- 1 CHAIRMAN FESMIRE: At this time I'm going
- 2 to call to order the Thursday, June 17th, 2010, regularly
- 3 scheduled meeting of the New Mexico Oil Conservation
- 4 Commission. The record should reflect that Commissioners
- 5 Bailey and Fesmire are present. Commissioner Olson,
- 6 however, is on other duty and will not be here today.
- 7 We, however, according to the law of New Mexico, have a
- 8 guorum, and we will therefore be able to conduct
- 9 business.
- 10 The first item of business on the docket
- 11 before the Commission this morning is approval of the
- 12 minutes of the May 20th, 2010, Commission meeting.
- Commissioner Bailey, have you had an
- 14 opportunity to review the minutes as presented?
- 15 COMMISSIONER BAILEY: Yes, I have, and I
- 16 move that we adopt them.
- 17 CHAIRMAN FESMIRE: I too have reviewed the
- 18 minutes, and I second the motion. Commissioner Bailey
- 19 and I will vote. All those in favor of adopting the
- 20 minutes as presented signify by saying aye.
- The record should reflect that Commissioners
- 22 Bailey and Fesmire voted to adopt the minutes. They were
- 23 adopted as presented and transmitted to the secretary for
- 24 recording.
- The next item of business before the

- 1 Commission is Case Number 14055, the application of the
- 2 New Mexico Oil Conservation Division for a compliance
- 3 order against C&D Management Company, doing business as
- 4 Freedom Ventures Company.
- 5 This is a prior case that was heard by the
- 6 Commission. The Commission directed Counsel to draft an
- 7 order reflecting their decision. That order has been
- 8 presented by Counsel.
- 9 Commissioner Bailey, did you get a chance to
- 10 review that order?
- 11 COMMISSIONER BAILEY: Yes, I did. I think
- 12 the order does accurately reflect the decisions that we
- 13 made.
- 14 CHAIRMAN FESMIRE: I concur with
- 15 Commissioner Bailey. So at this time, I'll ask for a
- 16 motion to adopt the order.
- 17 COMMISSIONER BAILEY: I so move.
- 18 CHAIRMAN FESMIRE: I second that motion.
- 19 All those in favor signify by saying aye.
- 20 Let the record reflect that Commissioners
- 21 Bailey and Fesmire voted to adopt the order as presented
- 22 and have each signed the order and transmitted it to the
- 23 secretary for recording.
- The next case before the Commission today is
- 25 Case Number 13812, the de novo application of Coleman Oil

- 1 & Gas, Inc., for the rescission of De Novo Order Number
- 2 R-12820-A, San Juan County, New Mexico.
- 3 There have been issues raised in this case.
- 4 We will therefore conduct a hearing. Are the attorneys
- 5 for that hearing present today?
- 6 MS. MUNDS-DRY: Yes, Mr. Chairman.
- 7 CHAIRMAN FESMIRE: Would you please make
- 8 your appearance?
- 9 MS. MUNDS-DRY: Ocean Munds-Dry, with the
- 10 law firm of Holland & Hart, here representing Coleman Oil
- 11 & Gas this morning.
- MS. ALTOMARE: Mikal Altomare on behalf of
- 13 the Oil Conservation Division, and I'd like to call my
- 14 witnesses in Aztec and have them on the line. I don't
- intend to necessarily examine them, unless the Commission
- or opposing counsel have questions.
- 17 CHAIRMAN FESMIRE: But you'd like them to
- 18 hear --
- MS. ALTOMARE: I'd like them to be present
- 20 in case any technical issues arise.
- 21 CHAIRMAN FESMIRE: Please do so. We'll
- 22 take a quick breather here.
- 23 (A recess was taken.)
- CHAIRMAN FESMIRE: At this time we'll go
- 25 back on the record in Case Number 13812.

