do we identify that? Because
23 that's one thing that we are not talking about.

24 And you know the town hall meeting, what you
25 all call -- did not show exactly how your constructing

1 the pool that you are talking about. You have just a
2 piece of paper with the land, but you didn't have a
3 slide of how the whole construction would be -- what
4 you're going to do to these lands. This is a lot of
5 land. It's just like me asking you for your land. This
6 is a lot of land.

7 And one thing that I am not hearing is how
8 are you going to fix the land after you're done. For
9 myself, I'm speaking on behalf of myself and my
10 grandchildren and the future generation to be. And BIA
11 has not done their homework or wasn't there at the town
12 hall meeting and they have not held their trust
13 responsibility.

14 I'm very disappointed with the BIA, our
15 regional officer, our superintendent and the Farmington
16 office. They don't have inspectors on site. The Navajo
17 Nation doesn't have inspectors on site. And they all
18 should. The BLM is the only inspector they have.

19 I can show you a form today that -- called
20 the regional office under the Federal Indian Mineral
21 Office, they have papers that they came out -- okay.

22 This is an example right here. This is what they
23 give out at their office that only shows J. Bernalli.
24 It could be Lorraine or Leonard or Janet or or J.
25 Bernalli, that doesn't really specifically -- you know,

1 who they state they are.

2 So this is where we are at. And I want to
3 share this with you. Because this is my question, I
4 called this office -- and in here it says they are
5 supposed to hold and conduct 16 workshops or more
6 throughout, a checkerboard to promote and educate. They
7 haven't done their job. And how can they sign off on
8 these leases?

9 I'm very concerned because I am a
10 granddaughter and a daughter of a Navajo co-talker. And
11 I'm not ashamed to say I am also a granddaughter of a
12 prisoner of war.

13 My grandma was only three years old when she
14 walked on the long walk and returned. And then our
15 Navajo co-talkers were called on.

16 So these are the men and our land which the
17 Napisad saved many lives throughout the United States.
18 And I have every right to speak up for the concern of
19 the land, mother earth, and also the air, and also the
20 animals and the creatures that can't speak for
21 themselves that the Creator put here.

22 What about that? The birds? What about the
23 change of the atmosphere for all life, what we are
24 supposed to enjoy? We are the ones -- and my family and
25 my relatives are the ones that live out, elders. I'm

1 concerned about health.

2 I am concerned about a lot of their grandmas
3 and grandpas that I see crying and tears, who can't
4 speak English and can't read and write.

5 So I address these issues before the Navajo
6 Nation leaders that are lawmakers as well. I have to go
7 before the legislative advisor in order to get on their
8 agenda, on health issues and education.

9 I am very concerned about the school
10 children. And nearby the Counselor area and under the
11 state of New Mexico, that's education there, and they
12 moved.

13 We went to school right there at Lybrook.
14 And there was a gas plant right over a number of years,
15 and they never even told us it was dangerous. And
16 that's how that school was moved. Now there is drilling
17 nearby there.

18 So those are the concerns that I have. I'm
19 not looking at the dollar sign. I am looking at the
20 land, protecting the land, mother earth. We don't take
21 anything from her until we make an offering and the
22 prayer. I practice that every day. So that's what I
23 want to tell you and I want to say.

24 And that I did receive a letter, yes, and it
25 is a long way here, 8:15, but I left this morning and

1 it's quite away drive from out there. And that's why a
2 lot of the relatives and the people can't be here.

3 EXAMINER WADE: Thank you. Thank you for
4 your statement.

5 EXAMINER McMILLAN: Okay. Case No. 15356
6 will be taken under advisement.

7 MR. FELDEWERT: Thank you.

8 EXAMINER McMILLAN: Thank you. Let's break
9 for lunch and come back at 1:00 p.m.

10

11

12 (Time noted 11:40 a.m.)

13

14

15

16

17

18

19

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____
heard by me on _____

20

_____, Examiner
Oil Conservation Division

21

22

23

24

25

1 STATE OF NEW MEXICO)
 2) ss.
 3 COUNTY OF BERNALILLO)
 4
 5
 6

7 REPORTER'S CERTIFICATE

8
 9 I, ELLEN H. ALLANIC, New Mexico Reporter CCR
 10 No. 100, DO HEREBY CERTIFY that on Thursday, August 6,
 11 2015, the proceedings in the above-captioned matter were
 12 taken before me, that I did report in stenographic
 13 shorthand the proceedings set forth herein, and the
 14 foregoing pages are a true and correct transcription to
 15 the best of my ability and control.
 16

17
 18 I FURTHER CERTIFY that I am neither employed by
 19 nor related to nor contracted with (unless excepted by
 20 the rules) any of the parties or attorneys in this case,
 21 and that I have no interest whatsoever in the final
 22 disposition of this case in any court.
 23
 24
 25



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