

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:)	CASE NO. 12,459
)	
APPLICATION OF THE OIL CONSERVATION)	
DIVISION FOR AN ORDER REQUIRING I.T.)	
PROPERTIES TO PROPERLY PLUG ONE WELL,)	
EDDY COUNTY, NEW MEXICO)	
)	

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSION HEARING

BEFORE: LORI WROTENBERY, CHAIRMAN
 ROBERT LEE, COMMISSIONER

June 21st, 2002

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Commission, LORI WROTENBERY, Chairman, on Friday, June 21st, 2002, 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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I N D E X

June 21st, 2002
Commission Hearing
CASE NO. 12,459

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* * *

A P P E A R A N C E S

FOR THE COMMISSION:

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Santa Fe, New Mexico 87505

FOR THE APPLICANT:

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FOR I.T. PROPERTIES:

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Attorneys at Law
325 Paseo de Peralta
P.O. Box 2307
Santa Fe, New Mexico 87504-2307
By: PAUL R. OWEN

* * *

1 WHEREUPON, the following proceedings were had at
2 9:03 a.m.:

3 CHAIRMAN WROTENBERY: Okay, we'll start the
4 meeting. It's Friday, June 21st, 2002, a little bit after
5 nine o'clock in the morning. We're in Porter Hall in Santa
6 Fe, New Mexico, for this meeting of the Oil Conservation
7 Commission.

8 Today Commissioner Jami Bailey is not here
9 because she is in Florida with a new grandbaby. But we've
10 got a quorum. Commissioner Robert Lee is here, and I'm
11 Lori Wrotenbery, Chairman of the Commission.

12 We have, really, just two items on the agenda.
13 The first, I think we can do quickly here. It's the
14 minutes of the Commission Hearing held on April 26th, 2002.

15 Have you had a chance to review that,
16 Commissioner Lee?

17 COMMISSIONER LEE: Yes. I move to --

18 CHAIRMAN WROTENBERY: I think we can just say --

19 COMMISSIONER LEE: -- Aye.

20 CHAIRMAN WROTENBERY: -- Aye, all in favor say
21 Aye, yeah. And I'll sign those minutes on behalf of the
22 Commission.

23 * * *

24

25 CHAIRMAN WROTENBERY: And the next item is Case

1 12,459. This is the Application of the Oil Conservation
2 Division for an order requiring I.T. Properties to properly
3 plug one well, Eddy County, New Mexico.

4 This case is being heard *de novo* by the
5 Commission on the Application of I.T. Properties, and I'll
6 call for appearances.

7 MR. BROOKS: May it please the Commission, I'm
8 David Brooks, Energy, Minerals and Natural Resources
9 Department of the State of New Mexico, appearing for the
10 New Mexico Oil Conservation Division.

11 MR. OWEN: Paul Owen of the Santa Fe law firm of
12 Montgomery and Andrews, appearing on behalf of the
13 Applicant, I.T. Properties.

14 CHAIRMAN WROTENBERY: Thank you, gentlemen.

15 What is it that we're going to try to accomplish
16 today? Because this particular case has been on the
17 Commission's docket for over a year now. I know the
18 parties have been working to try to resolve this issue.
19 Where do we stand?

20 MR. BROOKS: Okay, may it please the Commission,
21 go into this very briefly, a bit of history.

22 First of all, I believe that we have resolved the
23 issues that the Commission is being asked to address by
24 agreement. And I will explain the agreement, but I first
25 need to give the Commission a little bit of history about

1 this case.

2 This case, Number 12,459, was brought at the
3 Division level as a routine plugging case for a well, the
4 DHY State Well Number 1, which has not produced since 1996,
5 according to the operator -- we believe 1993, but that's
6 immaterial, since it would be ripe to be plugged in any
7 case -- and it had failed a casing integrity test.

8 Now, this well was spudded in 1975 and completed
9 in January of 1976 by Deptco, Inc., and the present
10 operator, I.T. Properties, took it over in the 1980s. It
11 is a dual completion which is perforated in the Wolfcamp
12 formation at approximately 8500 feet, and in the Morrow
13 formation at 10,900-something.

14 The dual completion was authorized by a
15 Commission R order pursuant to an Examiner hearing, and I
16 assume that was before the present Division structure was
17 put into effect, although I didn't realize that the
18 Commission was still doing Examiner Hearings at that late a
19 date, but apparently it was.

20 It was Order Number R-5184, and that order
21 specified the manner in which this well was to be
22 completed, namely that there was to be a packer set above
23 the Wolfcamp and another packer set at a specified depth
24 level, ten thousand -- and I have to find that in here, but
25 it's approximately ten thousand --

1 MR. OWEN: -- nine hundred eighty-five.

2 MR. BROOKS: -- 10,985 feet, anyway, to isolate
3 the Morrow. And the Wolfcamp would be produced through the
4 casing tubing annulus and the Morrow would be produced
5 through the tubing.

