

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

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:

REOPENED APPLICATION OF WILLIAMS Case No. 14521  
PRODUCTION CO., LLC, FOR APPROVAL OF  
A CLOSED-LOOP SYSTEM FOR THE ROSA SALTWATER  
DISPOSAL WELL NO. 2 AND FOR IN-PLACE BURIAL  
OF DRILLING WASTES AT ANOTHER WELL LOCATION,  
RIO ARRIBA COUNTY, NEW MEXICO

DE NOVO APPLICATION OF CIMAREX ENERGY Case No. 14418  
COMPANY FOR A NONSTANDARD OIL SPACING AND  
PRORATION UNIT AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO

REOPENED APPLICATION OF CIMAREX ENERGY Case No. 14480  
COMPANY FOR A NONSTANDARD OIL SPACING AND  
PRORATION UNIT AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO

APPLICATION OF AGUA SUCIA, LLC, TO Case No. 14411  
REINSTATE DIVISION ADMINISTRATIVE ORDER  
SWD-559 FOR A SALTWATER DISPOSAL WELL,  
LEA COUNTY, NEW MEXICO

Case No. 10693; Case No. 11724; Case No. 11954; Case No.  
11987; and Case No. 13048: Dismissed

Case No. 12276 and Case No. ~~12277~~ continued to  
December 9, 2010

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
COMMISSIONER HEARING

BEFORE: MARK E. FESMIRE, Chairman  
JAMI BAILEY, Commissioner  
WILLIAM C. OLSON, Commissioner

November 4, 2010  
Santa Fe, New Mexico

RECEIVED  
NOV 18 2010  
A 9 22

1 This matter came on for hearing before the New  
2 Mexico Oil Conservation Commission, MARK E. FESMIRE,  
3 Chairman, on Thursday, November 4, 2010, at the New  
4 Mexico Energy, Minerals and Natural Resources Department,  
5 1220 South Saint Francis Drive, Room 102, Santa Fe, New  
6 Mexico.

7  
8  
9 REPORTED BY: Jacqueline R. Lujan, CCR #91  
10 Paul Baca Professional Court Reporters  
11 500 Fourth Street, N.W., Suite 105  
12 Albuquerque, NM 87103 505-843-9241

A P P E A R A N C E S

13 FOR THE OIL CONSERVATION COMMISSION:

14 MARK SMITH  
15 ASSISTANT GENERAL COUNSEL  
16 1220 South St. Francis Drive  
17 Santa Fe, New Mexico 87504

18 FOR THE APPLICANT CIMAREX ENERGY CO.:

19 HINKLE, HENSLEY, SHANOR & MARTIN, LLP  
20 GARY W. LARSON, ESQ.  
21 P.O. Box 2068  
22 Santa Fe, New Mexico 87504-2068

23 FOR LYNX PETROLEUM CONSULTANTS:

24 HOLLAND & HART, LLP  
25 OCEAN MUNDS-DRY, ESQ.  
P.O. Box 2208  
Santa Fe, New Mexico 87504

FOR THE APPLICANT AGUA SUCIA, LLC:

JAMES BRUCE, ATTORNEY AT LAW  
P.O. Box 1056  
Santa Fe, New Mexico 87504

FOR ARMSTRONG ENERGY CORPORATION:

HOLLAND & HART, LLP  
WILLIAM F. CARR, ESQ.  
P.O. Box 2208  
Santa Fe, New Mexico 87504

1 ALSO PRESENT:

2 Florene Davidson

3 CIMAREX WITNESSES: CASE 14481 PAGE

4

5 Mark Compton:

6 Direct examination by Mr. Larson 9  
 7 Cross-examination by Ms. Munds-Dry 23  
 8 Examination by Commissioner Bailey 26  
 Examination by Chairman Fesmire 27  
 Redirect examination by Mr. Larson 29

9 Lee Catalano:

10 Direct examination by Mr. Larson 29  
 11 Cross-examination by Ms. Munds-Dry 37  
 Examination by Commissioner Bailey 40  
 Examination by Chairman Fesmire 41  
 12 Recross-examination by Ms. Munds-Dry 44  
 Further examination by Chairman Fesmire 45

13

Michael Swain:

14 Direct examination by Mr. Larson 46  
 15 Cross-examination by Ms. Munds-Dry 57  
 Examination by Commissioner Bailey 61  
 16 Examination by Chairman Fesmire 62  
 Redirect examination by Mr. Larson 64

