STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

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

APPLICATION OF KERR-McGEE OIL & GAS ONSHORE, L.L.C., FOR AN EXCEPTION TO THE SPECIAL RULES AND REGULATIONS OF THE INDIAN BASIN-UPPER PENNSYLVANIAN ASSOCIATED POOL AND FOR SIMULTANEOUS DEDICATION, EDDY COUNTY, NEW MEXICO

CASE NO. 13,202

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

January 8th, 2004

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, January 8th, 2004, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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I N D E X

January 8th, 2004
Examiner Hearing
CASE NO. 13,202

* * *

E X H I B I T S

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A P P E A R A N C E S

FOR THE APPLICANT:

JAMES G. BRUCE
Attorney at Law
P.O. Box 1056
Santa Fe, New Mexico 87504

* * *

WHEREUPON, the following proceedings were had at 9:23 a.m.:

EXAMINER CATANACH: All right, at this time I'll call Case Number 13,202, the Application of Kerr-McGee Oil and Gas Onshore, L.L.C., for an exception to the Special Rules and Regulations of the Indian Basin-Upper Pennsylvanian Associated Pool and for simultaneous dedication, Eddy County, New Mexico.

Call for appearances.

MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe, representing the Applicant. I have three witnesses.

EXAMINER CATANACH: Additional appearances? None.

Okay, will the witnesses please stand to be sworn in?

(Thereupon, the witnesses were sworn.)

LAURIE McNAMARA,

the witness herein, after having been first duly sworn upon her oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. BRUCE:

Q. Would you please state your name and city of residence for the record?

A. Laurie McNamara, Richmond, Texas.

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

A. Kerr-McGee Oil and Gas Onshore, L.L.C., as a landman.

Q. Have you previously testified before the Division?

A. No, sir, I have not.

Q. Would you please summarize your educational and employment background for the Examiner?

A. I have a bachelor of science in biology and geology from Hope College, a master of science from Louisiana State University. I've been a practicing landman for 19 years and a Certified Professional Landman for 15.

Q. Okay. How long have you worked for Kerr-McGee?

A. Over five years.

Q. And does your area of responsibility at Kerr-McGee include the southeast portion of New Mexico?

A. Yes, sir, it does.

Q. And are you familiar with the land matters involved in this case?

A. Yes, sir.

MR. BRUCE: Mr. Examiner, I'd tender Ms. McNamara as an expert petroleum landman.

EXAMINER CATANACH: Ms. McNamara is so qualified.

Q. (By Mr. Bruce) Briefly, what does Kerr-McGee seek in this case?

A. We seek permission to drill and produce the Lowe

State Well Number 6 in the same quarter section as the existing Lowe State Well Number 5.

Q. What pool are these two wells located in?

A. The two wells are currently in the Indian Basin-Upper Pennsylvanian Associated Gas Pool.

Q. Okay. Would you identify Exhibit 1 for the Examiner?

A. Exhibit 1 is a land plat showing the associated pool and the extension to the associated pool that was granted in 2002, in blue.

Q. And then the Indian Basin Gas Pool is to the west of the associated pool; is this correct?

A. Correct.

Q. Okay. Now, in the blue acreage is -- Can there only be one well per quarter section in the, in the blue --

A. Yes, sir, when that acreage was added to the associated pool it was limited to one well per quarter section, to minimize competition with the nonassociated pool to the west.

Q. Okay, because the gas pool has a lower gas allowable than the associated pool, I believe?

A. I believe that's correct.

Q. Okay. What is Exhibit 2, then?

A. Exhibit 2 is a smaller-scale land plat showing Section 36, which is our well section, outlined in red, and

the offsetting operators to those wells.

Q. Okay. Mr. Examiner, although it's not placed on here, the -- What is the well location for the Lowe State Number 6 well, Ms. McNamara?

A. The Number 6 will be located in the southwest quarter of Section 36. The calls are 660 feet from the south line and 990 feet from the west line.

