New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson Governor

Jon Goldstein Cabinet Secretary

Jim Noel Deputy Cabinet Secretary



June 1, 2010

Mark Fesmire, Director Oil Conservation Division EMNRD-OCD 1220 S. St. Francis Drive, Santa Fe, NM 87505

Via Email and Hand-Delivery

Re: <u>Case No. 14463</u> – AMENDED APPLICATION OF WILLIAMS PRODUCTION CO., LLC FOR APPROVAL OF A CLOSED-LOOP SYSTEM FOR THE ROSA SWD WELL NO. 2 AND FOR THE IN-PLACE BURIAL OF DRILLING WASTES AT ANOTHER WELL LOCATION, NEW MEXICO

Dear Director Fesmire:

I am requesting, pursuant to 19.15.4.16.B NMAC, a pre-hearing conference for the above case which is set for hearing before the Oil Conservation Commission on June 17, 2010. 19.15.4.16.B permits pre-hearing conferences for the purposes of narrowing the issues, eliminating or resolving other preliminary matters and encouraging settlement.

The purpose of the pre-hearing conference in this case is to identify and narrow the issues for hearing. Division Order R-12346 states that Williams seeks reversal of a decision of the Aztec District Office of the Division denying its application for a permit to dispose of waste from its proposed Rosa Unit SWD Well No. 2 into a temporary pit at a location remote from the well site. The Order goes on to state that Williams seeks only a construction of the Pit Rule and not an exception, but in the same paragraph states, "If it is determined after hearing that an exception to the Pit Rule is required, the Application can be denied without prejudice to Applicant's right to seek such an exception." Does this mean that the hearing will only be on a legal issue (i.e., construction of the Pit Rule) or will it be on Williams' hearing application? The Order implies that the hearing will be on Williams' hearing application for a permit to dispose of waste from its proposed Rosa Unit SWD Well No. 2 into a temporary pit at a location remote from the well site. The Oder implies that the Commission will consider that application if it concludes that the Pit Rule exception provisions do not apply. Does this



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mean that the Commission will approve the application if the exception provisions do not apply?

Complicating the matter is that Williams has not clearly identified its proposal. Williams' hearing application does not clearly identify its proposal. It states that it wants to dispose of drilling wastes at two sites. It is uncertain if Williams wants to dispose of drilling wastes at both well sites or just one well site. If just one well site, then which site? Williams has submitted several different C-144 applications with the Aztec District Office. Williams has alluded to other possible sites in documents filed with the Division. If the hearing is on Williams' application, then which application is it on?

We need the issues identified and narrowed for the hearing. Please schedule a prehearing conference as soon as possible.

Thank you,

Sonny Swazo OCD Attorney

Cc: Ocean Munds-Dry, Counsel for Applicant Williams Production Co. LLC Mark Smith, Attorney for OCC

Davidson, Florene, EMNRD

From:Fesmire, Mark, EMNRDSent:Tuesday, June 01, 2010 2:53 PMTo:Swazo, Sonny, EMNRD; Davidson, Florene, EMNRDCc:'Ocean Munds-Dry'; Smith, Mark A, EMNRDSubject:RE: Request for Pre-hearing Conference in Case No. 14463--Willims Production Co., LLC

The pre-hearing conference will be held in my office at 10:00 Thursday June 3rd.

Mark Fesmire

From: Swazo, Sonny, EMNRD
Sent: Tuesday, June 01, 2010 2:14 PM
To: Fesmire, Mark, EMNRD
Cc: Ocean Munds-Dry; Smith, Mark A, EMNRD
Subject: RE: Request for Pre-hearing Conference in Case No. 14463--Willims Production Co., LLC

10:00 is ok.

From: Fesmire, Mark, EMNRD
Sent: Tuesday, June 01, 2010 2:06 PM
To: Swazo, Sonny, EMNRD
Cc: 'Ocean Munds-Dry'; Smith, Mark A, EMNRD
Subject: RE: Request for Pre-hearing Conference in Case No. 14463--Willims Production Co., LLC

This request will be granted. How does Thursday after 10:00 AM look for everyone?

Mark Fesmire

From: Swazo, Sonny, EMNRD
Sent: Tuesday, June 01, 2010 1:13 PM
To: Fesmire, Mark, EMNRD
Cc: Ocean Munds-Dry; Smith, Mark A, EMNRD
Subject: Request for Pre-hearing Conference in Case No. 14463--Willims Production Co., LLC