- 1 Ms. Munds-Dry, it's your motion, so why don't
- 2 you take first crack?
- MS. MUNDS-DRY: Thank you. Mr. Chairman,
- 4 Commissioner Bailey, good morning.
- We submitted a request to you, Mr. Chairman,
- on March 3rd on behalf of Coleman requesting that Order
- 7 12820-A, be either rescinded or amended so that Coleman
- 8 is no longer responsible under that order for re-entering
- 9 and re-completing the well to convert it to disposal.
- In order, I think, to understand this request,
- 11 I'll sort of back up a little bit and give you the
- 12 history, since this matter has been ongoing for several
- 13 years. In 2006, the Division issued Order SWD-806-B.
- 14 That order required Coleman to re-enter and re-plug the
- 15 Monument Well Number 1, which was an offset well to
- 16 Coleman's Juniper SWD Well Number 1.
- 17 It was determined after the original SWD was
- 18 ordered for the Juniper Number 1 that there was some
- 19 protectable waters, and so the order was amended so that
- 20 they be required to go in and cement off and protect some
- 21 of the waters in that offset well.
- Coleman then applied for a hearing before the
- 23 Division to amend SWD-806-B so that it not be required to
- 24 go in and plug that Monument Number 1 Well. The OCD
- 25 issued Order 12820, which still required it to plug that

- 1 Monument Well Number 1.
- 2 Coleman then appealed to the Commission that
- 3 decision, but requested at that time that it be allowed
- 4 to re-enter the Monument Well Number 1 and convert it to
- 5 an SWD well.
- 6 CHAIRMAN FESMIRE: Was that in lieu of
- 7 drilling the original SWD well?
- 8 MS. MUNDS-DRY: Well, part of that was
- 9 that they still be allowed to continue to operate the
- 10 Juniper SWD Number 1 Well. But Coleman determined at
- 11 that time that they could use additional disposal
- 12 capacity, so they tried to come up with a win/win.
- 13 That's when they requested that they be allowed to go in
- 14 and complete it as a disposal well, as opposed to just
- 15 plugging the Monument Number 1 Well.
- 16 Coleman had no rights to that well. The
- 17 Monument Number 1 was never a Coleman well. And it was
- 18 on tribal surface, so they knew that there would be
- 19 issues and time delays in terms of gaining surface access
- 20 to the Monument Number 1 Well. So part of their request
- 21 was -- and I think they estimated that they thought it
- 22 would take a year and a half to get tribal approval to
- 23 get surface access to the Monument Number 1 Well.
- So during that hearing, that was part of their
- 25 request, that they not only be allowed to re-complete to

- 1 convert to a disposal well, but also that they be given
- 2 enough time in order to grain access to that well.
- This Commission entered Order 12820-A,
- 4 granting Coleman's application. But at the Division's
- 5 request, Coleman was required to provide quarterly
- 6 reports to the Aztec District Office as to their progress
- 7 in gaining access and then coming and re-completing the
- 8 well. They also were given two years from April 2008 to
- 9 complete the work on the Monument Number 1 Well.
- 10 Coleman submitted the quarterly reports to the
- 11 Aztec Office. They also, as required by Division rules,
- 12 applied on Form C-108 to convert that well to a saltwater
- 13 disposal well, the Monument well, and that administrative
- 14 order was SWD-1137.
- Now, in October of 2009, Coleman's regulatory
- 16 agent requested an extension of SWD-1137 for a year
- 17 because things had not progressed as fast as they had
- 18 thought with the Navajos, and so they were still working
- 19 through that process. That was not a request that came
- 20 from Coleman's counsel.
- It came, as I mentioned, directly from the
- 22 regulatory agent. And perhaps the Coleman regulatory
- 23 agent didn't appreciate that there was a Commission order
- 24 that was, in fact, superior to that administrative order.
- 25 Long story short on that, I believe,