17

18 CIMAREX WITNESSES: CASE 14480 PAGE

19

Mark Compton:

20 Direct examination by Mr. Larson 67  
 Examination by Commissioner Bailey 74  
 21 Examination by Chairman Fesmire 77  
 Redirect examination by Mr. Larson 82  
 22 Cross-examination by Ms. Munds-Dry 83  
 Further redirect examination by Mr. Larson 84

23

Lee Catalano:

24 Direct examination by Mr. Larson 84  
 25 Examination by Chairman Fesmire 88

1	Michael Swain:	
2	Direct examination by Mr. Larson	90
	Examination by Chairman Fesmire	95
3		
4	LYNX PETROLEUM WITNESSES: CASES 14481, 14480	PAGE
5		
6	Larry Scott:	
7	Direct examination by Ms. Munds-Dry	98
8	Cross-examination by Mr. Larson on Exhibit 9	116
9	Examination by Commissioner Bailey on Exhibit 9	117
10	Examination by Chairman Fesmire on Exhibit 9	117
11	Continued direct examination by Ms. Munds-Dry	122
12	Cross-examination by Mr. Larson	137
13	Examination by Commissioner Bailey	146
14	Examination by Commissioner Olson	147
15	Examination by Chairman Fesmire	149
16		
17	AGUA SUCIA WITNESSES: CASE 14411	PAGE
18		
19	Ben Stone:	
20	Direct Examination by Mr. Bruce	172
21	Cross-examination by Mr. Carr	206
22	Examination by Commissioner Bailey	228
23	Examination by Commissioner Olson	232
24	Examination by Chairman Fesmire	234
25	Redirect Examination by Mr. Bruce	239
	Recross-examination by Mr. Carr	240
	Further Redirect Examination by Mr. Bruce	246
26		
27	Robert Lee:	
28	Direct Examination by Mr. Bruce	247
29	Cross-examination by Mr. Carr	272
30	Examination by Commissioner Bailey	279
31	Examination by Commissioner Olson	280
32	Examination by Chairman Fesmire	281
33		
34		
35		

	EXHIBITS ADMITTED	PAGE
1		
2		
3	CIMAREX EXHIBITS 1 through 7	23
3	CIMAREX EXHIBITS 8 through 11	37
4	CIMAREX EXHIBITS 12 through 18	57
4		
5	CIMAREX EXHIBITS 1 through 7	74
5	CIMAREX EXHIBITS 8 through 11	87
6	CIMAREX EXHIBITS 12 through 14	94
6		
7	LYNX EXHIBITS 1 and 2	134
7	LYNX EXHIBITS 9 and 10	136
8		
8	AGUA SUCIA EXHIBITS 1 through 9 and 18	206
9	AGUA SUCIA EXHIBITS 10 through 16, 16A and 17	272
9		
10	REPORTER'S CERTIFICATE	285
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1 MR. SMITH: That's right. Perfect.

2 CHAIRMAN FESMIRE: At this time we will  
3 adjourn for lunch and reconvene at 1:45.

4 (A lunch recess was taken)

5 CHAIRMAN FESMIRE: Let's go ahead and go  
6 on the record. Right now we have a series of about a  
7 half dozen cases that have been on the books for a while.  
8 We're going to go ahead and call them and, basically, see  
9 if there's any reason to keep them on the books.

10 The first is Cause Number 10693, the  
11 application of Pronghorn Saltwater Disposal Systems for  
12 saltwater disposal in Section 7, Township 20, Range 33  
13 East in Lea County, New Mexico.

14 This case has been called to show cause why  
15 the case should not be dismissed, given the lengthy time  
16 period that the matter has been pending before the  
17 Commission. Is that attorney in that case present?

18 Seeing none, we will go ahead and order Case  
19 Number 10693 dismissed for want of prosecution.

20 The next one before the Commission is Case  
21 Number 11724. It's the De Novo application of  
22 Gillespie-Crow, Inc., for a unit expansion, statutory  
23 unitization and qualification of an expanded area for the  
24 recovered oil tax rate and certification of a positive  
25 production response pursuant to the New Mexico Enhanced

1 Oil Recovery Act in Townships 15 and 16 South, Ranges 35  
2 and 36 East, in Lea County, New Mexico.

3 This case has been called to order the  
4 applicant to appear and show cause why the case should  
5 not be dismissed, given the lengthy time period the  
6 matter has been pending before the Commission. Are there  
7 any attorneys present in that case?

