

**Brooks, David K., EMNRD**

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**From:** Brooks, David K., EMNRD  
**Sent:** Monday, April 04, 2011 4:26 PM  
**To:** 'jamesbruc@aol.com'  
**Cc:** 'Ocean Munds-Dry'; Jones, William V., EMNRD  
**Subject:** Case No. 14563; Application of Lime Rock Resources to Institute a Cooperative Waterflood Project

Dear Jim

I have some concerns about this file that I think can be addressed by a supplemental affidavit from the land witness.

In view of what seem to be discrepancies in the land information between various documents in the file, my first concern was whether or not there was a need to re-notice. I believe that will not be necessary. However, I do need clarification as to the actual boundaries of the proposed project area. Your notice includes SW/4 NW/4 of Section 32 in the proposed project area, and your application includes State Lease E-6942-2 which it describes as covering that tract. However Exhibit 2A which Mr. Reagan identified as depicting the boundaries of the proposed project area does not include that tract, which is consistent with Exhibit 2 which shows no Lime Rock acreage position in that tract. Please advise which is correct. Please also advise if working interest owners in the SW/4 NW/4 of Section 32 were included among the notice recipients. (Our records do not show any active wells in that quarter-quarter; so presumably there is not a division-designated operator).

If the working interest owner in the SW/4 NW/4 were included in the original notice, I do not see how anyone could be adversely affected by the erroneous inclusion of that tract in the published notice, and accordingly will not require a re-notice provided that Lime Rock furnishes a consent or waiver of notice from Yates. Yates has an interest according to the testimony, and did not join in the application. Hence a waiver or consent from them will be necessary. Otherwise a re-setting with notice to Yates would be required.

The second problem is that the ownership testimony refers to the Northwest Artesia Unit. However, as Mr. Jones pointed out in a previous email, the Unit Agreement for the Northwest Artesia Unit limits the vertical boundaries of that unit to the interval from 1180 feet to 2100 feet, whereas the proposed depth interval for this project is from 2400 feet to 3400 feet. We will need supplemental testimony by affidavit identifying the leases to be included within the proposed project area and verifying that all are currently in force and effect as to the proposed depths, and that working interest owners of the lands included in the horizontal boundaries of the Northwest Artesia Unit as to the proposed depths from 2400 to 3400 include only Lime Rock and Yates.

We also need supplemental testimony by affidavit identifying the overriding royalty interests and the tracts to which these relate. One of your arguments at the hearing was that we conclude from the engineering evidence that the override owners would not be adversely affected by the proposed waterflood project. We cannot make that conclusion as an engineering matter without knowing which tracts have overrides.

In addition, you indicated at the hearing that you would furnish some materials (SLO rules and perhaps past OCC or OCD orders) that might be instructive concerning whether it is appropriate for OCD to consider correlative rights of ORRI owners in a case of this type. I have not found these materials in the file, and would find anything of that nature that you can furnish helpful.

Sincerely

David