- 1 Mr. Chairman, you somehow connected the dots and
- 2 referenced the Commission order and granted Coleman an
- 3 extension until November of 2010 to complete the work on
- 4 the Monument Number 1 Well.
- In February of 2010, Coleman's operations
- 6 engineer, their field guy, Mr. Mike Hanson, began
- 7 discussions with the BLM Farmington office and the Aztec
- 8 OCD District Office about Coleman's changing needs for
- 9 disposal.
- They had identified another well that they
- 11 thought would be more appropriate to take their produced
- 12 water. And the economics had changed, as it has for many
- 13 people, so they determined that they no longer needed the
- 14 Monument Number 1 Well for disposal.
- So they began discussions with the BLM in the
- 16 Aztec Office to, in fact, go in and plug the well, as the
- 17 Division had previously required them to do.
- On February 24th, Mr. Hanson submitted the
- 19 appropriate BLM sundry form to the BLM to get approval
- 20 for the plugging procedure.
- Now, during that time, Mr. Perrin, in the
- 22 Aztec District Office, because of the discussions he was
- 23 having with Mr. Hanson, said, "I think because there's an
- 24 order here, you need to, in fact, make that request to
- 25 Santa Fe to have that order amended or dealt with at

- least in some way."
- 2 So that is when I was contacted. And we
- 3 submitted that request to you, Mr. Chairman, on March 3rd
- 4 to either rescind or amend the order.
- 5 Here's where things maybe didn't go according
- 6 to plan. The sundry was approved by the BLM, the
- 7 approved plugging procedure. Mr. Hanson met with Mr.
- 8 Perrin again. By this time, the Aztec District Office
- 9 had received a copy of the plugging procedure and told
- 10 Mr. Perrin that Coleman planned to plug the well that
- 11 following weekend because there was a plugging rig in the
- 12 area that was available.
- Mr. Perrin told Mr. Hanson to give 24 hours'
- 14 notice, as is required by Division rules, for when they
- 15 were going to plug that well. Mr. Hanson did call the
- 16 Aztec Office at that time. No one was available to come
- 17 witness the plugging, so he was told to go ahead and plug
- 18 the well as they discussed. And there was, in fact, a
- 19 BLM person who witnessed the plugging, but no one from
- 20 the Aztec Office.
- 21 Coleman's regulatory agent on April 1st
- 22 submitted a quarterly report, as required under the
- 23 order, that the well had been plugged, and this matter
- 24 was docketed for the May 20th Commission hearing. Due to
- 25 unavailability of counsel, we had requested a

- 1 continuance.
- 2 And so here we are today, unfortunately,
- 3 asking you to rescind or amend the order, even though we
- 4 recognize that the well has, in fact, already been
- 5 plugged. So I'm sorry for the awkwardness of this.
- I believe that Coleman's field representatives
- 7 thought they were doing everything they were supposed to
- 8 and kept the BLM and the Aztec Office notified and
- 9 believed that they had all the approvals that they needed
- 10 to go forward. But there was, unfortunately, I think, a
- 11 disconnect between what was required here on a legal
- 12 level and what was required by the Commission.
- So we apologize for that and certainly didn't
- 14 mean to get sideways or thwart any orders. But we do, in
- 15 fact, still request and move that you either rescind or
- 16 amend that order today.
- 17 CHAIRMAN FESMIRE: Now, you have no
- 18 witnesses today?
- MS. MUNDS-DRY: No, sir.
- 20 CHAIRMAN FESMIRE: Besides your opening
- 21 statement, will there be any other presentation?
- MS. MUNDS-DRY: No, sir.
- 23 CHAIRMAN FESMIRE: Ms. Altomare?
- MS. ALTOMARE: I don't disagree at all
- 25 with what Ms. Munds-Dry has presented. It's my

