

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

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

APPLICATION OF AGUA SUCIA, LLC Case No. ~~14411~~
TO REINSTATE DIVISION ADMINISTRATIVE ORDER
SWD-559 FOR A SALT WATER DISPOSAL WELL,
LEA COUNTY, NEW MEXICO

APPLICATION OF BURLINGTON RESOURCES Case No. 12276
OIL & GAS COMPANY FOR COMPULSORY POOLING,
SECTION 36, TOWNSHIP 27 NORTH, RANGE 8 WEST,
SAN JUAN COUNTY, NEW MEXICO

APPLICATION OF BURLINGTON RESOURCES Case No. 12277
OIL & GAS COMPANY FOR COMPULSORY POOLING,
SECTION 16, TOWNSHIP 31 NORTH, RANGE 11 WEST,
SAN JUAN COUNTY, NEW MEXICO

APPLICATION OF COG OPERATING, LLC Case No. 14472
FOR CANCELLATION OF OPERATOR'S AUTHORITY
AND TERMINATION OF SPACING UNITS, YESO
ENERGY, INC. DOW "B" FEDERAL WELL NO. 1,
EDDY COUNTY, NEW MEXICO

APPLICATION OF NEW MEXICO OIL Case No. 14547
CONSERVATION DIVISION. THE APPLICANT
SEEKS AN ORDER AUTHORIZING THE OIL
CONSERVATION DIVISION TO RECOGNIZE AN OPERATOR
OF RECORD FOR WELLS CURRENTLY OPERATED
BY YESO ENERGY, INC., OGRID 221710

APPLICATION OF TARGA MIDSTREAM Case No. 14575
SERVICES LIMITED PARTNERSHIP AS OPERATOR
FOR VERSADO GAS PROCESSORS, LLC FOR
APPROVAL TO INJECT ACID GAS INTO TARGA'S
EXISTING EUNICE GAS PLANT SALT WATER
DISPOSAL (SWD) WELLS NO. 1, (API No. 30-025-21497),
LEA COUNTY, NEW MEXICO

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REPORTER'S TRANSCRIPT OF PROCEEDINGS
COMMISSIONER HEARING

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

December 9, 2010
Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Commission, MARK E. FESMIRE, Chairman, on Thursday, December 9, 2010, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South St. Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jeannine K. Sims, RPR, NM CCR #12
Paul Baca Court Reporters
500 Fourth Street, NW, Suite 105
Albuquerque, New Mexico 87102

A P P E A R A N C E S

FOR THE OIL CONSERVATION COMMISSION:

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Santa Fe, New Mexico 87505

FOR THE APPLICANT, AGUA SUCIA:

Mr. James Bruce
ATTORNEY AT LAW
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Santa Fe, New Mexico 87504

FOR ARMSTRONG ENERGY CORPORATION:

Mr. William F. Carr
HOLLAND & HART, LLP
P.O. Box 2208
Santa Fe, New Mexico 87504

1 FOR THE APPLICANT, TARGA MIDSTREAM SERVICES:

2 Mr. William Scott
 3 MODRALL, ROEHL, HARRIS & SISK
 4 500 Fourth St. NW, Suite 1000
 5 Albuquerque, New Mexico 87102

6 ALSO PRESENT:

7 Ms. Florene Davidson
 8 Ms. Cheryl Bada

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1 CHAIRMAN FESMIRE: Okay. Let's go on the
2 record. Let the record reflect that this is the
3 Thursday, December 8th -- or December 9th, 2010 regularly
4 scheduled meeting of the New Mexico Oil Conservation
5 Division. The record should reflect that all three
6 commissioners are present; Commissioner Bailey,
7 Commissioner Olson, Commissioner Fesmire.

8 The first item of business before the
9 Commission this morning is the adoption of the minutes of
10 the November 4th, 2010 Commission meeting. Have the
11 Commissioners had a chance to review the meeting minutes?

