

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

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

APPLICATION OF FRUITLAND COALBED METHANE) CASE NO. 13,100
STUDY COMMITTEE TO AMEND RULES 4 AND 7)
OF THE SPECIAL RULES AND REGULATIONS FOR)
THE BASIN-FRUITLAND COAL (GAS) POOL IN)
SECTIONS 17 AND 18, TOWNSHIP 30 NORTH,)
RANGE 14 WEST, AND PORTIONS OF SECTIONS)
13, 14, 23, 24, 25, 26 AND 35, TOWNSHIP)
30 NORTH, RANGE 15 WEST SAN JUAN COUNTY,)
NEW MEXICO)

ORIGINAL

2004 JUN 28 AM 11 01

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSION HEARING

BEFORE: MARK E. FESMIRE, CHAIRMAN
JAMI BAILEY, COMMISSIONER
FRANK T. CHAVEZ, COMMISSIONER

June 17th, 2004

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Commission, MARK E. FESMIRE, Chairman, on Thursday, June 17th, 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

June 17th, 2004
Commission Hearing
CASE NO. 13,100

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A P P E A R A N C E S

FOR THE COMMISSION:

DAVID K. BROOKS, JR.
Assistant General Counsel
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 9:00 a.m.:

3 CHAIRMAN FESMIRE: Good morning, at this time
4 I'll call this meeting of the New Mexico Oil Conservation
5 Commission to order. For the record, let it reflect that
6 it's nine o'clock a.m. on June 17th, 2004. The location is
7 Porter Hall in the New Mexico Oil Conservation Division
8 offices in Santa Fe, New Mexico.

9 My name is Mark Fesmire, I'm the newly appointed
10 Oil Conservation Division Director.

11 To my left is Mr. Frank Chavez. Mr. Chavez has
12 just been appointed to this Commission by Secretary Joanna
13 Prukop of the New Mexico Energy, Minerals and Natural
14 Resources Department.

15 On my right is Ms. Jami Bailey. Ms. Bailey is
16 the designee of the State Land Commissioner to this
17 Commission.

18 To the left of Mr. Chavez is Mr. David Brooks.
19 Mr. Brooks is the Commission counsel.

20 To the right of Ms. Bailey is Ms. Florene
21 Davidson. She's the Commission secretary.

22 And the court reporter today, as I understand in
23 most times, is Mr. Steve Brenner.

24 Let the record reflect that all Commissioners or
25 their designees are present.

1 The first order of business today should be the
2 election of a Chairman. At this time I'll call for
3 nominations.

4 COMMISSIONER CHAVEZ: I nominate Mr. Mark
5 Fesmire.

6 CHAIRMAN FESMIRE: Is there a second?

7 COMMISSIONER BAILEY: Sure.

8 CHAIRMAN FESMIRE: Thank goodness.

9 COMMISSIONER CHAVEZ: I move nominations cease.

10 CHAIRMAN FESMIRE: There's been a motion that
11 nominations cease. Is there a second?

12 COMMISSIONER BAILEY: Yes.

13 COMMISSIONER CHAVEZ: Call a question.

14 CHAIRMAN FESMIRE: Is there a motion to elect the
15 nominee as Chair?

16 COMMISSIONER CHAVEZ: I so move.

17 CHAIRMAN FESMIRE: Is there a second?

18 COMMISSIONER BAILEY: Yes.

19 CHAIRMAN FESMIRE: All those in favor?

20 COMMISSIONER CHAVEZ: Aye.

21 COMMISSIONER BAILEY: Aye.

22 CHAIRMAN FESMIRE: Opposed? The motion to elect
23 Mark Fesmire Chairman of the New Mexico Oil Conservation
24 Commission carries. Thank goodness.

25 * * *

1 CHAIRMAN FESMIRE: The next piece of business
2 should be the adoption of the minutes of the meeting held
3 on February 12th, 2004, and at this time I need to ask the
4 Commissioners if they've had the opportunity to review the
5 minutes of that meeting?

6 COMMISSIONER BAILEY: Yes, I have, and it does
7 accurately reflect the business of that meeting.

8 CHAIRMAN FESMIRE: Mr. Chavez, have you had a
9 chance to review those minutes?

10 COMMISSIONER CHAVEZ: Yes, I have.

11 CHAIRMAN FESMIRE: For the record, I have also
12 reviewed those minutes. Is there a motion to adopt those
13 minutes?

14 COMMISSIONER BAILEY: I so move.

15 CHAIRMAN FESMIRE: Is there a second?

16 COMMISSIONER CHAVEZ: I second.

17 CHAIRMAN FESMIRE: All those in favor of adopting
18 the minutes as presented?

19 COMMISSIONER BAILEY: Aye.

20 COMMISSIONER CHAVEZ: Aye.

21 CHAIRMAN FESMIRE: Opposed? The minutes of the
22 February 12th meeting of the New Mexico Oil Conservation
23 Commission are adopted as presented. At this time I'll
24 need to sign the minutes.

