1	Public Meeting
2	STATE OF NEW MEXICO
3	OIL CONSERVATION COMMISSION
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5	Agenda No. 5-24
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8	Moderated by Dylan Fuge, Commissioner
9	Thursday, June 20, 2024
10	9:00 a.m.
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13	Pecos Hall, Wendell Chino Building
14	1220 South Saint Francis Drive
15	Santa Fe, NM 87505
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20	Reported by: James Cogswell
21	JOB NO.: 6734835
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1	APPEARANCES
2	List of Attendees:
3	Dylan Fuge, Commissioner/Chair - Oil Conservation
4	Commission
5	Greg Bloom, Commissioner - Oil Conservation Commission
6	Dr. William Ampomah, Commissioner - Oil Conservation
7	Commission
8	Sheila Apodaca, Law Clerk - Oil Conservation Division
9	Daniel R. Rubin, Esquire - New Mexico Department of
10	Justice
11	Adam G. Rankin, Esquire - Holland & Hart LLP
12	Jesse K. Tremaine, Esquire - Oil Conservation Division
13	Miguel A. Suazo, Esquire - Beatty & Wozniak, P.C.
14	Ernest L. Padilla, Esquire - Padilla Law Firm, P.A.
15	Sharon T. Shaheen, Esquire - Montgomery & Andrews P.A.
16	Ripley B. Harwood, Esquire - c/o Oil Conservation
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1	PROCEEDINGS
2	THE COMMISSIONER: Good morning,
3	everyone. Apologies for the late start, but it's the
4	June 20, 2024, meeting of the Oil Conservation
5	Commission. We're going to go ahead and get started.
6	I'm going to do a roll call.
7	Dr. Ampomah.
8	DR. AMPOMAH: Present.
9	THE COMMISSIONER: Commissioner Bloom.
10	MR. BLOOM: Present.
11	THE COMMISSIONER: Let the record
12	reflect that a roll call that a quorum of the Oil
13	Conservation Commission is present with all
14	commissioners present. A quick note about my
15	availability today. I had a medical dental issue come
16	up so I have a hard stop today at one, but if things
17	are proceeding, there will still be a quorum of The
18	Commission as necessary. I just wanted to flag my
19	availability. The agenda for today's meeting was
20	distributed in advance.
21	Looking at my fellow commissioners, do
22	you have any edits or additions to that agenda?
23	MR. BLOOM: No, Mr. Chair.
24	THE COMMISSIONER: Can I get a motion
25	to approve?

1	MR. BLOOM: Aye. So moved.
2	DR. AMPOMAH: I second.
3	THE COMMISSIONER: Let the record
4	reflect the agenda for the June 20, 2024, meeting was
5	unanimously approved. The OCC clerk also distributed
6	a copy of the meeting minutes from the May 9, 2024,
7	meeting.
8	Have my fellow commissioners had a
9	chance to review and do they have any edits?
10	MR. BLOOM: Yes. I was able to review
11	and no edits.
12	THE COMMISSIONER: Can I get a motion?
13	MR. BLOOM: Aye. So moved.
14	DR. AMPOMAH: Second.
15	THE COMMISSIONER: Let the record
16	reflect that the minutes from the May 9, 2024, meeting
17	were unanimously approved. And now we move on to our
18	consolidated cases which have been on the docket for a
19	bit. And I am going to turn it over to Commission
20	counsel for a moment to use some observations and
21	maybe we'll have a little discussion about how to walk
22	through the various motions I think as Mr. Rubin will
23	explain there are some overlapping issues and we want
24	to do it in an efficient and orderly manner as we work
25	through the motions. But with that, I'll turn it over

1	to Commission Counsel Rubin.
2	MR. RUBIN: Thank you, Mr. Chairman,
3	members of the Commission.
4	Having read the motions to regarding
5	the scope as well as the motions to dismiss, my
6	recommendation in doing this in an orderly and
7	efficient manner it is apparent to me that the
8	substantive issues I think are the motion to dismiss,
9	if we could resolve those today, those are certainly
LO	fully briefed.
L1	I have a few observations about that
L2	that I think would probably allow counsel to be more
L3	focused in their comments rather than simply going
L4	through their whole presentation and about the you
L5	know, going through the whole history of the case.
L6	We've read that. So my suggestion is that we deal
L7	with the motions to dismiss. The motions regarding
L8	scope are a little more complicated, but I believe
L9	they may shake out after the motion to dismiss is
20	decided. And then we have, as a third matter, the
21	motion to reconsider the discovery order, which again,
22	discovery comes last after the substance, but I have
23	separate comments on that to advise The Commission.
24	And as always, we do have the option of
25	going to a closed session to deliberate anything at

