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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 NO. 14431

APPLICATION OF RANGE OPERATING  
NEW MEXICO, INC. TO AMEND DIVISION  
ORDER R-12344, AND TO AUTHORIZE THE  
EXPANSION OF THIS CENTRALIZED FACILITY  
WITH ADDITIONAL ACREAGE AND WELLS  
INCLUDING COMMON TANK BATTERIES,  
SURFACE COMMINGLING, OFF-LEASE  
MEASUREMENT AND STORAGE FOR ITS  
SCB3B BATTERY AND SALES POINT  
PROJECT, EDDY COUNTY, NEW MEXICO.

CASE NO. 14432

and  
THE APPLICATION OF RANGE OPERATING  
NEW MEXICO, INC. FOR A CENTRALIZED  
FACILITY WITH AN OFF-LEASE MEASUREMENT,  
STORAGE AND SALES POINT INCLUDING  
SURFACE COMMINGLING, EDDY COUNTY,  
NEW MEXICO.

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REPORTER'S TRANSCRIPT OF PROCEEDINGS  
EXAMINER HEARING

March 4, 2010  
Santa Fe, New Mexico

BEFORE: DAVID BROOKS: Hearing Examiner  
WILLIAM JONES: Technical Advisor

This matter came for hearing before the New Mexico  
Oil Conservation Division, David Brooks, Hearing Examiner,  
on March 4, 2010, at the New Mexico Energy, Minerals and  
Natural Resources Department, 1220 South St. Francis  
Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Peggy A. Sedillo, NM CCR No. 88  
Paul Baca Court Reporters  
500 Fourth Street, NW, Suite 105  
Albuquerque, NM 87102

## I N D E X

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Page

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APPLICANT'S WITNESS:

4

Deanna M. Poindexter

Direct Examination by Mr. Kellahin

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Court Reporter's Certificate

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## E X H I B I T S

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APPLICANT'S EXHIBITS:

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Case No. 14431, Exhibits No. 1 - 11

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Case No. 14432, Exhibits No. 1 - 11

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## A P P E A R A N C E S

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FOR THE APPLICANT:

W. THOMAS KELLAHIN, ESQ.

19

Kellahin and Kellahin

706 Gonzales Road

Santa Fe, NM 87501

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1                   HEARING EXAMINER: We'll call Case No. 14431,  
2   Application of Range Operating New Mexico, Inc. to Amend  
3   Division Order R-12344, and to Authorize the Expansion of  
4   this Centralized Facility with Additional Acreage and  
5   Wells, Including Common Tank Batteries, Surface  
6   Commingling, Off-Lease Measurement and Storage for It's  
7   SCB3B Battery and Sales Point Project, Eddy County,  
8   New Mexico.

9                   Also call Case No. 14432, Application of Range  
10   Operating New Mexico, Inc. for a Centralized Facility with  
11   an Off-Lease Measurement Sales Point, Including Surface  
12   Commingling, Eddy County, New Mexico. Call for  
13   appearances.

14                  MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of  
15   the Santa Fe law firm of Kellahin and Kellahin appearing  
16   this morning on behalf of the Applicant. I have one  
17   witness to be sworn.

18                  HEARING EXAMINER: Okay. Any other appearances?  
19   Very good. State your name, please.

20                  MS. POINDEXTER: My name is Deanna Poindexter.

21                  HEARING EXAMINER: You may proceed, Mr. Kellahin

22                  MR. KELLAHIN: Thank you Mr. Examiner.

23

24

25

1 DEANNA POINDEXTER,  
2 the witness herein, after first being duly sworn  
3 upon her oath, was examined and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. KELLAHIN:

6 Q. Ms. Poindexter, for the record, would you please  
7 state your name and occupation?

8 A. My name is Deanna Poindexter. I'm the District  
9 Engineer for Range Resources New Mexico Assets.

10 Q. On prior occasion, Ms. Poindexter, have you  
11 testified as an engineer before the Division?

12 A. Yes, I have.

13 Q. Pursuant to your employment, have you been  
14 assigned the task of reviewing what we have filed  
15 collectively as the B5 Battery Project and the 3B Battery  
16 Project areas?