8 MR. HALL: Mr. Chairman, Scott Hall,  
9 Montgomery & Andrews, for Energen Resources Corporation.  
10 Energen is the successor unit operator to Gillespie-Crow  
11 for the West Lovington Strawn Unit. And I would also  
12 recommend that you call the next two cases. All three of  
13 them involve the same subject matter, the Lovington  
14 Strawn Unit.

15 CHAIRMAN FESMIRE: Okay. And who are you  
16 going to represent in the other two?

17 MR. HALL: Energen.

18 CHAIRMAN FESMIRE: At Mr. Hall's request,  
19 we'll call Case 11954, the application of Hanley  
20 Petroleum, Inc., and Yates Petroleum Corporation for  
21 expansion of the West Lovington Strawn Unit, Townships 15  
22 and 16 South, Ranges 35 and 36 East in Lea County, New  
23 Mexico.

24 This case is also called to allow the  
25 applicant to appear and show cause why the case should

1 not be dismissed, given the lengthy time period that the  
2 matter has been pending before the Commission.

3 The third is Case Number 11987, the  
4 application of EEX Corporation for a unit expansion,  
5 statutory unitization and qualification of the expanded  
6 unit area for the recovered oil tax rate certification of  
7 positive production response pursuant to the New Mexico  
8 Enhanced Oil Recovery Act, Township 16 South, Range 36  
9 East in Lea County, New Mexico.

10 Mr. Hall, having called all three of those  
11 cases, do you have a pertinent statement?

12 MR. HALL: On behalf of the successor unit  
13 operator now to the West Lovington Strawn Unit, the unit  
14 operator has no objection to dismissal of these cases,  
15 provided the record makes clear that the underlying  
16 orders approving the unit and subsequent operations  
17 within the unit remain intact.

18 CHAIRMAN FESMIRE: They were not issued in  
19 these cases, were they?

20 MR. HALL: I can't remember. There were  
21 so many of them.

22 MR. BRUCE: Mr. Chairman, I represented  
23 Gillespie-Crow, and Mr. Carr represented Yates. This is  
24 the only career case I ever had. It started in the  
25 mid-'90s and went on for a decade or more.

1 MR. CARR: It's gone on for so long, I  
2 might even get fired.

3 MR. BRUCE: I think all matters have  
4 finally been resolved in this matter, so I don't see any  
5 problems --

6 CHAIRMAN FESMIRE: We want to dismiss the  
7 cases without doing damage to an order, apparently in a  
8 different case, establishing or expanding the unit.

9 MR. HALL: So long as the record is clear  
10 that those orders are unaffected, I don't think it  
11 matters if we dismiss the applications. They were  
12 separate applications in separate cases where the unit  
13 was approved, unit expansions were approved, and modified  
14 unit operations for injection.

15 MR. BRUCE: There must have been maybe a  
16 dozen and a half hearings at the Division. Maybe only  
17 one of them ever made it up to the Commission level, at  
18 which time, I think by then, the parties had settled all  
19 matters between themselves.

20 CHAIRMAN FESMIRE: You told me this was  
21 going to be easy.

22 MR. BRUCE: So I concur with Mr. Hall,  
23 even though I'm out of it at this point. But as long as  
24 the existing orders, and there were plenty of them, are  
25 maintained in effect, I don't think anybody objects.

1 MR. CARR: Since I no longer represent  
2 anyone, I don't have a position.

3 CHAIRMAN FESMIRE: Okay. The Chairman  
4 will therefore dismiss Cases 11724, 11954, 11987, with  
5 the stipulation that that dismissal will not affect any  
6 orders currently in place on the West Lovington Strawn  
7 Unit. Is that correct?

8 MR. HALL: That's correct.

9 CHAIRMAN FESMIRE: Thank you very much,  
10 Mr. Hall, I think.

11 The next case is Case Number 12276, the  
12 application of Burlington Resources Oil & Gas Company for  
13 compulsory pooling, Section 36, Township 27 North, Range  
14 8 West, in San Juan County, New Mexico.

15 This case is being called to give the  
16 applicant the opportunity to appear and show cause why  
17 the case should not be dismissed, given the lengthy time  
18 period that this matter has been pending before the  
19 Commission. It's been pending since June 23rd, 2000.

20 Are there any attorneys? Mr. Hall?

21 MR. HALL: Same situation, Mr. Chairman.  
22 Scott Hall, Montgomery & Andrews, on behalf of Energen  
23 Resources Corporation. I also recommend you call the  
24 next case, 12277, as well. They're related.