6 That detail has become something of a problem,
7 because when we brought this plugging hearing the operator
8 determined that they wanted to re-work this well. And they
9 have attempted to do so on a couple of occasions, but they
10 have lost the tubing in the hole and after several attempts
11 to fish it out were unable to recover the tubing in its
12 entirety.

13 And as a result, they shot off the tubing at
14 approximately 9200 feet, so that there is tubing in the
15 hole below the level of approximately 9200 feet. In order
16 to complete by setting a packer at 10,000-plus it would be
17 necessary to recover that tubing from the hole, and the
18 operator wants to avoid that expense.

19 Now, we have several concerns as the Division
20 here. We do not oppose the operator recompleting the well
21 in the manner which they now suggest, and they have
22 advanced two plans.

23 I believe their preferred plan would be to
24 downhole commingle the Morrow and the Wolfcamp.

25 Alternatively, they would like to set a packer at

1 approximately 9000 feet, just below the Wolfcamp
2 perforations, so as to avoid having to fish out the tubing
3 that is below that level.

4 Either of those proposals is acceptable to the
5 Division's Artesia District Office, provided that the
6 Artesia District Office, one, is satisfied that the casing
7 integrity problem has been remedied and, two, that they
8 actually do what they propose to do.

9 In the event either of those conditions is not
10 satisfied, the Artesia District Office would like to put an
11 end to this greatly extended proceeding, probably the
12 longest plugging proceeding in the history of the OCD, and
13 get this well plugged. And we do have a bond from these
14 people so that -- from the operator, pardon me -- so that
15 we are in a position to proceed with confidence if we get a
16 plugging order.

17 At this point --

18 CHAIRMAN WROTENBERY: Pardon me, we have a bond
19 for this particular well or a blanket bond --

20 MR. BROOKS: I.T. has a \$50,000 blanket bond, I
21 believe --

22 CHAIRMAN WROTENBERY: Okay.

23 MR. BROOKS: -- from Gulf Insurance Company. So
24 there should be more than adequate coverage for the cost of
25 plugging this well, even though it's a deep well.

1 At this point, the Division and the operator have
2 entered into an agreement, and I will state what I believe
3 to be the agreement. I prepared a draft yesterday, but the
4 operator wants some changes, and we are agreeable to those
5 changes. So we do not have a definitive draft at this
6 time, but I will attempt to state on the record what the
7 agreement is, and Mr. Owen as attorney for the operator can
8 confirm and correct my presentation.

9 Our agreement is as follows:

10 That the Commission would enter an order
11 providing that the operator has 120 days from the date the
12 order is entered to get this well recompleted. And in
13 order to do that, he will need to apply to the Division for
14 permission to downhole commingle.

15 That the Division can then enter an order. And
16 the Commission order that we propose that the Commission
17 enter would specifically authorize the Division to modify
18 the terms and provisions of Order Number R-5184, because
19 there is some doubt in my mind as to whether or not the
20 Division Director would have authority, even by hearing
21 order, to modify an order that was signed by the
22 Commission. So for that reason, the Commission order will
23 specifically state that the Division Director will have
24 authority, based upon the recommendation of the Examiner,
25 to modify the existing order.

1 We believe 120 days will give the operator
2 sufficient time to apply for the relief requested at the
3 Division level and for the Division to either grant or deny
4 that relief.

5 There is not an agreement between the operator
6 and Mr. Gum for the Division in terms of what demonstration
7 of integrity for this well is -- what exactly they're
8 going to have to do to satisfy the Division as to the
9 integrity of the well. The Division is prepared to submit
10 that matter at the Division level, and by doing it in that
11 manner, we can get a final order entered and get the
12 Commission out of the loop on this so they won't have to be
13 in this case coming up every month any further.

14 Furthermore, the advantage to the Division, in
15 their opinion, of this agreement is that if they do not get
16 the well recompleted and back on production within 120
17 days, then we will have a plugging order in place.

18 And what I conceive of as happening is that in
19 order to fulfill the conditions of this order that I
20 propose for you to enter, they must get the well back on
21 production and have a C-104 approved by the Artesia
22 District Office within 120 days. If they do not do that,
23 the plugging order automatically becomes effective and they
24 have 30 days from the expiration of the 120 to plug the
25 well.

1 If they want any relief from that order, if
2 there's disagreement between the Artesia District Office
3 and the operator about whether they've fulfilled the
4 conditions, then they need to file an application at the
5 Division level and get that matter -- or file an
6 application either with the Division or with the Commission
7 to re-open this case and have further hearings on the
8 matter.

9 We trust that will not happen, that by that time
10 the parties will see eye to eye on exactly where we are.
11 But that way, if nothing is done, plugging order becomes
12 effective, they have 30 days to plug the well. If they do
13 not do so, then we can proceed to call their bond and plug
14 the well.

15 Thank you.

16 Mr. Owen?

17 CHAIRMAN WROTENBERY: Thank you, Mr. Brooks.

18 MR. OWEN: Mr. Brooks has accurately set forth
19 the history of this case.

20 I'd like to call the Commission's attention to
21 the fact that this is a plugging case, and to the fact that
22 the Commission's statutory duties are to prevent waste and
23 protect correlative rights. It's not its primary duty to
24 make sure that all wells are plugged. If this well were to
25 be plugged right now, there are reserves left in the ground

1 which would be wasted.

