

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

ORIGINAL

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION COMMISSION FOR  
THE PURPOSE OF CONSIDERING:

APPLICATION OF THE NEW MEXICO OIL Case No. 14055  
CONSERVATION DIVISION FOR A COMPLIANCE ORDER  
AGAINST C&D MANAGEMENT COMPANY, D/B/A FREEDOM  
VENTURES COMPANY, EDDY COUNTY, NEW MEXICO

Case No. 14116: Continued to July 8, 2010

Case No. 13812; Case No. 14365; Case No. 14366;  
Case No. ~~14323~~; Case No. 14382; Case No. 14418:  
Continued to June 17, 2010

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
COMMISSIONER HEARING

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

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May 20, 2010  
Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Commission, MARK E. FESMIRE, Chairman, on Thursday, May 20, 2010, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico.

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

A P P E A R A N C E S

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FOR THE OIL CONSERVATION COMMISSION:

Cheryl Bada, Esq.  
Assistant General Counsel  
1220 S. St. Francis Drive  
Santa Fe, New Mexico 87504

FOR FASKEN OIL AND RANCH, LTD.:

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FOR THE OIL CONSERVATION DIVISION:

Sonny Swazo, Esq.  
Assistant General Counsel  
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Santa Fe, New Mexico 87504

FOR C&D MANAGEMENT COMPANY:

Ernest L. Padilla, Esq.  
Padilla Law Firm, P.A.  
1512 S. St. Francis Drive  
Santa Fe, New Mexico 87504

ALSO PRESENT:

Florene Davidson

REPORTERS CERTIFICATE

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1 CHAIRMAN FESMIRE: Mr. Padilla, if you'd  
2 be so kind as to warn your client, and we'll be looking  
3 for that.

4 MR. PADILLA: All right.

5 CHAIRMAN FESMIRE: Anything else in this  
6 case?

7 MR. SWAZO: Nothing else.

8 CHAIRMAN FESMIRE: Thank you very much.

9 The next cause is Case 13812, the application  
10 of Coleman Oil & Gas for the rescission of De Novo Order  
11 R-12820-A, in San Juan County, New Mexico. This case has  
12 been continued to June 17th, 2010.

13 The next cause before the Commission is Case  
14 Number 14365, the application of COG Operating, LLC, for  
15 designation of a non-standard spacing unit and for  
16 compulsory pooling in Eddy County, New Mexico. That case  
17 has also been continued to the June 17th hearing.

18 The next case is Case Number 14366, the  
19 application of COG Operating, LLC, for designation of  
20 non-standard spacing unit, unorthodox well location, and  
21 for compulsory pooling in Eddy County, New Mexico. That  
22 case has also been continued to the June 17th hearing.

23 The next cause before the Commission is Case  
24 Number ~~14323~~, the application of Chesapeake Energy  
25 Corporation for cancellation of a permit to drill issued

1 to COG Operating, LLC, in Eddy County, New Mexico, also  
2 continued to June 17th, 2010.

3 The next case is Case Number 14382, the  
4 application of Chesapeake Energy Corporation for  
5 cancellation of a permit to drill issued to COG Operating  
6 in Eddy County, New Mexico. This case has also been  
7 continued to June 17th.

8 And the last case before the Commission is  
9 Case Number 14418, the application of Cimarex Energy  
10 Company for a non-standard oil spacing and proration unit  
11 and compulsory pooling in Eddy County, New Mexico, also  
12 continued to the June 17th, 2010, Commission meeting.

13 There is one other scheduling issue that the  
14 Commission probably needs to consider. Counsel, we had a  
15 request to expedite a hearing on an issue involving the  
16 pit rule. I have not scheduled it. I would like to ask  
17 the Commission their opinion of it. Is that acceptable?

18 MS. BADA: You can. But I think, given  
19 your notice requirement, that happening before your June  
20 hearing is not very likely.

21 CHAIRMAN FESMIRE: We have an issue.  
22 Williams Energy needs to drill a water disposal well, and  
23 they would like to do it in an area where they cannot dig  
24 a pit. Their issue is that the pit rule allows them, as  
25 long as it's not a leased facility, that they can dig

1 that pit someplace else and dispose of the waste there  
2 under the rules where it would qualify, depth of water  
3 and things like that.

4 It's a pretty important issue, because it  
5 considers some of the things in the pit rule that might  
6 be counter to what the Commission believes the pit rule  
7 says, but it is an arguable position. It might take a  
8 couple of days. Williams would like to expedite it,  
9 because they don't anticipate getting through the winter  
10 with enough water disposal facilities in the northwest  
11 and would like to get this drilled.

12 Does anybody have any feeling about whether or  
13 not we can get it done before the 17th? I kind of told  
14 them the same thing Counsel told us.

15 COMMISSIONER OLSON: The 17th of June?

16 CHAIRMAN FESMIRE: June.

17 COMMISSIONER OLSON: There's no way I can  
18 do that.

19 CHAIRMAN FESMIRE: That moots out your  
20 response, doesn't it?

21 COMMISSIONER BAILEY: Yeah. Early July is  
22 the next one, but they are scheduled for the June 17th  
23 hearing.

24 CHAIRMAN FESMIRE: They are currently  
25 scheduled for the June 17th hearing.

1 COMMISSIONER BAILEY: If Commissioner  
2 Olson is not available, he's not available.

3 CHAIRMAN FESMIRE: Okay. We'll leave it  
4 on the June 17th hearing.

5 Are there any other issues before the  
6 Commission today? Thank you all very much.

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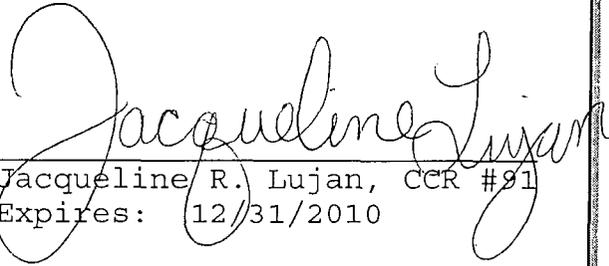
REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO  
HEREBY CERTIFY that on May 20, 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 28th day of May, 2010.

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