Q. And then I believe the existing -- The Lowe State Number 5 is an existing well; is that correct?

A. Correct, the Number 5 is an existing well, also in the southwest quarter.

Q. And do you have the footage on that?

A. The calls are 1650 from the south line and 2540 from the west.

Q. Okay. Now, who are the offset operators to this well?

A. Marathon Oil Company; Devon Energy Production Company, L.P.; and Yates Petroleum Company.

Q. Okay. And that would include the offset operators not only in the associated pool but in the gas pool as well?

A. Correct.

Q. Okay. Have the operators waived objection to your proposed Number 6 well?

A. Yes, sir, we've submitted those letters of waiver

as an exhibit, Number 3.

Q. Okay.

A. Marathon's waiver was conditional. We have also attached the clarification and acceptance by both parties of that conditional waiver.

Q. Okay. Briefly what are the terms of that condition on the Marathon waiver?

A. That we won't propose an additional well in the northwest quarter of the west half.

Q. Okay, so there will be only two wells in that west half section?

A. Two wells in the west half, correct.

Q. Okay.

A. Unless one of our wells ceases to produce for some reason.

Q. Okay. And in addition to complying with Division Rules, were the offsets also notified of the date of this hearing?

A. Yes, sir, they were.

Q. Okay, and that is marked Exhibit 4?

A. Correct.

Q. Were Exhibits 1 through 4 prepared by you or under your supervision or compiled from company business records?

A. Yes, sir, they were.

Q. And in your opinion is the granting of this Application in the interests of conservation and the prevention of waste?

A. Yes, sir.

MR. BRUCE: Mr. Examiner, I'd move the admission of Kerr-McGee Exhibits 1 through 4.

EXAMINER CATANACH: Exhibits 1 through 4 will be admitted.

EXAMINATION

BY EXAMINER CATANACH:

Q. The acreage that's shown on Exhibit 1, that's basically all -- the blue and the yellow is all within the associated pool, right?

A. Correct, currently it's all in the associated pool.

Q. And the gas pool is to the west; is that right?

A. Correct.

Q. Okay. Are there additional wells in the east half of this section, do you know?

A. Yes, sir, there's two producing wells, the Number 3 and the Number 4.

MR. BRUCE: And data will be presented on those by another witness, Mr. Examiner.

EXAMINER CATANACH: Okay.

Q. (By Examiner Catanach) The waivers that you

obtained from Yates and Devon didn't have any conditions on them; is that right?

A. That's correct.

Q. And those are the only three offset operators to your unit?

A. Correct.

EXAMINER CATANACH: Okay, I think that's all I have of this witness.

JAMES THOMAS LOWE,

the witness herein, after having been first duly sworn upon his oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. BRUCE:

Q. Would you please state your name for the record?

A. James Thomas Lowe.

Q. Where do you reside?

A. In Houston, Texas.

Q. And who do you work for?

A. Kerr-McGee Oil and Gas Onshore, L.L.C.

Q. What's your job with Kerr-McGee?

A. I am the development geologist in charge of the Indian Basin field.

Q. Have you previously testified before the Division?

A. Yes, sir, I have.

Q. And were your credentials as an expert petroleum geologist accepted as a matter of record?

A. Yes, they have.

Q. And are you familiar with the geology involved in this application?

A. Yes, sir, I am.

MR. BRUCE: Mr. Examiner, I tender Mr. Lowe as an expert petroleum geologist.

EXAMINER CATANACH: He is so qualified.

Q. (By Mr. Bruce) Mr. Lowe, could you -- Let's run through your exhibits. Could you first identify your Exhibit 5 and discuss its contents for the Examiner?

A. Yes, sir, Exhibit 5 is a structural contour map on the top of the Pennsylvanian-Cisco dolomite. The section of interest for Kerr-McGee's Lowe State Number 6 is outlined in red, Section 36. The map is contoured on a 25-foot contour interval -- I'm sorry, a 50-foot contour interval -- and it shows that the proposed location for the Lowe State 6 is in a structurally favorable position on our lease.