1	any time on these pending adjudicatory matters. I
2	know that it's not The Commission's practice to do so,
3	but just as a reminder, doesn't need to be on the
4	agenda for us to do that if you feel like you wanted
5	to talk to me or ask me advice in confidence, in a
6	privileged manner.
7	So with that, Mr. Chair, if I may just
8	dive into what I've observed are the issues as I see
9	it on the motions to dismiss.
LO	MR. BLOOM: Mr. Rubin, I'm sorry. What
L1	were the three items you mentioned today? Looking at
L2	motions to dismiss, discovery order and
L3	MR. RUBIN: And there are separate
L4	motions as to the scope of the hearing that was
L5	consolidated. There are other there are a lot of
L6	at least nominally moving parts with other
L7	applications that are either before the director still
L8	or otherwise not in this agenda. And those, I think
L9	they all fundamentally relate to the issue in the
20	motion to dismiss which is what to do about the San
21	Andres unit under the Unitization Act. So those are
22	the three, motion to dismiss, motion for scope, and
23	the discovery order.
24	So if I may, and this is directed of
25	course to counsel as well, Mr. Rankin and

1	Ms. Hard [ph]. I'm sorry.
2	It's my observation that the
3	Unitization Act certainly does not preclude The
4	Commission from amending its prior order defining EMSU
5	if there was proper good cause to do so. And
6	certainly, the relief being suggested by Goodnight, if
7	not part of a request to amend, to change the scope of
8	the unit, specifically with respect to the San Andres,
9	it wouldn't have been proper. But they have couched
10	it properly as whether or not the San Andres, which as
11	far as we know is where produced water is being
12	injected, We do not this fact seem to reflect that
13	it has long been used as a produced water disposal
14	unit, disposal zone.
15	No hydrocarbons ebb and flow from it to
16	date. I don't believe that's in any dispute. There
17	might be some issues whether some could be. But I
18	
	think as a matter of standing, that was one issue
19	think as a matter of standing, that was one issue raised in the pleadings. And as a matter of whether
19 20	
	raised in the pleadings. And as a matter of whether
20	raised in the pleadings. And as a matter of whether or not Goodnight has a property interest, the right to
20 21	raised in the pleadings. And as a matter of whether or not Goodnight has a property interest, the right to inject produce water certainly does not require a
20 21 22	raised in the pleadings. And as a matter of whether or not Goodnight has a property interest, the right to inject produce water certainly does not require a state engineer license.
20212223	raised in the pleadings. And as a matter of whether or not Goodnight has a property interest, the right to inject produce water certainly does not require a state engineer license. And that does not appear to be the

1	a use of right, but regardless, the property right
2	that is being asserted here is the right to inject
3	produced water which is a valuable right, a valuable
4	privilege or a contract right. That is there is
5	evidence before The Commission that there seem to be a
6	dispute, that they have contracts in place that would
7	allow the injection of produced water into the San
8	Andres if it was not part of this if it was
9	otherwise allowed by either those members of the
10	unit who would not dispute it or if it was not part of
11	the unit.
12	And it certainly is a financially
13	valuable issue, otherwise we would not be here today.
14	So I do believe that there is standing asserted based
15	on the undisputed facts before The Commission and that
16	Goodnight has a dog in this fight. So this comes down
17	to whether now the procedural posture again and
18	this is important to keep in mind, this is a motion to
19	dismiss. And in a motion to dismiss, we would look to

just by the lawyers.

And it does appear to me today that there is a concern. There is perhaps a fact issue

preclude a decision based upon what has been asserted

the Rules of Civil Procedure to guide us.

whether there are any issues of fact that would

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that the San Andres should not have been or was erroneously included in the original definition of the EMSU. And it is my advice to Commission that if that decision was either made in error or for whatever reason new information has come to light that would indicate that The Commission needs to revisit that position, it certainly should do so.

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The notion that you cannot correct prior mistakes as a governmental entity, there's no support in the law for that. You just have to have the right parties there. And I'm saying this because I'd like to hear from counsel, particularly from Empire as to whether or if the -- what the issue is with -- if there is produced -- well, it's rather this -- if the San Andres meets the definition of a pool and so far as it has some accumulation of crude petroleum oil or natural gas or both.

And if we could go back in time to when this matter was first heard and when the San Andres was included, should it have been included. That's, I think, the most focused point today. And I think the motions of scope I'm hoping that, again, these may shake out if pending resolution of that fact issue, but again, all we have today is the motion to dismiss with us.