2 The reason the case has been delayed for over a
3 year is because during that period of time the operator --
4 my client, the Applicant I.T. Properties -- has conducted
5 extensive work on the well when it has had a rig available.
6 It has expended over \$100,000 in an attempt to bring the
7 well back to production over a one-year period of time. It
8 has engaged in several different re-working operations and
9 has encountered difficulties in bringing the well back to
10 production.

11 This is not a case that has been pending for a
12 year while the operator does nothing. It's a case that has
13 been pending for a year while the operator has worked very
14 diligently, at great expense, to bring the well back to
15 production.

16 The agreement which Mr. Brooks and I have reached
17 in this case adequately protects the Commission's interest
18 in plugging a well if it's not going to be operated.
19 However, as I've indicated, the operator fully intends to
20 bring this well back to production and has expended a great
21 deal of money toward that end.

22 Mr. Brooks also accurately represents that the
23 Applicant and the Division are in disagreement right now as
24 to what tests need to be performed in order to ensure the
25 integrity of the well and bring the well back to

1 production, as a prerequisite to bringing the well back to
2 production.

3 That is a matter that should be determined by the
4 Division Examiner after both parties have had the
5 opportunity to present their positions, assuming that we
6 don't reach agreement before that point. It's not a matter
7 that should be considered by the Commission in this
8 plugging case.

9 Therefore, with the amendments to the proposed
10 order, which Mr. Brooks and I have discussed, we agree to
11 entry of that order and to the procedure proposed by Mr.
12 Brooks whereby the Applicant will be required to submit an
13 application for downhole commingling, submit that to the
14 Division and submit its position to the Division Examiner.

15 The Division Examiner would then enter an order
16 which would amend the R order and permit the well to be
17 operated as a downhole-commingled well, rather than a dual-
18 completion well, which would, in effect, amend the R order
19 which specifically provides that it's to be a dual-
20 completion well.

21 I suppose that we will have a final version of
22 the order before the Commission later today, it depends on
23 Mr. Brooks' and I's schedules and whether we can work out
24 the language. He has done an extensive amount of work in
25 drafting this order, and it is a very thorough order.

1 You will be able to see from the course of that
2 order the work that, in fact, my client has performed over
3 the last year, and you'll see the disagreement as well, and
4 the history of the well before there were any casing
5 problems as well.

6 So with that position on the record, I recommend
7 that the Commission accept the order to be submitted by Mr.
8 Brooks and I later today.

9 MR. BROOKS: Thank you. And may it please the
10 Commissioners further, I agree with Mr. Owen's statement.

11 Also, because we intended to do this by
12 agreement, I did not come here intending to put on
13 witnesses. However, Mr. Gum is present and if the members
14 of the Commission have any questions he will be glad to
15 answer them.

16 CHAIRMAN WROTENBERY: Thank you, Mr. Brooks and
17 Mr. Owen.

18 Do you have any questions, Commissioner Lee?

19 COMMISSIONER LEE: No.

20 CHAIRMAN WROTENBERY: Mr. Ross, do you have any
21 guidance for us, procedurally? What are we going to need
22 to do? Are we going to need to take this matter under
23 advisement and then consider the order at the next
24 Commission meeting, or is there a way we could go ahead
25 and --

1 MR. ROSS: That's my initial reaction to it --

2 CHAIRMAN WROTENBERY: Okay.

3 MR. ROSS: -- unless everyone has time to stay
4 around and recess until the order is agreed to. I don't
5 know --

6 COMMISSIONER LEE: No problem --

7 CHAIRMAN WROTENBERY: How long would you need to
8 go ahead and --

9 MR. BROOKS: Well, I imagine we could get it
10 finalized within an hour, based on our conversation before
11 we started this morning.

12 MR. OWEN: I think that's right. And may it
13 please the Examiner -- the Commission, pardon me --

14 CHAIRMAN WROTENBERY: No problem.

15 MR. OWEN: -- even if we don't get it done today,
16 I think we're in a position of submitting a proposed order
17 similar to submitting a proposed order to a court whereby
18 we are agreed on the terms, and I don't think it needs to
19 be taken under advisement and considered at the next
20 Commission Hearing. It would be similar to a case in which
21 you've already heard the case and are simply entering an
22 order.

23 MR. BROOKS: Yeah. Well, courts are accustomed
24 to doing that, and I know the Commission is governed by the
25 Open Meetings Act and cannot act except when it's assembled

1 in a meeting. So I would --

2 CHAIRMAN WROTENBERY: That's our difficulty here.

3 MR. BROOKS: -- defer here, I would defer to Mr.
4 Ross as Commission counsel as to how the Commission ought
5 to act procedurally. We will be happy to attempt to get
6 this matter -- to get a final form of order this morning,
7 if it pleases the Commissioners. And of course I'm sure
8 Mr. Ross will want to review it in detail since he's not
9 had an opportunity to see this proposed order before this
10 morning.