- 1 understanding from my guys in the field that Coleman in
- 2 effect has plugged the well and gone above and beyond
- 3 what was originally required in doing so and actually,
- 4 has done an excellent job in doing the plugging. We
- 5 don't have any problem with the actual plugging that has
- 6 been done. In fact, it was actually what was requested
- 7 back in 2006.
- 8 My concerns and what I've raised in here is
- 9 recognizing that our administrative proceedings are a
- 10 little unwieldy at times and not always set up to deal
- 11 with orders that are setting deadlines two years out,
- often there is a disconnect because we're dealing with
- 13 field personnel that are often remotely located from
- 14 their counsel.
- And when you're dealing with time frames of
- 16 two years, there can be some miscommunications that
- 17 occur. Also, recognizing that our Division in particular
- 18 is dealing with dwindling resources and personnel.
- 19 My concerns are even more significant in that
- 20 I see increasing miscommunications. And my point in
- 21 raising these concerns is only that I would ask that the
- 22 Commission consider, especially in these kinds of cases
- 23 where we are setting out deadlines, trying to anticipate,
- 24 okay, that it probably will take at least two years.
- In all likelihood, there may be an opportunity

- 1 or a possibility that a party may need to request an
- 2 extension. Let's anticipate that and provide some kind
- 3 of an outline for counsel and the parties to follow if
- 4 and when that occurs, so that everyone is aware of what
- 5 their obligations are if that event should occur. What
- 6 are the parties and their counsel required to do? Who
- 7 are they supposed to be notifying?
- 8 So nobody is left in a lurch two years down
- 9 the road, not being properly notified if an extension is
- 10 requested, if paperwork is being filed; making sure that
- it gets to the proper or parties and that things don't
- 12 end up getting turned on their heads.
- In this case, it is just a matter of asking
- 14 for forgiveness, rather than permission. And no
- 15 environment harm or property harm or anything of that
- 16 like has occurred. But we do have instances where
- 17 operators will sometimes do things first and ask for
- 18 permission later, and it is something that could have
- 19 potentially caused or has caused harm to somebody or some
- 20 person's property.
- 21 And I just wanted to bring to the Commission's
- 22 and to Counsel's attention that this is the kind of
- 23 circumstance that could lend itself to making us
- 24 vulnerable to that kind of situation. And if we have an
- opportunity to preemptively open up communication and set

- 1 up some kind of roadmap, as it were, in these orders, so
- 2 that everyone is on the same page, I think that that
- 3 would be the OCD's request.
- In this instance, I don't think either one of
- 5 us was aware that an extension was granted. I actually
- 6 had conducted a full file review at the time that the
- 7 original deadline was coming up and didn't get to the end
- 8 of the file. It wasn't until I got to the end of the
- 9 file until I realized in April, oh, the deadline is not
- 10 until November.
- So it just would be nice if we could all make
- 12 sure that we all are on the same page. And it is
- 13 difficult in this industry when we are so widely spread
- 14 and the fields in which we work are so disparate.
- In this case, I don't think it's insignificant
- 16 that -- you know, I don't think there was any
- 17 malintention. I understand that field personnel don't
- 18 always have a full grasp of the legal implications of
- 19 maybe finessing language on a sundry. But in essence,
- 20 they filed an inaccurate federal sundry, and I don't
- 21 think that is not an insignificant thing. We would ask
- 22 that they go back and amend that sundry.
- In my mind, I think it's -- we are only as
- 24 good in regulatory agencies as our paperwork is. If
- 25 you're not able to 10 years down the road follow --