17 A. Yes, sir, that falls under my responsibilities.

18 Q. As part of that exercise, have you examined all  
19 your files concerning these wells and these operations?

20 A. Yes, sir, extensively.

21 MR. KELLAHIN: Mr. Examiner, we tender  
22 Ms. Poindexter as an expert engineer.

23 HEARING EXAMINER: So qualified.

24 Q. Ms. Poindexter, to get organized, describe  
25 generally before we look into displays where we are when

1 we look at the 3B Battery Project in relation to the 5B  
2 Battery Project.

3 A. Ranges' Loving Assets straddles the Pecos River  
4 that flows from the northwest to the southeast. The 3B  
5 Battery Project falls south of the River, rather southwest  
6 side. The 5B Battery Project falls to the north side,  
7 rather northeast side of the river.

8 Q. So let's begin our discussion with the battery  
9 south of the Pecos River, which will be the 3B Battery  
10 collectively.

11 A. Yes, sir.

12 Q. Let's start with the aerial photograph, which is  
13 Exhibit No. 1 in that case, and as we go through this, I  
14 want to have you give us a general discussion about the  
15 process in which these are all put together so that when  
16 we go north of the river, you can show the Examiner where  
17 the differences may occur.

18 A. Okay.

19 Q. But as a template for both project areas, I want  
20 to start with the south and have you describe that.

21 A. Okay.

22 Q. First of all, let's start with the aerial  
23 photograph. Have you satisfied yourself to the best of  
24 your knowledge that what's depicted on the aerial  
25 photograph is an accurate depiction of what is in place on

1 the ground?

2 A. Yes, sir.

3 Q. Give us a sense of what we're seeing with  
4 Exhibit No. 1.

5 A. Right here you have a four section aerial  
6 photograph encompassing Sections 13, 14, 23 and 24 of 23  
7 South, 28 East in Eddy County.

8 What you see here, we have our batteries  
9 highlighted with respect to the 3B Battery and sales point  
10 that's located on the north half of Section 23.

11 The green lines indicate the flow of gas from  
12 the wellhead to each lease's respective central point  
13 battery. The red lines represent the flow of gas from  
14 each individual battery to the sales point. And the  
15 process flow --

16 Q. I'm lost. Help me again. The green lines  
17 represent what?

18 A. Gas flow from the wellhead.

19 Q. And the red lines?

20 A. Represent gas flow from the battery to the sales  
21 point.

22 Q. Got it. Let's get the nomenclature straight.  
23 For each of these batteries, there's a bunch of different  
24 ways to identify them. If we start with the -- pick any  
25 you want. There's the SCB2B Battery over there in the

1 northwest?

2 A. Yes.

3 Q. There are apparently a number of wells  
4 associated with that battery?

5 A. Yes, sir.

6 Q. Describe for us how that is gathered.

7 A. Well, each battery -- There's a battery for each  
8 lease and each lease has common ownership amongst the  
9 wells on that lease feeding to that central tank battery.

10 From the wellhead is produced water, gas, and  
11 oil, and that all flows to the central tank battery where  
12 one well on each lease is put through test facilities at  
13 least monthly, if not more often than that. The remainder  
14 of the batteries are put through the main production  
15 facilities.

16 Now, the process flow from the wellhead goes --  
17 water, gas, and oil, goes to a separator where it's  
18 separated out into its individual components. The water  
19 goes to a water tank where it's held for disposal. The  
20 oil is sent to a heater treater where it's further refined  
21 and sent to an oil tank for storage and sales, and the gas  
22 is sent through a check meter.

23 Now, if that well -- for the well that's on test  
24 for that day, it has its own separate test meter to ensure  
25 that we accurately record the production respective to

1     that particular well so that we can accurately allocate  
2     back to each well.

3             And then combined, all gas produced on that  
4     lease goes through a check meter so that we can record the  
5     total gas production on that lease for that day. After it  
6     leaves the check meter, it heads to the sales meter.

7             Q.     Let's set aside the topo map, the aerial map as  
8     a locator, and let's turn to Exhibit No. 2 where you've  
9     again described this information. Let's start again,  
10    then, for example with the -- In the east half of  
11    Section 14, if I'm looking at the Carrasco 14-3 battery,  
12    what happens at that battery, it gathers production from  
13    where?