11 MR. OWEN: May it please the Commission, I think
12 that Mr. Brooks and I, if we start right now, can get the
13 order in a final form very shortly.

14 CHAIRMAN WROTENBERY: How about if we take a
15 break, then, until 10:30? Would that --

16 MR. BROOKS: That should do it.

17 CHAIRMAN WROTENBERY: -- give everybody time to
18 get together and --

19 MR. BROOKS: I would think so.

20 CHAIRMAN WROTENBERY: -- get this ready for
21 approval?

22 Okay.

23 COMMISSIONER LEE: Can we make it 10:15?

24 MR. BROOKS: 10:15?

25 CHAIRMAN WROTENBERY: 10:15?

1 MR. BROOKS: I think we can make 10:15.

2 CHAIRMAN WROTENBERY: Okay, 10:15 sounds good.
3 We'll take a break here.

4 (Thereupon, a recess was taken at 9:22 a.m.)

5 (The following proceedings had at 10:25 a.m.)

6 CHAIRMAN WROTENBERY: Okay, we're ready to go
7 back on the record.

8 Mr. Brooks and Mr. Owen, you've presented the
9 Commission an agreed order and indicated your approval by
10 signing the copy of the agreed order.

11 Did you have anything you wanted to tell the
12 Commission before the Commission acts on this agreed order?

13 MR. BROOKS: No, we're satisfied.

14 MR. OWEN: I have nothing further to add.

15 CHAIRMAN WROTENBERY: Okay. Commissioner Lee,
16 have you had a chance to --

17 COMMISSIONER LEE: Yes.

18 CHAIRMAN WROTENBERY: -- review the agreed order?

19 COMMISSIONER LEE: I move we say aye.

20 CHAIRMAN WROTENBERY: Okay, I'll second that
21 motion.

22 So all in favor of approving the agreed order as
23 submitted to the Commission say aye.

24 COMMISSIONER LEE: Aye.

25 CHAIRMAN WROTENBERY: Aye. Let's get your

1 signature on here.

2 Okay, the order is entered.

3 (Thereupon, these proceedings were concluded at
4 10:26 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 June 21st, 2002.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002

NEW MEXICO OIL CONSERVATION DIVISION

COMMISSION HEARINGSANTA FE, NEW MEXICOHearing Date MAY 25, 2001 Time 9:00 A.M.

NAME	REPRESENTING	LOCATION
Frank GRAY	Texas E&P Inc	Midland, Tx
Ned Kendrick	Montgomery & Andrews	Santa Fe
Paul Peacock	Marathon Oil Company	Midland, TX
D. SEIKMAN	NHCGA	SE
Sam Sora II	Amerada Hess	Seminole, TX

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

CASE NOS. 12,459;

and 12,567, 12,535, 12,590 and 12,569, (Consolidated)

(Continued)

ORIGINAL

CONTINUED CASES

TRANSCRIPT OF PROCEEDINGS

BEFORE: LORI WROTENBERY, CHAIRMAN
JAMI BAILEY, COMMISSIONER
ROBERT LEE, COMMISSIONER

May 25th, 2001

Santa Fe, New Mexico

OIL CONSERVATION DIV.
01 JUN -5 PM 1:46

These matters came on for hearing before the Oil Conservation Commission, LORI WROTENBERY, Chairman, on Friday, May 25th, 2001, 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.

* * *

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

I N D E X

May 25th, 2001
Commission Hearing
CASE NOS. 12,459; and 12,567, 12,535,
12,590 and 12,569, (Consolidated); (Continued)

PAGE

REPORTER'S CERTIFICATE

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A P P E A R A N C E S

FOR THE COMMISSION:

STEPHEN ROSS
Deputy General Counsel
Energy, Minerals and Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 9:01 a.m.:

3 CHAIRMAN WROTENBERY: And then let me just note
4 for the record the cases that were continued.

5 We have Case 12,459; this is the Application of
6 the Oil Conservation Division for an order requiring I.T.
7 Properties to properly plug one well in Eddy County, New
8 Mexico. This case has been continued to June 22nd, 2001,
9 by agreement of the parties.

10 And then we had four cases that were to be heard
11 together, Cases 12,567, 12,535, 12,590 and 12,569, all
12 involving Applications for compulsory pooling in Lea
13 County, New Mexico. The parties were Ocean Energy
14 Resources and Yates Petroleum Corporation, and those cases
15 have been continued as well to the June meeting at the
16 request of the parties.

17 (Thereupon, these proceedings were concluded at
18 9:01 a.m.)