12 COMMISSIONER BAILEY: Yes, I have and I move
13 we adopt them.

14 COMMISSIONER OLSON: Second that.

15 CHAIRMAN FESMIRE: All those in favor
16 signify by saying "aye." Let the record reflect that the
17 minutes were anonymously adopted by the Commission,
18 signed by the Chairman, and conveyed to the Secretary for
19 recording.

20 The next item before the Commission is
21 Case No. 14411, it's the De Novo application of Agua
22 Sucia LLC to reinstate Division Administrative Order
23 SWD-559 for saltwater disposal well in Lea County, New
24 Mexico. Are the attorneys present?

25 MR. BRUCE: Yes, Mr. Chairman. James Bruce

1 on behalf of the applicant.

2 MR. CARR: If it please the Commission,
3 William Carr with the Santa Fe office of Holland and Hart
4 and I represent Armstrong Energy Corporation, who was
5 protesting the application.

6 CHAIRMAN FESMIRE: I understand you have an
7 announcement for the record?

8 MR. BRUCE: Yes, Mr. Chairman. Armstrong
9 Energy has agreed to withdraw its objection based upon
10 the further review of the bond log. As a result there's
11 no objection to this application. Yesterday Mr. Carr and
12 I conferred on a proposed order which we e-mailed to you
13 and to Commission counsel and Ms. Davidson for your
14 review and possible change if necessary. All I would
15 request is that order be entered as soon as possible.

16 CHAIRMAN FESMIRE: Okay. Commissioner
17 Bailey, do you have any questions about the order?

18 COMMISSIONER BAILEY: No. I have reviewed
19 it and I move that we adopt it.

20 CHAIRMAN FESMIRE: Commissioner Olson, I
21 understand you had a question about it.

22 COMMISSIONER OLSON: I had one question
23 about it. It's stating in the order that you're seeking
24 to reinstatement Administrative Order SWD 559, but it
25 doesn't really say in this, in the history why it needs

1 to be reinstated.

2 MR. BRUCE: Mr. Chairman, when there arose a
3 casing problem with the well, the well was a -- ceased
4 injection in January of 2008. And under Division rules
5 after it had ceased injection for more than a year the
6 order lapsed.

7 CHAIRMAN FESMIRE: Do we need to include
8 that in the order?

9 COMMISSIONER OLSON: I just wonder if we
10 need to include that under the history.

11 MR. BRUCE: You can do that and e-mail
12 another copy to Ms. Davidson and Commission counsel if
13 you so desire.

14 CHAIRMAN FESMIRE: Okay. Why don't you do
15 that and we'll after -- I'm sure we'll go through lunch
16 today, make sure you get a copy to Ms. Davidson that
17 includes that in the findings or the history.

18 MR. BRUCE: I will do that this morning.

19 CHAIRMAN FESMIRE: And we'll continue this
20 until later in the day and act on it at that time.

21 MR. CARR: Mr. Chairman, I'd like to just
22 confirm that Armstrong Energy does withdraw its objection
23 to reinstatement of the application or reinstatement of
24 the permit. This case has been before you for a couple
25 of years now. The objection was initially filed when the

1 well was operated by a prior operator, now it's a new
2 operator. And as we move forward and you will recall
3 half of the case was presented to you a month ago. Since
4 that time we have reviewed the bond log, but more than
5 that we have looked at the entire well boring, how it is
6 completed with the liner cemented and the order provides
7 that there will be an MIT test to confirm its integrity.
8 And at this point in time we believe it's appropriate to
9 go ahead and reinstate that permit.

10 CHAIRMAN FESMIRE: Thank you very much. At
11 this time we'll go ahead and continue this case until
12 later in this meeting today in this room.