- 1 connect the dots from order to order to order and be able
- 2 to fill in the blanks with the filings that go with those
- 3 orders, the files don't make sense, and the records just
- 4 don't have the same integrity.
- 5 And I just think that we need to really
- 6 impress upon the industry the importance of accurate
- 7 filings. And in this instance, it did result in an
- 8 inaccurate filing, so that was my other concern.
- 9 So as I said, the District Office has
- 10 indicated to me that they have reviewed what has occurred
- 11 out in the field, and they don't have any objection to
- 12 the actual plugging of the well and are quite happy with
- 13 the way in which it was conducted as far as the technical
- 14 aspects of it, so we're okay with that aspect of it.
- I just wanted to raise my concerns regarding
- 16 the procedure, given that this case has been going on
- 17 since 2006 and has had two full hearings.
- 18 I would ask that, rather than waste the
- 19 Commission's and counsel's time going through the routine
- 20 of moving exhibits into evidence, since all of these
- 21 exhibits I've attached are part of the well file record,
- 22 I would ask that the Commission be willing to take
- 23 administrative notice that the documents I've attached
- 24 are part of the OCD records.
- 25 If Counsel doesn't have any objection, I would

- 1 notice of intention be amended to correct the record.
- 2 CHAIRMAN FESMIRE: Not only is it part of
- 3 the OCD records, but it's part of the federal records.
- 4 Do we have the authority to require them to change the
- 5 federal filing?
- 6 MS. ALTOMARE: I quess I would defer to
- 7 the Commission on that. But it is a part of our record,
- 8 and to the extent that it is a part of our record --
- 9 CHAIRMAN FESMIRE: We can order them to
- 10 amend the filing with respect to our files.
- 11 MS. ALTOMARE: I would ask that to that
- 12 extent, the Commission order that. And I guess I would
- 13 respectfully ask Counsel to discuss with her client the
- 14 implications of the federal aspect.
- 15 MS. MUNDS-DRY: We'll take the pressure
- 16 off of her. Coleman will voluntary make any changes to
- 17 its BLM filings, because of course it has an obligation
- 18 to make sure their filings are correct. Coleman will
- 19 certainly make any adjustments in that sundry to make
- 20 sure they're accurately reflecting whatever it is that
- 21 they -- you know, bring up her concerns that reflect
- 22 either the original SWD order, or perhaps really it
- 23 should be the original Division order in this case.
- 24 CHAIRMAN FESMIRE: So, Ms. Altomare, if
- 25 the Commission would grant the motion by Coleman with the

- 1 condition that they correct or file amended sundries to
- 2 reflect the true plugging procedure, that would satisfy
- 3 the OCD?
- 4 MS. ALTOMARE: Yes. And I just simply
- 5 wanted the Commission to be cognizant of the concerns
- 6 raised by this case in future cases that are complex in
- 7 this way and might result in long time-frame-type
- 8 deadlines. I don't think that's something that
- 9 necessarily needs to be memorialized in an order. I just
- 10 wanted to bring that to the Commission's attention.
- 11 CHAIRMAN FESMIRE: So you're using this
- 12 hearing procedure to have a conversation with the
- 13 Commission?
- 14 MS. ALTOMARE: No. I wanted to bring it
- 15 to the Commission's attention that it did occur in this
- 16 case, and I wanted to bring it to Counsel's attention
- 17 that it occurred in this case. But I don't know that
- 18 it's something that you can memorialize a remedy --
- 19 CHAIRMAN FESMIRE: It's something that
- 20 needs to be changed in procedure?
- 21 MS. ALTOMARE: It's not something that you
- 22 can retroactively correct in an order in this case
- 23 because it's done.
- 24 CHAIRMAN FESMIRE: Anything further?
- MS. MUNDS-DRY: No, sir.

- 1 MS. ALTOMARE: No.
- 2 CHAIRMAN FESMIRE: At this time the Chair
- 3 would entertain a motion to go into executive session to
- 4 deliberate.
- 5 COMMISSIONER BAILEY: I so move.
- 6 CHAIRMAN FESMIRE: Second. All those
- 7 signify by saying aye.
- 8 Let the record reflect that the Commission has
- 9 voted to go into executive session to consider Case
- 10 Number 13812, the de novo application of Coleman Oil &
- 11 Gas, Inc., for an amendment to the Division
- 12 Administrative Order SWD-806-B, San Juan County, New
- 13 Mexico.
- 14 (The Commission went into executive session.)
- 15 CHAIRMAN FESMIRE: Let's go back on the
- 16 record in Case Number 13812, the de novo re-opened
- 17 application of Coleman Oil & Gas, Inc., for an amendment
- 18 to Division Administrative Order SWD-806-B in San Juan
- 19 County, New Mexico.
- 20 After deliberations and during the period of
- 21 the executive session where the only thing discussed were
- 22 the deliberations in this case, the Commission has
- 23 determined that the motion of Coleman Oil & Gas is well
- 24 founded and will be granted, with the condition that they
- 25 amend their sundries on both the federal and state