19 * * *

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 May 25th, 2001.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002

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:)

CASE NO. 12,459

APPLICATION OF THE OIL CONSERVATION)
 DIVISION FOR AN ORDER REQUIRING I.T.)
 PROPERTIES TO PROPERLY PLUG ONE WELL,)
 EDDY COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSION HEARING

BEFORE: LORI WROTENBERY, CHAIRMAN
 JAMI BAILEY, COMMISSIONER
 ROBERT LEE, COMMISSIONER

April 27th, 2001

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Commission, LORI WROTENBERY, Chairman, on Friday, April 27th, 2001, 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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OIL CONSERVATION DIV
 01 MAY -3 AM 9:03

I N D E X

April 27th, 2001
Commission Hearing
CASE NO. 12,459

PAGE

REPORTER'S CERTIFICATE

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* * *

A P P E A R A N C E S

FOR THE COMMISSION:

STEPHEN ROSS
Deputy General Counsel
Energy, Minerals and Natural Resources Department
2040 South Pacheco
Santa Fe, New Mexico 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 9:10 a.m.:

3 CHAIRMAN WROTENBERY: Okay, the next item on the
4 agenda was Case 12,459. This was the Application of the
5 Oil Conservation Division for an order requiring I.T.
6 Properties to properly plug one well in Eddy County, New
7 Mexico.

8 Mr. Ross, where are we on this one?

9 MR. ROSS: This is a case that was originally
10 filed by the Division before the Division and before you *de*
11 *nov*o. It's an Application by the Division to plug a well.

12 Yesterday the Applicant, the *de novo* Applicant,
13 I.T. Properties, and the Division undertook some
14 discussions whereby the Applicant proposes -- I.T.
15 Properties proposes to plug the well in and around a 30-day
16 time frame -- or not plug the well, repair the well -- in
17 and around a 30-day time frame. But the details of that
18 discussion are not available to me at this point. They're
19 still being worked out between the Division attorney, Mr.
20 Van Deren, and I.T. Properties' attorney.

21 So what the request before you is is that this
22 case be continued until the next docket so they can work
23 those details out and hopefully come to some sort of an
24 amicable resolution, at which point, if that does
25 transpire, we can then dismiss the *de novo* Application.

1 CHAIRMAN WROTENBERY: Unless the Commissioners
2 have any concern about continuing the case, I'm proposing
3 to continue the case to the Commission's next meeting on
4 May 25th.

5 COMMISSIONER BAILEY: I have no problem with
6 that.

7 CHAIRMAN WROTENBERY: Okay, good, thank you.
8 Thank you, Mr. Owen.

9 (Thereupon, these proceedings were concluded at
10 9:12 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 April 30th, 2001.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002

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

CASE NO. 12,459 (Continued)

CASE NO. 12,008 (Dismissed)

CONTINUED AND DISMISSED CASES
TRANSCRIPT OF PROCEEDINGS

BEFORE: LORI WROTENBERY, CHAIRMAN
JAMI BAILEY, COMMISSIONER
ROBERT LEE, COMMISSIONER

ORIGINAL

OIL CONSERVATION COM.
01 APR 16 PM 1:20

March 30th, 2001

Santa Fe, New Mexico

These matters came on for hearing before the Oil Conservation Commission, LORI WROTENBERY, Chairman, on Friday, March 30th, 2001, 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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I N D E X

March 30th, 2001
Commission Hearing
CASE NOS. 12,459 (Continued) and 12,008 (Dismissed)

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A P P E A R A N C E S

FOR THE COMMISSION:

STEPHEN ROSS
Deputy General Counsel
Energy, Minerals and Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

* * *

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

3 CHAIRMAN WROTENBERY: Okay, we'll call this
4 meeting to order. This is a meeting of the Oil
5 Conservation Commission. It's March 30th, 2001, and we're
6 here in the Oil Conservation Division's hearing room in
7 Santa Fe, New Mexico.

8 I'm Lori Wrotenbery, I am chairman of the
9 Commission.

10 To my right is Commissioner Jami Bailey, she
11 represents Land Commissioner Ray Powell on the Commission.

12 To my left is Commissioner Robert Lee, who serves
13 as an appointee to the Commission of the Secretary of
14 Energy, Minerals and Natural Resources.

15 And a couple of other people you should know. On
16 my far right, Florene Davidson, the Commission secretary.

17 To Commissioner Lee's left is Steve Ross, the
18 Commission's legal counsel.

19 And then Steve Brenner will be recording the
20 proceedings today.

21 We have just a couple of business matters to take
22 care of before we take up our first substantive matter
23 today.

24 We have the minutes of the last meeting of the
25 Oil Conservation Commission, which was held in this room on

1 February 16th, 2001. And Commissioners, I believe you've
2 had a chance to review a draft of the minutes?

3 COMMISSIONER BAILEY: Yes, I have, and I move
4 that we accept them.

5 COMMISSIONER LEE: Second.

6 CHAIRMAN WROTENBERY: All in favor say "aye".

7 COMMISSIONER BAILEY: Aye.

8 COMMISSIONER LEE: Aye.

9 CHAIRMAN WROTENBERY: Aye. It's unanimous. I've
10 signed those minutes on behalf of the Commission.

11 * * *

12
13 CHAIRMAN WROTENBERY: We also had a couple of
14 other cases that appeared on the docket for this meeting.