13 MR. BRUCE: I will forward an order. I'm
14 sure you will be busy, but you will have it before you
15 break for lunch.

16 CHAIRMAN FESMIRE: Thank you very much, sir.
17 The next case before the Commission is Case No. 12276,
18 it's the De Novo application of Burlington Resources Oil
19 and Gas Company for compulsory pooling, Section 36,
20 Township 27 North, Range 8 West, in San Juan County. It
21 has a related case which is also before the Commission,
22 Case No. 12277, the application of Burlington Resources
23 Oil and Gas Company for compulsory pooling in Section 16,
24 Township 31 North, Range 11 West in San Juan County. I
25 understand from the Secretary that the counsel in both of

1 break so I could organize my thoughts and then ask him
2 these questions.

3 CHAIRMAN FESMIRE: Well, as much I don't
4 like to, why don't we take an hour break and go to lunch.
5 And we will reconvene here and quarter to 2:00. And we
6 will reconvene at a quarter to 2:00.

7 MR. SCOTT: Thank you very much.

8 (Break.)

9 CHAIRMAN FESMIRE: Back on the record. At
10 this time we're going to reconvene in Case No. 14411,
11 it's the de novo application of Agua Sucia, LLC to
12 reinstate the administrative order SWD 559 for a salt
13 water disposal in Lea County, New Mexico. This is the
14 case we took up earlier this morning and had to make a
15 change to the order. Counsel assures us and from my
16 review it appears they did make the change that we
17 requested. Is there a motion to adopt the order as
18 presented by the counsel to the Secretary and the
19 Secretary to us?

20 COMMISSIONER BAILEY: I so move.

21 COMMISSIONER OLSON: Second.

22 CHAIRMAN FESMIRE: All those in favor
23 signify by saying "aye." Let the record reflect the
24 Commission has adopted the order presented in Case
25 No. 14411, Order No. R-13265-D as in delta. It will be

1 signed by the members of the Commission and sent to the
2 Secretary for recording.

3 At this time we will take up Case No. 14575,
4 I believe the record should reflect that all three
5 Commissioners have successfully returned from lunch, we
6 therefore have a quorum. And we will go back I believe
7 we were about to begin the cross-examination -- no.
8 Redirect, I'm sorry, of Mr. Gutierrez. Mr. Scott, are
9 you prepared to begin?

10 MR. SCOTT: Yes, sir.

11 CHAIRMAN FESMIRE: Please do so.

12 * * *

13 RE-DIRECT EXAMINATION

14 BY MR. SCOTT:

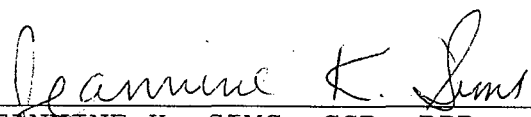
15 Q. Mr. Gutierrez, there have been quite a
16 number of questions asked of you about the data in this
17 case that you relied on in putting together C-108. In
18 your opinion as a professional geologist who has
19 permitted these types of wells in a number of contexts,
20 is the data that you relied upon here adequate in terms
21 of type and quality and it is of the kind that is
22 customarily relied upon in permitting these kinds of
23 wells?

24 A. Yes, it is. It's the same type of data that
25 we have used in permitting these types of wells and other

1 THE STATE OF NEW MEXICO :
COUNTY OF BERNALILLO :

2
3 BE IT KNOWN that the foregoing transcript of
4 proceedings was taken by me; that I was then and there a
5 Certified Court Reporter and Notary Public in and for the
6 County of Bernalillo, State of New Mexico, and by virtue
7 thereof, authorized to administer an oath; that the
8 witness before testifying was duly sworn by me; that the
9 foregoing 228 pages contain a true and accurate
10 transcript of the proceedings, all to the best of my
11 skill and ability.

12
13 I FURTHER CERTIFY that I am neither employed by
14 nor related to nor contracted with (unless excepted by
15 the Rules) any of the parties or attorneys in this case,
16 and that I have no interest whatsoever in the final
17 disposition of this case in any court.

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