Q. Okay. Why don't you move on to your Exhibit 6 and discuss the dolomite geology in a little more detail?

A. Exhibit 6 is a gross Cisco dolomite isopach. Again, the contours are contoured on the top of the dolomite to the base of the dolomite. It shows at our

proposed location that we'll have approximately 475 feet of gross dolomite thickness, and as far as the interpretation in this section, it appears that it is in a favorable stratigraphic position to encounter hydrocarbons.

Q. Looking at this map, is the dolomite fairly thick on your Section 36 --

A. Yes, sir --

Q. -- as compared to the offsets?

A. -- it is very thick, as surrounding -- from surrounding offset wells and offset sections.

Q. And again, just the thickness alone would indicate a favorable geologic position?

A. Yes, sir.

Q. Finally, what is your Exhibit 7?

A. Exhibit 7 is a stratigraphic cross-section through the wells in the western half of Section 36 and to our proposed location. And the datum is the top of the Cisco/Canyon dolomite, and the baseline showing the bottom of the stratigraphic interval of that dolomite is defined by a change in electric log character and sample description showing the dolomite below that line goes to a nonporous limestone, nonproducing facies.

The other thing that's noticed in here, that the well proposal will be very close to the Lowe State Gas Community Number 2, which is now temporarily abandoned.

Q. Now, looking at that Number 2 well, first of all, Kerr-McGee does not intend to produce that well, does it?

A. That is correct.

Q. And also, was that only perforated and produced at the very top of the dolomite?

A. Yes, sir, originally the well, the Lowe State Number 2, was perforated only 16 feet in the upper portion of the dolomite, and I believe the reason it was only perforated there was because they were afraid of high water production below --

Q. Okay.

A. -- in the earlier days of this field.

Q. Okay. And since then, there have been advances in producing water out of this --

A. Yes, sir, other wells on this cross-section show that there are perforations that are producing quite far below that interval.

Q. Okay, and have produced substantial quantities of water?

A. Yes, sir, we can have the water now that initially we were not able to.

Q. What is the size of the wellbore on the Number 2 well? Do you recall, or does --

A. I would defer that to --

Q. -- to the engineer?

A. -- to the engineer.

Q. Okay. In your opinion, from a geologic standpoint, is the Number 6 well -- the proposed Number 6 well -- at a favorable geologic location where it looks, at least geologically, that you will obtain sufficient reserves to make the well economic?

A. Yes, sir.

Q. And were Exhibits 5 through 7 prepared by you or under your supervision?

A. Yes, sir, they have.

Q. In your opinion, is the granting of this Application in the interests of conservation and the prevention of waste?

A. Yes, sir.

MR. BRUCE: Mr. Examiner, I'd move the admission of Exhibits 5, 6 and 7.

EXAMINER CATANACH: Exhibits 5, 6 and 7 will be admitted.

EXAMINATION

BY EXAMINER CATANACH:

Q. So Mr. Lowe, the southwest quarter of Section 36 would be structurally higher in the Cisco than the northwest quarter; is that right?

A. That is correct, as shown by the numbers on the control points by the wells and also by the contour lines.

Q. Is that important in this reservoir?

A. Yes, sir, it is. To be as high as possible is better, obviously, than low as possible, just to keep the gases high, although we will expect to have a lot of associated water, but we are able to get rid of the water with our now -- production systems. This will not be water-free by any means.

Q. The Lowe State 2, the Lowe State 2, that previously produced from this pool; is that --

A. Yes, sir, the Lowe State 2 produced from the pool in 1986, and then in 1991 those perforations were abandoned in the dolomite and the well was moved down through perforations, I believe, in the Morrow.

Q. Do you know why that occurred?

A. I do not, other than I assume that the amount of water, perhaps, in the initial production was too high.

Q. Okay. The well in the northwest quarter, the Lowe State 1, can you give me a story on that well?

A. Yes, sir, the Lowe State 1 was drilled in 1995 -- I'm sorry, in 1964, and it has produced to the present, from 1964 on to the present, and it's accumulated approximately 16.89 BCF, 144,000 barrels of oil and some 797,000 barrels of water.

That well is presently shut in, I believe, to mechanical problems. I would defer that to the engineer's

testimony for why. But it is our understanding that that well will not be on production.

