

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

CASE NOS. 13,367, 13,368, 13,372
(Awaiting Final Commission Action
No Evidence or Testimony Taken)

CASE NOS. 13,586, 13,274 *de novo*, and 13,531 (Continued)

TRANSCRIPT OF PROCEEDINGS

2006 JUL 20 PM 1 15

BEFORE: MARK E. FESMIRE, CHAIRMAN
JAMI BAILEY, COMMISSIONER
WILLIAM C. OLSON, COMMISSIONER

ORIGINAL

July 13th, 2006
Santa Fe, New Mexico

These matters came on for hearing before the Oil Conservation Commission, MARK E. FESMIRE, Chairman, on Thursday, July 13th, 2006, 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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July 13th, 2006
Commission Hearing

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A P P E A R A N C E S

FOR THE COMMISSION:

CHERYL BADA
Assistant General Counsel
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

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

3 CHAIRMAN FESMIRE: Okay, let's go ahead and go on
4 the record. Let the record reflect that this is the
5 Thursday, July 13th, 2006, meeting of the New Mexico Oil
6 Conservation Commission. Let the record also reflect that
7 all three Commissioners are present, those Commissioners
8 being Jami Bailey, the designee of Patrick H. Lyons, the
9 Land Commissioner; Mr. William Olson; and myself, Mr. Mark
10 Fesmire.

11 The first order of business before the Commission
12 today is to notice that it is 9:00 a.m. on Thursday, July
13 13th, and the minutes of the June 15th, 2006, Commission
14 meeting need to be adopted.

15 Have the Commissioners had a chance to review the
16 minutes as presented by the Commission secretary?

17 COMMISSIONER BAILEY: Yes, I have, and I move we
18 adopt them.

19 CHAIRMAN FESMIRE: Is there a second?

20 COMMISSIONER OLSON: Second.

21 CHAIRMAN FESMIRE: Let the record reflect that
22 the Commission will adopt the minutes and that the Chairman
23 will sign the minutes and convey it to the Commission
24 secretary.

25 * * *

1 CHAIRMAN FESMIRE: That having been done, the
2 next case before the Commission is the consolidated cases,
3 Case Number 13,367, the *de novo* Application of Bass
4 Enterprises Production Company for an order authorizing the
5 drilling of a well in the potash area, Eddy County, New
6 Mexico; Case Number 13,368, the *de novo* Application of
7 Devon Energy Company, LP, for an order authorizing the
8 drilling of a well in the potash area in Eddy County, New
9 Mexico; and Case Number 13,372, the *de novo* Application of
10 Devon Energy Production Company for approval of an
11 unorthodox well location and authorization to drill a well
12 in the potash area in Eddy County, New Mexico.

13 Let the record reflect that the Commission
14 counsel today is Cheryl Bada. Ms. Bada, would you bring us
15 up to speed on where we are procedurally in these cases?

16 MS. BADA: I drafted two orders, one for Bass's
17 Application and the other for Devon's two Applications, and
18 the orders deny the Applications as determined by the
19 Commission during executive session in this last week.

20 CHAIRMAN FESMIRE: Okay, have the Commissioners
21 had a chance to review these two orders?

22 COMMISSIONER BAILEY: Yes, I have, and I will
23 sign it.

24 CHAIRMAN FESMIRE: Commissioner Olson, have you
25 had a chance to review the orders?

1 COMMISSIONER OLSON: Yes, I've also reviewed
2 them, and they reflect our deliberations, I believe.

3 CHAIRMAN FESMIRE: Okay, let the record that the
4 two orders presented by counsel and the Commission
5 secretary today accurately reflect the Commission's
6 decision in these three cases. Again, there are two
7 orders, one in case Number 13,367 and the other one in
8 Cases Number 13,368 and 13,372.