14            A.     From the well that feeds to that battery. Now,  
15    that happens to be on the north side of the river.

16            Q.     Well -- but for example, this is true for all  
17    those cases if the battery collected production, it's from  
18    wells associated with common ownership?

19            A.     Exactly. Exactly.

20            Q.     Wherein do we cross over into the issues where  
21    the interests are not common?

22            A.     Once the gas leaves the check meter for each  
23    individual battery and starts heading to the sales point,  
24    that's when the gas streams start combining and that's  
25    where you get a combination of ownership.



1           Q.    Let me step back and ask you about your  
2    experience with the project areas.  When did you first  
3    become involved in these two projects?

4           A.    In early 2009, this asset was assigned under my  
5    watch.

6           Q.    And so how did you become involved?

7           A.    I became involved as the production engineer  
8    over the asset.  And in the latter half of 2009, our  
9    Environmental, Health and Safety Department at Range  
10   conducted surveys throughout the company on all assets,  
11   not Loving in particular, and they happen to identify a  
12   need at the Carrasco 14-3 Battery to move an oil tank off  
13   lease.

14          Q.    So what did they ask you to do?

15          A.    They asked me if they could move the oil tank,  
16   and I said not without a permit.

17          Q.    Now, which one are we looking at when you say  
18   that?

19          A.    The Carrasco 14-3 is in the northeast quarter of  
20   Section 14.

21          Q.    Okay.  So that was the event that triggered your  
22   search of records to see what the status was of all these  
23   facilities?

24          A.    Yes, sir.  Once I realized the need for a permit  
25   to move the oil tank, then I started tracing flow lines

1 and then became acutely aware of how our system was  
2 configured and the need for surface commingling permits.

3 In that process, I delved through all of our  
4 files within the company, and also online, looking for any  
5 records that we may not have had copies of, and found that  
6 the only thing that we had procured to that point was the  
7 R Order issued in Section 23, and then pursued the process  
8 to further permit everything else.

9 MR. KELLAHIN: Mr. Examiner, for your  
10 information, the last exhibit in the exhibit  
11 package, Exhibit 11, is a copy of the R Order that  
12 Ms. Poindexter has just referred to.

13 Q. When you look at that order, Ms. Poindexter, it  
14 refers to the north half of 23?

15 A. Correct.

16 Q. As part of your research, have you determined  
17 that all the systems for the flowing of gas and oil in the  
18 tanks are already constructed and working?

19 A. Yes, sir. Consistently with every setup both  
20 for the 5B and for the 3B exhibits, integrity has been  
21 maintained so that production accountability is consistent  
22 and is accurate in order to protect the interest owners'  
23 assets.

24 Q. So even if you don't have all the necessary  
25 approvals from the Division, have you satisfied yourself

1 that the actual systems in place are giving your company  
2 the opportunity to properly apportion production to the  
3 appropriate parties?

4 A. Without a doubt, yes, sir.

5 Q. You're satisfied all that's taking place?

6 A. Yes, sir.

7 Q. So if the Examiner will approve this order,  
8 there is nothing that you would, in fact, change in what's  
9 happening?

10 A. Nothing physically, no, sir.

11 Q. Let's use Exhibit No. 2 now, in association with  
12 what I've marked as Exhibit No. 3, which is tabulation of  
13 wells. Would you take Exhibit 3 and identify for the  
14 Examiner what information is generally depicted on that  
15 display so that if he needs to, he can look at that?

16 A. Yes, sir. On Exhibit 3, this is the list of all  
17 wells that flow to the sales point at the SCB3B located on  
18 the north half of Section 23. And on Exhibit 3, you can  
19 find the well name, the well number, API, the location of  
20 the well, and the production associated with the well.

21 Q. When you go back to the application that you and  
22 I filed with the Division for the hearing in this case,  
23 you were the engineer that helped me prepare the  
24 configuration of the wells associated with the particular  
25 battery?

1           A.    Yes, sir.

2           Q.    And you've satisfied yourself that if you look  
3   at the application, the wells listed under a particular  
4   battery will be the proper wells with the right API  
5   numbers?

6           A.    Yes, sir.

7           Q.    And for each population of wells that are  
8   associated with that battery, we're dealing with common  
9   ownership at that point?