25 * * *

1 CHAIRMAN FESMIRE: At this time I'll take up the
2 first case on the docket. It's Cause Number 13,100, the
3 Application of the Fruitland Coalbed Methane Study
4 Committee to amend Rules 4 and 7 of the Special Rules and
5 Regulations for the Basin-Fruitland Coal (Gas) Pool in
6 Sections 17 and 18, Township 30 North, Range 14 West, and
7 portions of Sections 13, 14, 23, 24, 25, 26 and 35,
8 Township 30 North, Range 15 West in San Juan County, New
9 Mexico.

10 Counsel Brooks, will you review the status of
11 this case and explain the draft order, please.

12 MR. BROOKS: Mr. Chairman, honorable
13 Commissioners, this case was the result of a severance of
14 the Basin-Fruitland Coal downspacing hearing that was held
15 in June of 2002, I believe. The record will record will
16 reflect when it was held; I'm going by memory on that.
17 2003, 2003.

18 At that hearing, those particular townships and
19 sections identified in the order were the subject of a
20 controversy between Dugan Production Corp. and San Juan
21 Coal Company that did not affect any of the remainder of
22 the Basin-Fruitland Coal (Gas) Pool. And accordingly,
23 pursuant to the agreement of the parties, the issues in
24 those cases were severed, and a decision as to the
25 authorization of infill wells in those particular sections

1 was incorporated into Case Number 13,100.

2 There was a hearing in Case Number 13,100 that
3 was conducted after the conclusion of the hearing in the
4 pool rules case but on the same docket, and the issues were
5 fully presented. However, before the Commission had
6 determined the issues, they were notified by counsel that
7 they were working on some agreement.

8 Several months ago now, we were notified by
9 counsel for San Juan Coal Company and Dugan Production
10 Corp. that they had compromised and settled all the issues
11 between them in Case Number 13,100 and that they requested
12 that the *de novo* appeal of the Division's order, insofar as
13 it related to those particular sections, be dismissed,
14 which would have the effect of leaving the Division Order
15 in effect.

16 But they wanted a particular stipulation because
17 of the fact that San Juan Coal Company had another case
18 pending in which many of the same issues were -- are,
19 because it's still pending now -- are involved, but in
20 which Dugan is not a participant. They wanted the order to
21 read that the dismissal was with prejudice as to Dugan
22 Production Corp., but it was without prejudice as to San
23 Juan, and it would not in any way be construed as an
24 adjudication or a precedent for the issues in the case that
25 is pending Secretarial review from the Commission's

1 previous order in the case between San Juan Coal Company
2 and another operator.

3 So that is the tenor of the order that was
4 prepared. Most of the operative language is taken from the
5 agreement of the parties, and the form is supplied in
6 accordance with the form of our Commission.

7 CHAIRMAN FESMIRE: Have the Commissioners had a
8 chance to review the order?

9 COMMISSIONER CHAVEZ: Yes.

10 CHAIRMAN FESMIRE: Is there a motion to approve
11 the draft order?

12 COMMISSIONER CHAVEZ: I so move.

13 CHAIRMAN FESMIRE: Is there a second?

14 COMMISSIONER BAILEY: I second.

15 CHAIRMAN FESMIRE: All those in favor?

16 COMMISSIONER BAILEY: Aye.

17 COMMISSIONER CHAVEZ: Aye.

18 CHAIRMAN FESMIRE: Opposed? The motion carries,
19 and the order has been approved and will be signed in open
20 session now.

21 (Thereupon, these proceedings were concluded at
22 9:08 a.m.)

23 * * *

24

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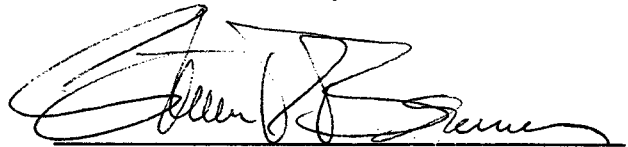
CERTIFICATE OF REPORTER

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 Commission 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 19th, 2004.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006