15 Case 12,008 was the Application of Robert E.
16 Landreth for a determination of reasonable well costs in
17 Lea County, New Mexico.

18 And the *de novo* Applicant in this case has asked
19 that this matter be dismissed.

20 And your notebooks, Commissioners, have a copy --
21 I believe, have a copy of the letter of dismissal in here.
22 I missed it somehow. Yeah, there's a copy of the letter
23 dated March 27th dismissing this matter.

24 And then Case 12,459 was also scheduled for this
25 Commission meeting. This is the Application of the Oil

1 Conservation Division for an order requiring I.T.
2 Properties to properly plug a well in Eddy County, New
3 Mexico. This case has been continued to the Commission's
4 meeting on April 27th, at the request of the *de novo*
5 Applicant.

6 (Thereupon, these proceedings were concluded at
7 9:05 a.m.)

8 * * *

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 March 30th, 2001.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002

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

CASE NOS. 11,996 and 12,033
(Closing of Session for Deliberation)

CASE NOS. (12,459) 12,605 and 12,587
(Continued Cases)

TRANSCRIPT OF PROCEEDINGS

BEFORE: LORI WROTENBERY, CHAIRMAN
JAMI BAILEY, COMMISSIONER
ROBERT LEE, COMMISSIONER

ORIGINAL

NOV 19 AM 11:31
OIL CONSERVATION COMMISSION

November 6th, 2001

Santa Fe, New Mexico

These matters came on for hearing before the Oil Conservation Commission, LORI WROTENBERY, Chairman, on Tuesday, November 6th, 2001, 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.

* * *

I N D E X

November 6th, 2001
Commission Hearing

CASE NOS. 11,996 and 12,033
(Closing of Session for Deliberation)

CASE NOS. 12,459, 12,605 and 12,587
(Continued Cases)

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October 12th, 2001 3

CASE NOS. 11,996 and 12,033
(Closing of Session for Deliberation) 3

CASE NOS. 12,459, 12,605 and 12,587
(Continued Cases) 6

REPORTER'S CERTIFICATE 9

* * *

A P P E A R A N C E S

FOR THE COMMISSION:

STEPHEN ROSS
Deputy General Counsel
Energy, Minerals and Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 6:00 p.m.:

3 CHAIRMAN WROTENBERY: And Commissioners, I think
4 at this point, while the parties are gathering up their
5 things, let's take care of one business item, the minutes
6 of the Oil Conservation Commission meeting held on October
7 12th, 2001.

8 You have those in the notebook, and I believe
9 each of you have had a chance to review those?

10 COMMISSIONER BAILEY: Yes, I have, and I move
11 that we accept them.

12 COMMISSIONER LEE: Second.

13 CHAIRMAN WROTENBERY: All in favor say "Aye".

14 COMMISSIONER BAILEY: Aye.

15 COMMISSIONER LEE: Aye.

16 CHAIRMAN WROTENBERY: Aye. Florene, I believe
17 you've got me a copy here to sign. I'll sign those on
18 behalf of the Commission.

19 * * *

20
21 CHAIRMAN WROTENBERY: And then at this point I'll
22 entertain a motion that we go into closed session to
23 deliberate on several --

24 MR. ROSS: You might want to put on the record
25 the continuance also of the --

1 CHAIRMAN WROTENBERY: We will at the end of the
2 meeting.

3 MR. ROSS: Okay.

4 CHAIRMAN WROTENBERY: I'm going to go through all
5 the cases that we need to continue before we close, don't
6 let me forget that.

7 Entertain a motion to go into closed session so
8 that we can deliberate on this case and the case that we
9 heard back in October, the Mewbourne case. And also we
10 have some pending litigation to discuss.

11 COMMISSIONER BAILEY: I so move.

12 COMMISSIONER LEE: Second.

13 CHAIRMAN WROTENBERY: All in favor say "Aye".

14 COMMISSIONER BAILEY: Aye.

15 COMMISSIONER LEE: Aye.

16 CHAIRMAN WROTENBERY: Aye.

17 (Off the record at 5:24 p.m.)

18 (The following proceedings had at 6:00 p.m.):

19 CHAIRMAN WROTENBERY: Okay, now we'll go back on
20 the record, and I'll entertain a motion that we go back
21 into open session.

22 COMMISSIONER BAILEY: I so move.

23 COMMISSIONER LEE: Second.

24 CHAIRMAN WROTENBERY: All in favor say "Aye".

25 COMMISSIONER BAILEY: Aye.

1 COMMISSIONER LEE: Aye.

2 CHAIRMAN WROTENBERY: Aye. And I will note for
3 the record that while we were in closed session the matters
4 that we discussed were either pending litigation or *de novo*
5 cases pending before the Commission.

6 Specifically, we talked about Case Number 12,698,
7 which is the Application of Mewbourne Oil Company for
8 compulsory pooling in Eddy County, New Mexico, and we had
9 taken evidence at that case at the meeting in October.