Q. Okay, that well was completed in the Permo-Penn?

A. Yes, sir, it was from 1964 to right now, and it's presently not producing.

Q. Do you know when that was abandoned or when that quit producing?

A. Again, I would have to defer to the engineering testimony. I believe he has that information.

Q. That's a Kerr-McGee well?

A. Yes, sir.

Q. Again, you don't know why the Lowe State Number 1 is not producing or has been abandoned; is that right?

A. It has not been abandoned, it's still -- It's still operating, but right now we have it shut in, and I believe the engineer will give testimony as to why.

Q. Okay. Certainly the reservoir up in the -- obviously the reservoir up in the northwest quarter is productive from this reservoir, right?

A. That is correct. But we feel that the southwest quarter -- Because of the low cumulative production from the Lowe State Number 2, we believe that there are more hydrocarbons available to be obtained in the southwest quarter, vice the northwest quarter. And I believe the engineer will have testimony to that fact also.

Q. How long has the Number 5 well been producing?

A. The Number 5 well is producing since 1964, and it's presently shut in, but --

MR. BRUCE: The Number 5 well.

THE WITNESS: I'm sorry, the Number 5 well.

Q. (By Examiner Catanach) Yeah.

A. The Number 5 well is actively producing today. It has started producing from 1999.

Q. Do you know what the cum numbers on that --

A. Yes, the cum number for the Lowe State Number 5 to present is 6.56 BCF, 18,874 barrels of oil, and 901,695 barrels of water.

And again, these numbers are shown on my cross-section.

Q. How do you determine what the best location for the Number 6 well would be in that southwest quarter? Is that a combination of thickness and structure?

A. Combination of thickness, structure, and the fact that the Number 2, since it has not produced all that much because of mechanical problems, we believe that that is where the best potential for reserves can be found on this lease. So it's a matter of -- more so, probably, of nonproducing ability of the Number 2 well.

Q. Did you also try and maximize your distance from the Number 5 well?

A. Yes, sir, we wanted to stay close to the Number 2 because the closer you get to the 5, the more you influence its drainage.

EXAMINER CATANACH: Okay, I believe that's all I have.

RUSSELL E. WELCH,

the witness herein, after having been first duly sworn upon his oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. BRUCE:

Q. Would you please state your name and city of residence?

A. Russell Eugene Welch, Houston, Texas.

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

A. Kerr-McGee Oil and Gas Onshore, L.L.C.

Q. And what is your job with Kerr-McGee?

A. I'm a reservoir engineer.

Q. Have you previously testified before the Division?

A. No, sir, I haven't.

Q. Would you summarize your educational and employment background for the Examiner?

A. I have a bachelor of science degree from the University of Missouri at Rolla, and I have approximately 29 years of experience.

Q. How long have you worked for Kerr-McGee?

A. Approximately four years.

Q. And does your area of responsibility at Kerr-McGee include southeast New Mexico?

A. Yes, sir, it does.

Q. And are you familiar with the reservoir engineering matters pertaining to this Application?

A. Yes, I am.

MR. BRUCE: Mr. Examiner, I'd tender Mr. Welch as an expert reservoir engineer.

EXAMINER CATANACH: He is so qualified.

Q. (By Mr. Bruce) Mr. Welch, could you identify your first exhibit, Number 8, and just basically again summarize what Kerr-McGee seeks in this matter?

A. Right, we're looking to drill the proposed Lowe State Gas Number 6 well, approximately 660 feet from the south line and 990 feet from the west line in Section 36, Township 21 South, Range 23 East.

Q. Could you discuss the basis for your request for this well and identify Exhibit 9?

A. Previously we've had two wells producing on the west half of Section 36. We have lost the Number 1 well due to mechanical problems. The Number 2 well has been TA'd for quite some time and hasn't been producing from the Cisco-Penn. And we would like to add a second well in that

western half near the Lowe State Gas Com Number 2.

Q. Now, you mentioned the Number 1 well. That's the well in the northwest quarter?

A. That's correct.

Q. Okay, and then the Number 2 well is the one in the southwest of the southwest?

A. That's correct.

Q. Okay, why don't you discuss production from the wells? And the Hearing Examiner asked a prior witness about production from the entire section. Is that shown on your Exhibit 10?