25 CHAIRMAN FESMIRE: At this time we will

1 call Case Number ~~12277~~, the application of Burlington  
2 Resources Oil & Gas Company for compulsory pooling in  
3 Section 16, Township 31 North, Range 11 West, in San Juan  
4 County, New Mexico.

5 This case has also been called to allow the  
6 operator to appear and show cause why the application  
7 should not be dismissed, given the lengthy time period  
8 that the matter has been pending before the Commission.

9 Mr. Hall?

10 MR. HALL: Mr. Chairman, I represented  
11 Energen Resources Corporation, among others. Energen and  
12 those parties were the de novo applicants involving a  
13 contract dispute for compulsory pooling in the San Juan  
14 Basin. There was a diversion to the courthouse on this  
15 one. It's in litigation, which went away.

16 In the meantime, a lot of the interests of  
17 former clients have been transferred. I feel the  
18 obligation to try to at least contact them and make sure  
19 they have no objection to dismissal. I don't think that  
20 will be a problem. I haven't had the time to do that.

21 I would request these cases not be dismissed  
22 until I've had that opportunity to contact those  
23 successor interest owners.

24 CHAIRMAN FESMIRE: Cases Number 12276 and  
25 12277 will be continued to the December 9th docket, at

1 which time Mr. Hall will let us know whether he does have  
2 an objection.

3 MR. HALL: I'll try. Yes, sir

4 CHAIRMAN FESMIRE: Thank you, Mr. Hall.

5 Last but not least -- and I notice Mr. Hall is  
6 still standing there -- Case Number 13048, the  
7 application of Devon Energy Corporation, L.P., for  
8 compulsory pooling, Section 4, Township 23 South, Range  
9 34 East, in Lea County, New Mexico.

10 This case was also called to allow the  
11 applicant to appear and show cause why the case should  
12 not be dismissed, given the lengthy time period that this  
13 matter has been pending before the Commission. It's been  
14 pending since December 9th, 2004.

15 Mr. Hall?

16 MR. HALL: Mr. Chairman, Scott Hall,  
17 Montgomery & Andrews, appearing on behalf of EGL  
18 Resources and Robert Landrik, both of whom were de novo  
19 applicants in this case. I managed to find a letter in  
20 my file to the Division at the time asking that these  
21 applications be dismissed some time ago. We just never  
22 followed up on it. No objection to dismissal.

23 CHAIRMAN FESMIRE: With that, Case Number  
24 13048 will be dismissed by the Chairman. That's the end  
25 of the list. Thank you very much, Mr. Hall. Cleaned out

1 both your cabinet and Florene's.

2 Okay. At this time we will call the next case  
3 on the docket. It is the application of Agua Sucia, LLC,  
4 to reinstate Division Administrative Order SWD-559 for a  
5 saltwater disposal well in Lea County, New Mexico. It's  
6 Case Number 14411. Are there attorneys present?

7 MR. BRUCE: Yes, Mr. Chairman.

8 CHAIRMAN FESMIRE: Mr. Bruce, would you  
9 state your appearance, please?

10 MR. BRUCE: Jim Bruce, of Santa Fe,  
11 representing the applicant. I have two witnesses.

12 MR. CARR: May it please the Commission?  
13 William F. Carr, with the Santa Fe office of Holland &  
14 Hart, LLP. We represent Armstrong Energy Corporation in  
15 this matter in opposition to the application, and I have  
16 three witnesses.

17 CHAIRMAN FESMIRE: Okay. Mr. Bruce, do  
18 you have an opening statement?

19 MR. BRUCE: Yes, sir

20 CHAIRMAN FESMIRE: Would you like to make  
21 it now?

22 MR. BRUCE: Yes.

23 May it please the Commission? We're here  
24 today concerning Government E Well No. 1, located in the  
25 southwest corner of the southwest quarter of Section 25,

REPORTER'S CERTIFICATE

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO  
HEREBY CERTIFY that on November 4, 2010, proceedings in  
the above captioned case were taken before me and that I  
did report in stenographic shorthand the proceedings set  
forth herein, and the foregoing pages are a true and  
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by  
nor related to nor contracted with any of the parties or  
attorneys in this case and that I have no interest  
whatsoever in the final disposition of this case in any  
court.

WITNESS MY HAND this 17th day of November,  
2010.

*Jacqueline R. Lujan*  
Jacqueline R. Lujan, CCR #91  
Expires: 12/31/2010