10 We also discussed the two cases that we heard
11 today, Case 12,635, the Application of McElvain Oil and Gas
12 Properties, Inc., for compulsory pooling in Rio Arriba
13 County, New Mexico, and Case 12,705, the Application of
14 D.J. Simmons, Inc., for compulsory pooling in Rio Arriba
15 County, New Mexico.

16 We do have a draft order in the Mewbourne case.
17 That's Case Number 12,698. It's draft order Number
18 R-11,636-A.

19 Commissioners, I believe you've had an
20 opportunity to review this draft?

21 COMMISSIONER BAILEY: Yes, I have, and I think we
22 should sign it.

23 COMMISSIONER LEE: Second.

24 CHAIRMAN WROTENBERY: We're seconding a motion to
25 adopt the order as drafted. All in favor say "Aye".

1 COMMISSIONER BAILEY: Aye.

2 COMMISSIONER LEE: Aye.

3 CHAIRMAN WROTENBERY: Aye. And I would ask -- We
4 have this drafted in such a way that I would sign the order
5 on behalf of the Commission. I just would like to confirm
6 with the Commissioners that that is okay.

7 COMMISSIONER BAILEY: I move that we authorize
8 Lori Wrotenbery to sign for the Commission.

9 COMMISSIONER LEE: Second.

10 CHAIRMAN WROTENBERY: All in favor say "Aye".

11 COMMISSIONER BAILEY: Aye.

12 COMMISSIONER LEE: Aye.

13 CHAIRMAN WROTENBERY: Aye. Okay, and I've got
14 that right here, and I will go ahead and sign it so that we
15 can...

16 * * *

17
18 CHAIRMAN WROTENBERY: And then I should note just
19 for the record, there were a couple of cases that were
20 docketed for today but have been continued.

21 The first was Case 12,459. This is the
22 Application of the Oil Conservation Division for an order
23 requiring I.T. Properties to properly plug one well in Eddy
24 County, New Mexico, and this case has been continued to the
25 Commission's hearing in January, 2002, and the date for

1 that hearing will be announced later.

2 And then in addition we had two cases, Case
3 12,605, the Application of Sapient Energy Corporation for
4 special pool rules in Lea County, New Mexico, and Case
5 12,587, the amended Application of Sapient Energy
6 Corporation for an unorthodox well location and two
7 nonstandard 160-acre spacing units, or in the alternative
8 one nonstandard 160-acre spacing and proration unit in Lea
9 County, New Mexico.

10 Both of these cases are being heard *de novo* by
11 the Commission, and these cases have been continued to the
12 Commission's docket in December. That date has tentatively
13 been set for December 3rd and 4th -- is that right?

14 COMMISSIONER BAILEY: 4th and 5th?

15 CHAIRMAN WROTENBERY: 4th and 5th, December 4th
16 and 5th, that's a Tuesday and possibly carrying over into a
17 Wednesday. We will confirm those hearing dates with all
18 the Commissioners and all the parties involved and issue
19 notice.

20 And is there anything else we need to cover,
21 Steve or Florene?

22 MS. DAVIDSON: Not that I know of.

23 CHAIRMAN WROTENBERY: Okay, then I think I'll
24 entertain a motion to adjourn.

25 COMMISSIONER BAILEY: I move we adjourn.

1 COMMISSIONER LEE: Second.

2 CHAIRMAN WROTENBERY: And I think we're all in
3 favor.

4 We're adjourned, thank you.

5 (Thereupon, these proceedings were concluded at
6 6:06 p.m.)

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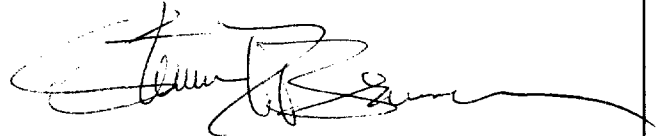
CERTIFICATE OF REPORTER

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 November 16th, 2001.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002

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

CASE NOS. 12,459, 12,567, 12,535, 12,590, 12,569, 12,738
12,794, 12,744 and 12,731 (Continued)

CONTINUED CASES
TRANSCRIPT OF PROCEEDINGS

BEFORE: LORI WROTENBERY, CHAIRMAN
JAMI BAILEY, COMMISSIONER
ROBERT LEE, COMMISSIONER

ORIGINAL

February 15th, 2002

Santa Fe, New Mexico

These matters came on for hearing before the Oil Conservation Commission, LORI WROTENBERY, Chairman, on Friday, February 15th, 2002, 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.

* * *

I N D E X

February 15th, 2002

Commission Hearing

CASE NOS. 12,459, 12,567, 12,535, 12,590, 12,569, 12,738
12,794, 12,744 and 12,731 (Continued)

PAGE

REPORTER'S CERTIFICATE

5

* * *

A P P E A R A N C E S

FOR THE COMMISSION:

STEPHEN ROSS

Deputy General Counsel

Energy, Minerals and Natural Resources Department

1220 South Saint Francis Drive

Santa Fe, New Mexico 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 9:10 a.m.:

3 CHAIRMAN WROTENBERY: Okay, we'll get started
4 here, and this should be a fairly short meeting of the
5 Commission today, because all of our contested cases have
6 been continued at the request of the various parties.