A. Exhibit 10 is a daily well test production for the three active wells that are in Section 36, as well as the Lowe 1, which is currently shut in. The Lowe State Number 1, I believe, was shut in last June or July of last -- 2003, due to mechanical problems. We've tried to work that well over and have not been successful with the pump. We use submersible pumps. This well is cased with 5-1/2-inch casing, and we're not able to do the type of completion that we normally do in Indian Basin field, in 7-inch casing.

Q. At this point there's no plans to restart production on the Number 1?

A. No, I think it's probably uneconomic to spend more money on this one.

Q. Okay. Then you also have the Lowe State Number 5. That is the other well in the southwest quarter, is it not?

A. That's correct. It, as of January the 5th, was making 3854 MCF of gas per day and about 282 barrels of water per day, 30 barrels of oil per day.

Q. And then the other wells, the Number 4 and Number 3, are they in the east half?

A. They are in the east half, yes, sir.

Q. Okay. What are their approximate producing rates in gas?

A. The Number 4 was making 1.8 million in gas and 1949 barrels of water per day, 64 barrels of oil per day on June 5th -- I mean, excuse me, January the 5th of this year.

And the Lowe Number 3 was making 8.7 million a day and 511 barrels of water per day and 106 barrels of oil per day.

Q. What is the approximate vintage of the Number 3 and 4 wells? When were they drilled, roughly?

A. The Number 3 well, I believe, was spud -- came on line in 1998, and to date it has produced about 13.5 BCF of gas.

The Number 4 well was in 1999, and it's produced about 3.6 BCF of gas.

Q. Is that shown on your Exhibit 11?

A. Actually on 12 and 11, yes.

Q. Okay. Now, in looking at Exhibit 11, which has the cumulative production figures, getting back to some of the Examiner's questions, because the Number 1 well has produced almost 17 BCF in the northwest quarter, at this point, anyway, do you wish to -- is it more -- does it seem more favorable to drill in the southwest quarter than the northwest quarter?

A. It does at this time. We looked at redrilling this well, the Number 1 well, and a location to the northwest of it would put us in a bit of an unfavorable position geologically and structurally.

If we went to the southeast of that location, we have problems with surface facilities, roads and that type of thing. We would have to actually drill in a -- I guess an unorthodox type of position to redrill that well, and that would put us closer to the Number 5, which was not desirable.

Q. Okay. Now again, drilling close to the Number 2 well, it's already been proved productive nearby, of course?

A. Correct.

Q. And I think Mr. Lowe said that that well had only been completed in the very top of the Cisco/Canyon. When

you drill the Number 6 well, you would not just complete it at the top of the Cisco/Canyon, would you?

A. No, we wouldn't. There's probably at least 200 feet additional that we would consider perforating and completing in. That particular well location has projected something like 450-plus feet of gross dolomite at that location to work with.

Q. Okay. Anything else on Exhibit 11, Mr. Welch?

A. No.

Q. Okay. Move on to your Exhibit 12. What is this intended to indicate?

A. Exhibit 12 just summarizes the cum gas production from each of the eight sections surrounding our Section 36, which has so far cum'd 42.4 BCF of gas. The red numbers, the numbers in red, are the quarter-section cums.

And this is just an informational exhibit to show that even though we have very thick gross interval and reservoir that, you know, our production is somewhat in line with the offsets and, if anything, we might be in jeopardy of being able to continue to produce as much as we should on the western half if only have one well.

Q. Okay. Now, there are some sections that haven't produced much yet. To a certain extent does that reflect some of these are newer wells in those sections?

A. Yes, some of them -- some of the lower cums are

reflected by newer wells, and then there's also some that just reflect poorer geology.

Q. Yeah. For instance, in Section 30, Mr. Welch, if you'd refer back to Exhibit 1, there is apparently no dolomite in the west half of Section 30; is that correct?

A. Right, that's correct.

Q. So all things considered, do you believe that your proposed well location will be spotted in a reasonable location where you could recover additional reserves from your section?

