

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

2004 JUN 10 PM 3 25
Case No. 13277

CONTINUED AND DISMISSED CASES

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

May 27th, 2004

Santa Fe, New Mexico

These matters came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, May 27th, 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

May 27th, 2004
Continued and Dismissed Cases

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| REPORTER'S CERTIFICATE | 10 |

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1 WHEREUPON, the following proceedings were had at
2 8:20 a.m.:

3 EXAMINER STOGNER: This hearing will come to
4 order, Docket Number 14-04. Please note today's date,
5 Thursday, May 27th, 2004. I'm Michael Stogner, appointed
6 Hearing Examiner for today's cases, and at this time I will
7 go through the continuances and dismissals.

8 Case 13,265, first page, this is the Application
9 of Chesapeake Operating, Inc., for compulsory pooling, Lea
10 County, New Mexico. This case will be continued to June
11 the 10th, 2004. Next case, 13,267, this is also the
12 Application of Chesapeake Operating, Inc., for an
13 unorthodox gas well location and to terminate Order Number
14 R-11,432-A, Lea County, New Mexico. This case will also be
15 continued to the Examiner Hearing scheduled for June 10th.
16 The next case, 13,270, is the Application of Yates
17 Petroleum Corporation for an order rescinding approval of a
18 change of operator, Eddy County, New Mexico. This case
19 will also be continued to June the 10th.

20 Okay, page 2, top of the page, Case 13,264, this
21 is the Application of Devon Energy Production Company,
22 L.P., for compulsory pooling, Lea County, New Mexico. This
23 case will be continued to June the 10th.

24 And on over now to the fourth page. Up at the
25 top, Case 13,253, this is the Application of Yates

1 Petroleum Corporation for an order authorizing the drilling
2 of three wells in the potash area, Eddy County, New Mexico.
3 This case will be continued to June the 10th. In the
4 middle, Case 13,258, this is the Application of the New
5 Mexico Oil Conservation Division for a compliance order
6 requiring Inter-Continental Energy, Inc., to bring one well
7 in Rio Arriba County into compliance. This case will be
8 continued to June the 24th.

9 Any other continuances and dismissals at this
10 time?

11 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe.
12 On the first page, the second case from the bottom,
13 Application of Tom Brown, Inc., on behalf of the Applicant
14 I would request that that case be continued for two weeks.
15 It will probably have to be continued again. Mr. Carr is
16 involved in that. We're discussing certain issues.

17 EXAMINER STOGNER: Case Number 13,271,
18 Application of Tom Brown, Inc., for compulsory pooling,
19 Eddy County. Do you wish to make a comment, Mr. Carr?

20 MR. CARR: No. Mr. Stogner, this is related to a
21 case that was heard a few weeks ago, and we have a
22 discovery issue that Mr. Bruce and I are trying to resolve.
23 How that comes out will depend on whether or not we can go
24 to hearing in two weeks.

25 EXAMINER STOGNER: Okay, Case Number 13,271 will

1 be continued to June the 10th.

2 MR. BRUCE: And then, Mr. Examiner, on page 2,
3 the case in the middle, Pure Resources, L.P., I would ask
4 that that case be continued for two weeks. The parties
5 have almost resolved all their issues, but they need a
6 little additional time.

7 EXAMINER STOGNER: Case Number 13,261 will be
8 continued also to June the 10th.

9 Any other continuances and dismissals?

10 MR. GALLEGOS: Mr. Examiner, Gene Gallegos for
11 Fulfer Oil and Cattle Company, Case 13,277 on page 4. We
12 ask that be continued on the basis of the matters that were
13 raised in the prehearing conference.

14 EXAMINER STOGNER: Would June 10th be all right
15 for that?

16 MR. GALLEGOS: That will be fine.

17 EXAMINER STOGNER: Case Number 13,277 will also
18 be continued to June the 10th.

19 Any continuances or other dismissals?

20 MR. CARR: May it please the Examiner, on page 3
21 at the bottom is an Application that was filed originally
22 by Permian Resources. I believe yesterday afternoon Mr.
23 Kellahin wrote and requested that the portion of the case
24 that relates to pool rules be dismissed and that the
25 Application be dismissed so the location could be handled

1 administratively. I received a letter late yesterday.

2 EXAMINER STOGNER: And you are a party to this
3 case how, Mr. Carr?

4 MR. CARR: Yes, I am. I represent Yates
5 Petroleum Corporation and EOG Resources, both of whom
6 initially objected and have reached an agreement originally
7 with Permian, and now -- since the property is now operated
8 by Chesapeake we'll have to pursue it there.