10          A.    Yes, sir.

11          Q.    If you'll set aside Exhibit No. 3 for a moment,  
12   and let's keep the locator map out, which is No. 2, and  
13   side by side with 2, if you'll look at Exhibit No. 4 for  
14   me, what have you prepared here in Exhibit 4?

15          A.    Exhibit 4 is a written description of what I  
16   just went through orally on the flow of production from  
17   the wellhead through the central tank batteries.

18          Q.    And for the area facility that we've  
19   characterized as the 3B Battery, the sales point is the  
20   sales point that continues to exist that was approved in  
21   the R Order?

22          A.    Yes, sir.

23          Q.    That's not changed?

24          A.    No, sir.

25          Q.    Am I correct in understanding that what has

1 changed is that in addition to the wells in the north half  
2 of 23, we now take production from other tracts with  
3 different ownership and bring it into the sales point?

4 A. Yes, sir.

5 Q. Now, I'd like you to turn to a collective set of  
6 documents that are all stapled together as one set, and  
7 they start with Exhibit 5 and run through Exhibit 9.  
8 Collectively, what are we looking at when we look at the  
9 Exhibit Package 5 through 9, what are these?

10 A. These are battery schematics for each central  
11 tank battery of interest to the SCB3B sales point.  
12 There's two pages per battery. The first page has a  
13 diagram of what is on the ground in the facility, and the  
14 second page describes line by line each process flow  
15 stream and where it goes to.

16 Q. So if Mr. Jones or Mr. Brooks desires to go  
17 through the details of how this is put together, you have  
18 an exhibit set for each of the batteries that's like this?

19 A. Yes, sir.

20 Q. If we look behind the schematic, do you have a  
21 written-out identification list so that you can read the  
22 schematic and associate what's happening at those  
23 particular points?

24 A. Yes, sir.

25 Q. Let me direct your attention now,

1 Ms. Poindexter, to what is marked Range Exhibit 10.

2 MR. KELLAHIN: Mr. Examiner, Exhibit 10 is a  
3 collection of documents that applies to notification.

4 Q. Ms. Poindexter, did you have the appropriate  
5 staff people assist me in providing a master list of all  
6 interest owners in all production associated with either  
7 of these systems in these cases?

8 A. Yes, sir. Our Land Department and our  
9 Regulatory Department compiled all of this.

10 Q. And you took it off your master component  
11 sheets, I assume?

12 A. Yes, sir.

13 Q. And when we go through the exhibit set, you can  
14 subdivide the interest as to properties that are involved  
15 in the 3B Battery versus those that are associated with  
16 the project areas, the 5B?

17 A. Yes, we do have a cross reference.

18 Q. Are many of the same owners associated with both  
19 of those facilities?

20 A. Yes, sir.

21 Q. And if there was common ownership across those  
22 two project areas, they received one collective notice,  
23 did they not?

24 A. Yes, sir.

25 Q. But you do have the ability to go back and trace

1 and identify a particular owner associated with individual  
2 well production?

3 A. Indeed.

4 Q. If you personally had an interest in any of  
5 these wells --

6 A. No.

7 Q. No, I know you don't, but if you did, would you  
8 be troubled by how this is put together?

9 A. No, sir.

10 Q. You would be happy with receiving what you would  
11 receive from your share?

12 A. Yes, sir. There is accurate production  
13 accounting responsibility and integrity maintained at each  
14 site.

15 Q. Okay. I know this occurred not on your watch  
16 but on someone else's watch, but if you're looking at the  
17 3B Battery system, in what specific way if you find an  
18 absence of the appropriate approvals from this Division,  
19 at what point would it have been necessary to obtain  
20 something that you didn't have?

21 A. Once the gas left the check meter and was headed  
22 to the sales meter, at that point, permitting should have  
23 been procured.

24 Q. And you would have filed some type of division  
25 form to obtain that type of approval?

1           A.    Yes, sir.

2           Q.    And that's triggered, because at that point,  
3    you're moving to different ownership tracts, is that it?

4           A.    Yes, sir, at that point you're commingling  
5    different interest owners.

6           Q.    But up to that point, then, the taking of a  
7    product from an individual well to that specific battery,  
8    there's nothing wrong with doing that?