A. Yes, I do.

Q. Were Exhibits 8 through 12 prepared by you or under your supervision?

A. Yes, they were.

Q. And in your opinion is the granting of this Application in the interests of conservation and the prevention of waste?

A. Yes, it is.

MR. BRUCE: Mr. Examiner, I'd move the admission of Exhibits 8 through 12.

EXAMINER CATANACH: Exhibits 8 through 12 will be admitted.

EXAMINATION

BY EXAMINER CATANACH:

Q. Mr. Welch, is it your opinion that the Number 6

well will recover gas that will not be recovered by the Number 5 well?

A. Yes, it is. It's difficult to say under the current operation that we have, by moving large amounts of water, but it's my belief that it will.

Q. But you can't -- it would be difficult to come up with any numbers for that kind of thing?

A. It's difficult in this field because of the vugs and fractures, as well as the matrix porosity of really determining, you know, the gas in place and how much each well will recover. You can do so to a degree with decline curve analysis and some P/Z information.

Basically what I've seen in Section 36 is that I think there's something like probably 60 BCF of gas in place. 42 of that has been recovered so far, and we think maybe 53 or so is possible as an ultimate, given maybe four wells.

Q. Is there still some potential for the recovery of additional gas in the northwest quarter of this section?

A. There possibly is. It's a matter of economics and where we can place a well in a -- It's also an area that has a high cum with thinning geologic parameters to the northwest, so it does have concern to us about the economic viability of being able to drill one in that quarter section.

Q. The ultimate recovery from the southwest quarter, do you think that's going to be comparable to the northwest?

A. Probably won't be as much. I'm thinking that maybe in the 12-BCF range would be something that will be more reasonable for that. The well in the northwest quarter, it was the first well drilled, and of course it has produced the longest. So I doubt that we can catch up to that type of cum, but...

Q. Now, these are all classified as gas wells, right?

A. Yes.

Q. And the Number 5 well is producing how much currently?

A. 3854 MCF per day was the January 5th, '04, rate reported, along with 282 barrels of water and 30 barrels of oil and condensate.

Q. Are there any allowable problems that you guys are going to run up against, drilling another well?

A. I don't believe so. I believe the allowable for the west half is at 9.7 million a day. I'm not sure about that, but --

MR. BRUCE: I believe it's 9.8 million a day.

THE WITNESS: 9.8.

Q. (By Examiner Catanach) The offset operators

don't appear to be concerned about this. Apparently there are wells in each of the offset tracts that are currently producing, that protect that acreage; is that your understanding?

A. Yes, to the west Marathon's wells, the Federal 3 and 4, are both producing a little over 2 million a day, from the last records I saw. And then Yates -- The ANG Federal -- the Zingaro ANG Federal Number 4, I believe, is producing about 1.7 million a day.

I think we would expect something around 2 million for this Number 6 location.

Q. What has happened with the Number 1 well? It's just pump problems?

A. The Number 1 well has 5-1/2-inch casing. Our modern completions -- and I'm not an operations engineer, but the modern completions require 7-inch casing with a submersible pump in order to put a shroud over the pump and set it below the perfs, to keep fluid over and keep it cooled.

We're not able to do that with this well. We have to set it above, and it has given us scaling and operational problems, from what I understand.

We just went through a very expensive workover attempt last year on this, well over $200,000, and it didn't work very well, didn't last long. So we, I don't

think, have much luck of -- or much of a chance of getting that to operate efficiently from now on.

Q. Do you know what's going to be done with that wellbore?

A. I suspect that we will be abandoning if we get -- drill a new one here.

Q. Plugged?

A. Plug it, yeah.

EXAMINER CATANACH: Okay, I think that's all I have, Mr. Bruce.

MR. BRUCE: I have nothing further in this matter.

EXAMINER CATANACH: Okay. There being nothing further in this case, Case 13,202 will be taken under advisement.

(Thereupon, these proceedings were concluded at 9:58 a.m.)

* * *

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 13202, heard by me on January 8 2004.

David K. Catanach, Examiner
Oil Conservation Division

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL January 9th, 2004.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006