9 EXAMINER STOGNER: Okay, so at this time I did
10 receive that letter and I acknowledge the dismissal of the
11 special pool rules. Now for the unorthodox location I was
12 a little confused. I could not remember, nor in looking at
13 the file, that this had previously been filed
14 administratively or had been set to hearing originally.
15 What is your understanding on the intention of that?

16 MR. CARR: Mr. Stogner, Mr. Hall represents
17 Permian.

18 MR. HALL: Mr. Examiner, I originally filed that
19 Application on behalf of Permian. The property was
20 recently acquired by Chesapeake. Mr. Kellahin will be
21 taking over the case on behalf of Chesapeake, and I'll
22 withdraw my entry of appearance on behalf of Permian.

23 The case was originally filed for alternative
24 relief for special pool rules or, alternatively, for an
25 orthodox well location. We have tentatively indicated to

1 the Division that the special pool rules portion of the
2 case would be dismissed, and then once the parties had
3 negotiated and executed a waiver of objections to the
4 location, then the case would be filed administratively for
5 the well location.

6 EXAMINER STOGNER: Mr. Carr, is it your
7 understanding this case should be dismissed or continued
8 until --

9 MR. CARR: Mr. Stogner --

10 EXAMINER STOGNER: -- the administrative order is
11 issued?

12 MR. CARR: -- my understanding was that the
13 Division had advised Permian and Chesapeake that there will
14 be no further continuances. And it was based on that Mr.
15 Kellahin contacted me yesterday and asked if our prior
16 agreements stood, and I said they did. And he said he was
17 going to seek dismissal of this and pursue the matter
18 administratively, and I indicated to him that I would be
19 able to give waivers based on earlier agreements.

20 EXAMINER STOGNER: So be it. Then at this time
21 Case 13,144 will be dismissed.

22 I'm sorry, who will be your expert witness, did
23 you say, Mr. Hall?

24 MR. HALL: I didn't, and I may not. MIA. They
25 were taking out the MIA flag just now.

1 (Off the record at 8:29 a.m.)

2 (The following proceedings had at 8:31 a.m.):

3 EXAMINER STOGNER: Oh, I'm sorry, let's go back
4 on the record.

5 Mr. Bruce?

6 MR. BRUCE: One final matter, Mr. Examiner, on
7 the continuances on page 2.

8 EXAMINER STOGNER: Page 2.

9 MR. BRUCE: I don't think you called this case,
10 the second one from the bottom, the Concho Resources case.

11 EXAMINER STOGNER: No, sir, I did not.

12 MR. BRUCE: Mr. Examiner, I filed that on behalf
13 of Concho Resources, Inc., which is now Chesapeake Permian,
14 L.P. Mr. Kellahin will be taking over that case. But in
15 the interim, because of the changeover there was a little
16 lapse in taking care of this case, but I have spoken with
17 Mr. Kellahin, and on behalf of Chesapeake he had agreed
18 that the case should be continued for two weeks so that
19 Chesapeake can determine what to do in this matter.

20 EXAMINER STOGNER: Case Number 13,218, which is
21 the Application of Concho Resources, Inc., for compulsory
22 pooling, will also be continued to June 10th.

23 We'll take just a short recess, go off the
24 record, and get things read for the hearing today.

25 (Off the record at 8:32 a.m.)

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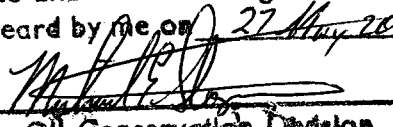
(The following proceedings had at 1:24 p.m.):

EXAMINER STOGNER: This hearing will come to order. Before I call the Arch case, at this time I'm going to call Case Number 13,165. This is the Application of the New Mexico Oil Conservation on its own motion for an order requiring EnergyPro, Inc., to properly plug one certain well in Lea County.

This case is dismissed.

(Thereupon, these proceedings were concluded at 1:24 p.m.)

* * *

I do hereby certify that the foregoing is a complete record of the proceedings of the Examiner hearing of Case No. 13277, heard by me on 27 May 2004.
 , Examiner
Oil Conservation Division


CERTIFICATE OF REPORTER

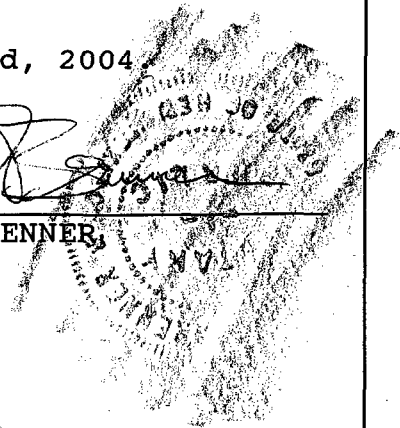
STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

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 June 2nd, 2004


STEVEN T. BRENNER,
CCR No. 7



My commission expires: October 16th, 2006