9           A.    Yes.   Each wellhead associated with a specific  
10   battery, they share common interest ownership.

11          Q.    And again, despite the lack of a permit and  
12   taking production from a battery to the collective sales  
13   point, did you find anything that you would otherwise  
14   correct or change?

15          A.    No, sir.

16          Q.    Now let's turn to the specifics of the  
17   application and let's look north of the river and satisfy  
18   the exhibit sets for the southern case.   Let me direct  
19   your attention to the documents associated with Case 14432  
20   and look again at Exhibit No. 1.   If you'll unfold that,  
21   this aerial photograph depicts what, Ms. Poindexter?

22          A.    Again, we're looking at a four section aerial  
23   photograph.   What's in detail is Sections 11, 12, 13, and  
24   14 of 23 South, 28 East in Eddy County.   And what we have  
25   highlighted here are the batteries and wells that flow to



1 the SCB5B Battery and sales point.

2 Again, the green lines indicate gas flow from  
3 the wellhead to the central tank battery. The red lines  
4 indicate gas flow from the individual batteries down to  
5 the sales point.

6 Q. Okay. If you'll turn now to Exhibit No. 2 for  
7 the project north of the Pecos River and identify for us  
8 what Exhibit No. 2 in this case shows.

9 A. Again, we're looking at the same four section  
10 area, and the yellow highlights are Ranges' leaseholds,  
11 and we're seeing the same batteries with the same green  
12 lines indicating gas flow from wellhead to battery, red  
13 lines indicating gas flow from battery to sales point.

14 Q. And where the project area north of the Pecos  
15 River maintained the same integrity for production from  
16 common interests owners collectively to the first battery  
17 point, if you will?

18 A. Yes, sir, the same holds true here.

19 Q. And in terms of permitting what you found south  
20 of the river also occurred north of the river?

21 A. Yes, sir.

22 Q. Set aside Exhibit No. 2 for a moment and  
23 identify for the record what is marked as Exhibit 3 for  
24 Case 14432.

25 A. Exhibit 3 is a list of our wells flowing and

1 selling at the SCB5B sales point. Again, lease names,  
2 lease numbers, API, specific well location, and production  
3 associated with each individual well is located on this  
4 exhibit.

5 Q. With regards to the case north of the river, did  
6 you also assist in preparing the application?

7 A. Yes.

8 Q. And you can satisfy to the Examiner that to the  
9 best of your knowledge, the wells associated with an  
10 individual battery are properly identified?

11 A. Yes.

12 Q. Now, turn to Exhibit No. 4 in this case. Again,  
13 what are you showing on Exhibit 4?

14 A. This is a written description of the process  
15 flow from wellhead through the central tank batteries  
16 where it separates the different production streams of  
17 gas, oil and water to get each to its sales point.

18 Q. And when you look at the collective exhibits  
19 that are stapled together as Exhibits 5 through 10, are  
20 these the schematics and written descriptions associated  
21 with the individual batteries?

22 A. Yes, sir, there's one for each.

23 Q. Those were all prepared by you?

24 A. Yes, sir.

25 Q. And then for this case, you accomplished the

1 same notification as we've already testified to?

2 A. Yes.

3 Q. And you've satisfied yourself that all  
4 appropriate parties were sent notice for these hearings?

5 A. Yes.

6 MR. KELLAHIN: Mr. Examiner, that concludes my  
7 examination of this witness. We would collectively move  
8 the introduction of what is marked as Exhibits 1 through  
9 11 in each of Cases 14431 and 14432.

10 HEARING EXAMINER: Okay. Exhibits 1 through 11  
11 in Case 14431 are admitted, and Exhibits 1 through 11 for  
12 Case 14432 are admitted.

13 I think I need to understand this a little bit  
14 better to see what's going on here. The arrow as shown on  
15 Exhibits 1 and 2, the flow lines shown on those two  
16 exhibits are the same; is that correct?

17 THE WITNESS: Yes, sir.

18 HEARING EXAMINER: If I understand what you said  
19 correctly, each of the batteries, each of the gray  
20 rectangles marked "B," is a collection point for a  
21 particular lease as lease is defined in the surface  
22 commingling rules; is that correct?