9 The Chair would entertain a motion to sign these
10 orders as presented?

11 COMMISSIONER BAILEY: I move we sign them as
12 presented.

13 CHAIRMAN FESMIRE: Is there a second?

14 COMMISSIONER OLSON: Second.

15 CHAIRMAN FESMIRE: All those in favor?

16 COMMISSIONER BAILEY: Aye.

17 COMMISSIONER OLSON: Aye.

18 CHAIRMAN FESMIRE: Let the record reflect that
19 the unanimous decision of the Commission is to sign these
20 orders as presented. The Commission Chairman will sign the
21 orders, present them to the other members of the Commission
22 for signature, and then pass them to the Commission
23 secretary for recording.

24 The record will reflect that the orders have been
25 signed by all three Commissioners and passed to the

1 secretary for recording.

2 * * *

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4 CHAIRMAN FESMIRE: The next case before the
5 Commission is Case Number 13,586, the Application of the
6 New Mexico Oil Conservation Division for repeal of existing
7 Rules 701, 710 and 711 concerning surface waste management
8 and the adoption of new Rules governing surface waste
9 management.

10 This case has been continued from the June 5th,
11 2006, Commission meeting, and will be continued to the
12 September 21st, 2006, Commission meeting.

13 * * *

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15 CHAIRMAN FESMIRE: The next case before the
16 Commission is Case Number 13,274, the *de novo* continued --
17 the *de novo* Application of Arch Petroleum, Inc., for
18 approval of two nonstandard gas spacing and proration units
19 in the Jalmat Gas Pool, Lea County, New Mexico.

20 Let the record reflect that this case has been
21 continued from the April 20th, 2006, Commission meeting,
22 and will be continued to the August 10th, 2006, Commission
23 meeting.

24 * * *

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1 CHAIRMAN FESMIRE: The next case before the
2 Commission is Case Number 13,531, the Application of Yates
3 Petroleum Corporation for the order (1) directing Pride
4 Energy Company to reimburse Yates for the well costs
5 incurred by Yates in its attempt to re-enter the State "X"
6 Well Number 1, API Number 30-025-01838, located in Section
7 12, Township 12 South, Range 34 East, New Mexico Prime
8 Meridian, prior to the time Pride Energy Company assumed
9 operations of the well, and (2) directing Pride Energy
10 Company to account for and pay all sums it is now
11 improperly holding pursuant to expired orders of the
12 Division and the Commission, and (3) requiring Pride Energy
13 Company to plug and abandon the State "X" Well Number 1, in
14 Lea County, New Mexico.

15 This case will be continued to the August 10th,
16 2006, Commission meeting.

17 * * *

18
19 CHAIRMAN FESMIRE: That's the limit of the cases
20 on the formal docket. Is there any other business before
21 the Commission?

22 COMMISSIONER BAILEY: No.

23 COMMISSIONER OLSON: No.

24 CHAIRMAN FESMIRE: The Chair, seeing no other
25 business, would entertain a motion for adjournment to the

1 August 10th meeting.

2 COMMISSIONER BAILEY: I move we adjourn.

3 COMMISSIONER OLSON: Second.

4 CHAIRMAN FESMIRE: All those in favor?

5 COMMISSIONER BAILEY: Aye.

6 COMMISSIONER OLSON: Aye.

7 CHAIRMAN FESMIRE: Let the record reflect that
8 the Commission meeting was adjourned at 9:06 p.m. on July
9 13th, 2006.

10 MR. BROOKS: A.m.

11 CHAIRMAN FESMIRE: A.m.

12 (Thereupon, these proceedings were concluded at
13 9:06 a.m.)

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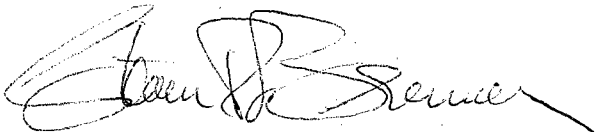
CERTIFICATE OF REPORTER

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 July 13th, 2006.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006