7 This is the meeting of the Oil Conservation
8 Commission for February 15th, 2002. It's about 9:10 a.m.,
9 and we're here in Porter Hall in Santa Fe, New Mexico. All
10 of the Commissioners are present.

11 We have a couple of items of business to take
12 care of first, but just let me announce for the record that
13 the cases that we had scheduled for today that would have
14 required us to take evidence have all been continued to
15 future Commission meetings. There were, I guess, three
16 sets of cases.

17 One of them, Case 12,459, the Application of the
18 Oil Conservation Division for an order requiring I.T.
19 Properties to properly plug one well in Eddy County, New
20 Mexico, has been continued to the March meeting of the
21 Commission, which we now believe will be held on March 26th
22 -- and in fact, this case may actually go away. I.T.
23 Properties is doing some work to correct their problems,
24 and so we think that we may get a request from the Division
25 to dismiss that case.

1 We also had a set of cases involving Ocean Energy
2 Resources, Inc., and Yates Petroleum Corporation. They
3 have several competing applications for compulsory pooling
4 and nonstandard gas spacing and proration units, and these
5 case numbers are Case 12,567, 12,535, 12,590, 12,569,
6 12,738 and 12,794, all of which we will hear together, if
7 we do hear them. At this point the parties have requested
8 that we continue these cases until the Commission's meeting
9 in September. Because of the low prices that the operators
10 are experiencing right now, they have decided they would
11 like to delay the presentation of these Applications for
12 the time being.

13 And then the last set of cases are Case 12,744
14 and 12,731. These are Applications of TMBR/Sharp Drilling,
15 Inc., appealing a decision of the Hobbs District Supervisor
16 denying approval of two applications for permits to drill
17 filed by TMBR/Sharp and also asking that we stay a Division
18 order approving two applications for permit to drill
19 obtained by David H. Arrington, and the parties have asked
20 that these cases be continued until the March 26th meeting.

21 So I think that clarifies for the record where we
22 stand on all of those adjudicatory proceedings.

23 (Thereupon, these proceedings were concluded at
24 9:12 a.m.)

25 * * *

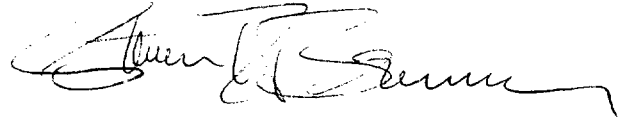
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STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

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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 February 18th, 2002.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002

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

CASE NO. 12,459 (Continued)

02 APR 10 PM 8:10
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CONTINUED CASE
TRANSCRIPT OF PROCEEDINGS

BEFORE: LORI WROTENBERY, CHAIRMAN
JAMI BAILEY, COMMISSIONER
ROBERT LEE, COMMISSIONER

ORIGINAL

March 26th, 2002
Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Commission, LORI WROTENBERY, Chairman, on Tuesday, March 26th, 2002, 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.

* * *

I N D E X

March 26th, 2002
Commission Hearing
CASE NO. 12,459 (Continued)

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* * *

A P P E A R A N C E S

FOR THE COMMISSION:

STEPHEN ROSS
Deputy General Counsel
Energy, Minerals and Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 9:20 a.m.:

3 CHAIRMAN WROTENBERY: And in the meantime we can,
4 Commissioners, take up the minutes of the Commission's last
5 meeting, which was held on February 15th, 2002.

6 Ms. Davidson prepared those minutes, and
7 Commissioners, have you had a chance to review them?

8 COMMISSIONER BAILEY: Yes, I have, and I move
9 that we adopt them.

10 COMMISSIONER LEE: Second.

11 CHAIRMAN WROTENBERY: All in favor say "aye".

12 COMMISSIONER BAILEY: Aye.

13 COMMISSIONER LEE: Aye.

14 CHAIRMAN WROTENBERY: Aye. May I borrow your
15 pen? I'll sign these on behalf of the Commission.

16 * * *

17
18 CHAIRMAN WROTENBERY: And just a few other
19 preliminary items.

20 We did have Case 12,459 on the agenda for today.
21 This is the Application of the Oil Conservation Division
22 for an order requiring I.T. Properties to properly plug one
23 well in Eddy County, New Mexico.

24 This case is being heard by the Commission on the
25 Application of I.T. Properties for *de novo* review.

1 And at the request of the Division and I.T.
2 Properties, this case is being continued to the
3 Commission's meeting on April 26th, 2002.

4 And I believe, Florene, that was the only matter
5 that we needed to continue to the next Commission docket.

6 (Thereupon, these proceedings were concluded at
7 9:22 a.m.)

8 * * *

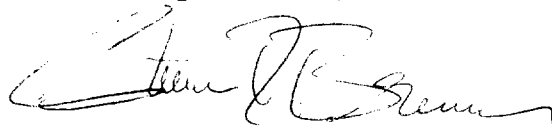
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STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

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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 April 6th, 2002.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002