23 THE WITNESS: Yes, sir.

24 HEARING EXAMINER: So that for each of the wells  
25 for which there is a green line to the nearest gray

1 rectangle, those -- the streams that flow into that  
2 battery are all in common ownership?

3 THE WITNESS: Yes, sir.

4 HEARING EXAMINER: Now then, the red lines run  
5 from one battery to another, and they all end up --  
6 everything is collected at Battery No. 3 in Section 23 in  
7 Case No. 14431?

8 THE WITNESS: Yes, sir.

9 HEARING EXAMINER: And in Case No. 14432,  
10 everything is collected at Battery No. 5 down in  
11 Section 13?

12 THE WITNESS: Yes, sir.

13 HEARING EXAMINER: But the production from those  
14 batteries, the production -- the red lines are where you  
15 commingle the product from different ownership; is that  
16 right?

17 THE WITNESS: Gas, yes, sir.

18 HEARING EXAMINER: Okay. So then where are the  
19 measuring points?

20 THE WITNESS: At each central tank battery, the  
21 box is marked with a "B." They each have a check meter on  
22 them. And that check meter records that lease's gas  
23 production, and that leasehold has common interest  
24 ownership for the wells feeding into that battery in that  
25 checkpoint.

1 HEARING EXAMINER: And those are continuously  
2 monitored?

3 THE WITNESS: Yes, sir.

4 HEARING EXAMINER: So when you talk about having  
5 a meter that measures the production from a particular  
6 well for one day, that is for the inflow from a particular  
7 well to the battery?

8 THE WITNESS: Yes, sir. Each individual tank  
9 battery, the gray box is marked with a "B," contains a  
10 test meter and a check meter. Now, for each lease, one  
11 well is chosen per day and it is sent through testing  
12 facilities.

13 Where its individual gas streams and oil streams  
14 are separated out, there is a test oil tank so that we can  
15 accurately record the oil production on the well. And  
16 there is a test gas meter where we can accurately record  
17 the gas production from that individual well.

18 Once it leaves that test meter, it's then  
19 commingled from the gas from the remaining wells on lease,  
20 common interest ownership, and all of that lease is sent  
21 through the check meter so that you've got continuous  
22 monitoring of that lease's gas production, and then that  
23 lease's gas leaves that battery.

24 HEARING EXAMINER: So you use these  
25 one-day-at-a-time tests to allocate the production between

1 the particular wells?

2 THE WITNESS: Yes, sir.

3 HEARING EXAMINER: But not between the leases?

4 THE WITNESS: No, sir. That's what the check  
5 meters do.

6 HEARING EXAMINER: Okay. Now, is all this  
7 production from one pool?

8 THE WITNESS: Yes, sir.

9 HEARING EXAMINER: And what pool is that?

10 THE WITNESS: The Lower Brushy Canyon East. No,  
11 let me take that back. Let me recount that. That is true  
12 in Case No. 14431 for the 3B sales point. All of those  
13 wells produce out of Lower Brushy Canyon East.

14 In Case 14432, the exception here is the lease  
15 known is the Teledyne 12 Federal, and that's located in  
16 Section 12. And that's called the Heradura Bin Delaware  
17 East.

18 HEARING EXAMINER: And is that different from  
19 the other wells in this 5B Battery?

20 THE WITNESS: Yes, sir.

21 HEARING EXAMINER: And from what pool do the  
22 other wells produce?

23 THE WITNESS: They're from the Loving Brushy  
24 Canyon East, except for the SCB13 Federal 6, which is the  
25 Loving Delaware East.

1 HEARING EXAMINER: There are some pool  
2 comminglings, and I'm not sure I follow exactly where they  
3 are, but you have product from different pools flowing  
4 into the same battery?

5 THE WITNESS: Yes, sir. Well, within the  
6 Teledyne Battery, that's all the same pool flowing into  
7 that one lease battery.

8 HEARING EXAMINER: Okay.

9 THE WITNESS: And then that gas stream, yes,  
10 sir, is commingled with other production as it heads to  
11 the 5B sales point.

12 HEARING EXAMINER: Okay.

13 THE WITNESS: The SCB13 Federal 6 out of the  
14 Loving Delaware East is located in Section 13, and it  
15 flows directly to the SCB5B Battery where it is commingled  
16 with other production from the Loving Brushy Canyon East.