- 1 filings.
- 2 Anything further in this case?
- 3 MS. ALTOMARE: No.
- 4 MS. MUNDS-DRY: No, Mr. Chairman.
- 5 CHAIRMAN FESMIRE: With that, thank you
- 6 very much.
- 7 We'll move on to the next item before the
- 8 Commission. It's Case Number 14365. I'm sorry. Let me
- 9 finish that before we do.
- 10 We've directed Counsel to draft an order to
- 11 that effect, and we will sign it at the next Commission
- 12 meeting.
- MS. ALTOMARE: Thank you, Mr. Chairman.
- MS. MUNDS-DRY: Thank you, Mr. Chairman.
- 15 CHAIRMAN FESMIRE: The next case before
- 16 the Commission is Case Number 14365. It's the de novo
- 17 application of COG Operating, LLC, for designation of a
- 18 nonstandard spacing unit and for compulsory pooling in
- 19 Eddy County, New Mexico. That case will be continued to
- 20 the July 15th, 2010, Commission meeting.
- The next item before the Commission is Case
- 22 Number 14366. It's the application of COG Operating,
- 23 LLC, for designation of a nonstandard spacing unit,
- 24 unorthodox well location, and for compulsory pooling in
- 25 Eddy County, New Mexico. That case also will be

- 1 continued to the July 15th, 2010, docket.
- The next item before the Commission is Case
- 3 Number 14323. It's the application of Chesapeake Energy
- 4 Corporation for cancellation of a permit to drill issued
- 5 to COG Operating, LLC, in Eddy County, New Mexico. That
- 6 case will be continued to the July 15th docket.
- 7 The next case before the Commission is Case
- 8 Number 14382. It's the application of Chesapeake Energy
- 9 for cancellation of a permit to drill issued to COG
- 10 Operating in Eddy County, New Mexico. That case
- 11 similarly will be continued to the July 15th, 2010,
- 12 docket.
- The next case before the Commission is Case
- 14 Number 14418. It's the application of Cimarex Energy
- 15 Company for a nonstandard oil spacing and proration unit
- 16 and compulsory pooling in Eddy County, New Mexico,
- 17 likewise continued to July 15th, 2010.
- The last case on the Commission's docket today
- 19 is Case Number 14463, the amended application of Williams
- 20 Production Company, LLC, for approval of a closed-loop
- 21 system for the Rosa SWD Well Number 2 and for the
- 22 in-place burial of drilling wastes at another location,
- 23 Rio Arriba County, New Mexico.
- 24 That case, Counsel has informed me, will be
- 25 dismissed. But we haven't officially dismissed it yet;

is that correct? MS. MUNDS-DRY: I believe, Mr. Chairman, 2 we did receive an order dismissing the case. CHAIRMAN FESMIRE: Okay. So that case has been dismissed? 5 MS. MUNDS-DRY: Yes. 6 CHAIRMAN FESMIRE: Is there anything else 7 before the Commission this morning? COMMISSIONER BAILEY: I move that we 9 adjourn. 10 CHAIRMAN FESMIRE: I'll second that 11 motion. All those in favor, signify by saying aye. 12 The record should reflect that Commissioners 13 Bailey and Fesmire voted to adjourn at 9:35 a.m. on the 14 15 date of the meeting. Thank you. 16 17 18 19 20 21 22 23 24

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