17 HEARING EXAMINER: Okay. Are the fluids from  
18 these pools compatible?

19 THE WITNESS: Yes, sir. We have not seen any  
20 issues with them.

21 HEARING EXAMINER: Now, are all -- Well, I can  
22 see from the designations that's not the case. Not all of  
23 the -- most of the wells, it looks like, in the 14432 case  
24 are federal?

25 THE WITNESS: Yes, sir.

1 HEARING EXAMINER: But not all of them?

2 THE WITNESS: Right. Correct.

3 HEARING EXAMINER: Now, are there federal wells  
4 in the 14431 group? I didn't see any, but --

5 THE WITNESS: No, sir, there's not.

6 HEARING EXAMINER: Okay. So the 14432, you are  
7 commingling product from federal wells with product from  
8 non-federal wells?

9 THE WITNESS: Yes, sir. There's only one  
10 non-federal well in Case 14432.

11 HEARING EXAMINER: Okay. And where is that?

12 THE WITNESS: That is the Carrasco 14-3 located  
13 on the east side of Section 14.

14 HEARING EXAMINER: East side of -- okay, the  
15 Carrasco No. 3?

16 THE WITNESS: Yes, sir.

17 HEARING EXAMINER: Now, it has its own battery,  
18 however; is that correct?

19 THE WITNESS: Yes, sir.

20 HEARING EXAMINER: So you are continuously  
21 metering --

22 THE WITNESS: Yes, sir.

23 HEARING EXAMINER: -- that separately from all  
24 of the other wells?

25 THE WITNESS: Yes, sir.



1 HEARING EXAMINER: Okay. I think that's all my  
2 questions. Mr. Jones?

3 MR. JONES: Okay, basically, on the first case,  
4 you're asking for a revision to R-12344?

5 THE WITNESS: Yes, sir.

6 MR. JONES: And to expand the project area?

7 THE WITNESS: Yes, sir.

8 MR. JONES: And it's the same pool. Is the pool  
9 spaced on 40 acres? There's no special pool rules on  
10 these pools that are involved?

11 THE WITNESS: Not that I know of, no.

12 MR. JONES: Okay. And are you asking for a  
13 clause for future expansion administratively without  
14 notice to the original owners?

15 THE WITNESS: Yes, sir.

16 HEARING EXAMINER: Okay. You're asking for  
17 that. Do you use a vapor recovery on your oil tanks?

18 THE WITNESS: Not currently, no, sir.

19 MR. JONES: Do you estimate you're losing any  
20 gas that way?

21 THE WITNESS: It's something that -- That's part  
22 of the study that our EH&S Department is doing. Again,  
23 not just the Loving area, not even just New Mexico, but  
24 company wide trying to evaluate, you know, what are we  
25 losing and what can we do to justify BRUs.

1 MR. JONES: Okay.

2 THE WITNESS: So I feel that's in our  
3 not-too-distant future.

4 MR. JONES: Okay. And so, you've got your  
5 project areas you're going to ask for here. What you're  
6 asking for here are defined as aerial boundaries and  
7 pools; is that correct? So this -- the actual -- I  
8 understand the two pools involved, the Heradura and East  
9 Loving Lower Brushy, is -- Full Brushy; is that right?

10 THE WITNESS: Yes, sir.

11 MR. JONES: They just named it different?

12 THE WITNESS: Yes, sir.

13 MR. JONES: Okay. And oil is sold at each  
14 central tank battery; is that correct?

15 THE WITNESS: Yes, sir. There is on-lease oil  
16 sales, and --

17 MR. JONES: So the only off lease is gas?

18 THE WITNESS: Yes, sir.

19 MR. JONES: And really, the only commingling is  
20 gas; is that right?

21 THE WITNESS: Yes, sir.

22 MR. JONES: Okay.

23 THE WITNESS: But one thing we are asking for in  
24 Case 14432 on the Carrasco 14-3, we are requesting an  
25 off-lease oil storage and sales permit on that particular

1 well. Due to its proximity to the Pecos, we'd like to  
2 move that oil tank over to the SCB5B Battery.

3 MR. JONES: Okay, down southeast?

4 THE WITNESS: Yes, sir.

5 MR. JONES: So you're going have to push all  
6 three phases down to do that?

7 THE WITNESS: No, water --

8 MR. JONES: Oil and gas is going to be pushed  
9 from that well to the 5B?

10 THE WITNESS: Yes, sir, well, in separate flow  
11 lines. So everything will be separated and check metered  
12 at the --

13 MR. JONES: Okay. It's off lease?

14 THE WITNESS: Yes, sir. We just want to push  
15 that oil tank over to the 5B Battery location because we  
16 feel that's a more secure location in relation to the  
17 river.

18 HEARING EXAMINER: Which is that? Which one are  
19 you moving?

20 THE WITNESS: The Carrasco 14-3.

21 MR. JONES: That's in Case 2? Isn't that the  
22 second --

23 THE WITNESS: The 14432, yes, sir. So the  
24 Carrasco 14-3 Battery is right there in the northeast  
25 quarter of Section 14.

1 HEARING EXAMINER: Yeah.

2 THE WITNESS: And the SCB5B Battery is located  
3 just southeast of there in Section 13.

4 HEARING EXAMINER: So you're going to move the  
5 3 Battery down to the 5 Battery?

6 THE WITNESS: Just the oil tank.

7 HEARING EXAMINER: Okay.

8 THE WITNESS: That's what we're requesting.

9 HEARING EXAMINER: But you'll continue to  
10 separately measure it?

11 THE WITNESS: Yes, sir.

12 MR. JONES: As far as the -- Do the oil sales in  
13 this area go to the same people, it's the LACT on each  
14 CTB, right?

15 THE WITNESS: We have some LACT units. It's  
16 either a LACT unit, or we have truckers come and haul the  
17 oil.

18 MR. JONES: Okay. And as far as the gas  
19 gatherer, do you have only one choice out here, or do you  
20 go to different ones depending on the prices you can get  
21 and whether somebody's down that day or --

22 THE WITNESS: Well, the main gatherer for this  
23 area is Southern Union. And that is the sales point for  
24 the SCB5B and the 3B in the two cases that we're looking  
25 at.

1 MR. JONES: Okay.

2 THE WITNESS: We do have a few smaller leases  
3 that sell to -- I believe it's DCP Duke, but the gas is so  
4 small that they could take it. So Southern Union was the  
5 only one in this area available to take our volumes.

6 MR. JONES: Okay. I don't have any more  
7 questions.

8 HEARING EXAMINER: I have no further questions  
9 for the witness. Do you have anything further,  
10 Mr. Kellahin?

11 MR. KELLAHIN: No, Mr. Examiner.

12 HEARING EXAMINER: Okay. The Oil Conservation  
13 Division has received an e-mail from Wesley Ingram at the  
14 BLM, and I don't believe that -- it doesn't show that any  
15 copies were sent to Mr. Kellahin or to XTO. It states:

16 "Case 14432. Operator will need to  
17 apply to BLM for approval for this off-lease  
18 measurement, commingling and storage. BLM  
19 requires that state and Federal production  
20 be measure separately. This one could be all  
21 federal, but no details on exactly which  
22 portions of Sections 11, 12, 13, and 14  
23 are included."

24 I believe that based on the evidence that I've  
25 heard, it's my indication that you are complying with the

1 requirement that state and federal production be measured  
2 separately. But as I present this to you, be aware that  
3 BLM's position is that separate approvals are required.

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

5 HEARING EXAMINER: If there's nothing further,  
6 then Cases 14431 and 14432 will be taken under advisement.

7 (Whereupon, the proceedings concluded.)  
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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 14431-32  
heard by me on 3-4-2010.  
*David K. Brink* Examiner  
Oil Conservation Division

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

5 REPORTER'S CERTIFICATE  
 6

7 I, PEGGY A. SEDILLO, Certified Court  
 8 Reporter of the firm Paul Baca Professional  
 9 Court Reporters do hereby certify that the  
 10 foregoing transcript is a complete and accurate  
 11 record of said proceedings as the same were  
 12 recorded by me or under my supervision.

13 Dated at Albuquerque, New Mexico this  
 14 9th day of March, 2010.  
 15  
 16  
 17

18  
 19   
 20 PEGGY A. SEDILLO, CCR NO. 88  
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