1	So that's, as I see it, Commissioners,
2	the crux of the motion today. So before we hear oral
3	argument from the counsel, I certainly would stand for
4	any initial questions.
5	MR. BLOOM: No questions here.
6	THE COMMISSIONER: So I think as we
7	turn things over, obviously you've got voluminous
8	pleadings here. I don't think we need counsel to
9	The Commission needs counsel to walk through all of
10	the details. You know, I recognize we have two
11	motions to dismiss different parts of the cases, we
12	have motions about the scope of the hearing which
13	present overlapping arguments and issues related to it
14	but I think consistent with Counsel Rubin's
15	suggestions.
16	It would be helpful for The Commission
17	to hear from the parties on the core issues of the
18	case, you know, which at the end of the day are there
19	recoverable reserves in the San Andres. Clearly one's
20	in dispute. Is Goodnight's injection into that
21	formation impairing those correlative rights if they
22	occur and, you know, those correlative rights would
23	attach to the party with a legal interest in the
24	extraction of those rights and then how do we narrow
25	this case to a manageable set of parties and matters

1	for resolution at the currently scheduled hearing in
2	September?
3	And so with that, I do want to go down
4	to counsel table. I'm obviously familiar with the
5	various parties here, but we do have at least one new
6	attorney present. So would just like parties to just
7	I know everyone's entered an appearance but just
8	flag who they're here representing so that we can know
9	as we move it forward. And we'll start with
10	Mr. Rankin.
11	MR. RANKIN: Good morning, Chair Fuge.
12	Commissioners. If it'll please The Commission, Adam
13	Rankin with the Santa Fe office of Holland & Hart,
14	appearing on behalf of Goodnight Midstream Permian LLC
15	in these cases. With me today will be also entering a
16	formal appearance and will henceforth be engaged with
17	us as well in these cases, especially during my
18	absence for the next few weeks, is my colleague Nathan
19	Jurgensen who's over here to my right. He'll be
20	actively participating in my absence over the next
21	three weeks.
22	THE COMMISSIONER: Okay. Mr. Tremaine.
23	MR. TREMAINE: Mr. Chair,
24	Commissioners, thank you. Jesse Tremaine for the Oil
25	Conservation Division. I'm standing in today for

1	Mr. Moander [ph] who I expect to return to this case
2	at the next meeting.
3	THE COMMISSIONER: Mr. Suazo.
4	MR. SUAZO: Good morning, Commissioners
5	and Mr. Chair, Miguel Suazo with the Santa Fe Office
6	of Beatty & Wozniak appearing today on behalf of Pilot
7	Water.
8	MR. PADILLA: I'm Ernest L. Padilla,
9	appearing for Empire of New Mexico.
10	MS. HARDY: Good morning, Mr. Chair,
11	Commissioners, Dana Hardy with the Santa Fe office of
12	Hinkle Shanor on behalf of Empire.
13	THE COMMISSIONER: Ms. Shaheen.
14	MS. SHAHEEN: Sharon Shaheen with
15	Montgomery & Andrews on behalf of Empire New Mexico.
16	THE COMMISSIONER: Is there anyone
17	participating virtually for any of the parties in this
18	matter? Hearing none, I think we'd like to entertain
19	I think for kind of expediency as we sort of pack
20	through it, ten minutes from the parties to kind of
21	sort of frame the issues we're thinking about today
22	and sort of the stack of motions.
23	There's arguments to say, "Hey, we
24	could just go through them one at a time," but they
25	really do raise overlapping issues so I think it would

1	be helpful to have some framing remarks from parties
2	and, you know, 10 or 15 minutes so that we can begin
3	unpacking in particular the motions to dismiss.
4	MR. HARWOOD: Mr. Chairman, Rip Harwood
5	here. Can you all hear me?
6	THE COMMISSIONER: Loud and clear.
7	MR. HARWOOD: Okay. Thank you. I
8	don't mean to slow anything down, that's for sure.
9	But I'm not clear what my role is here. In
0 ـ	discussions yesterday with Mr. Fuge was my
L1	understanding that I was the hearing officer for this
L2	proceeding, but maybe I'm just an observer.
L3	And good morning to everyone, by the
L4	way. I haven't seen you all in a while, but I'll be
L5	the hearing officer for the hearing in September and
L6	I'm just wondering this is my first OCC meeting so
_7	maybe you could clue me in a little bit about what I'm
L8	I'm taking good notes, among other things, but I
L9	need to know what my role is so that I don't miss it.
20	THE COMMISSIONER: So, Mr. Harwood, I
21	think as everyone knows from the last meeting when we
22	set the scheduling order given the size of the case,
23	the matters, The Commission also opted to assign a
24	hearing examiner just for administration of the
25	hearing, working through procedural matters,

1	discovery, disputes, discussions that may arise as
2	this case moves forward. I think for today, and I'll
3	look to Commission Counselor Counsel to see if he
4	disagrees.
5	Mr. Harwood, I think it is mostly a
6	listening posture as The Commission works through
7	motions to dismiss and other questions as I think that
8	will inform ultimately as we hand the case over today.
9	This is your first hearing in the role as hearing
10	examiner 'cause we will have the case in a little bit
11	better shape as we move it forward in terms of scope
12	and content. But also as the hearing examiner if you
13	have questions, again, please feel free to raise them.
14	But I think right now it's The Commission's going to
15	be asking on the various motions to sort of set the
16	scope of the hearing that will occur and then
17	subsequent meetings about discovery and other matters
18	that would be within the purview of the hearing
19	examiner.
20	MR. RUBIN: Yes, Mr. Chair, members of
21	The Commission, Mr. Hardwood, it's always a cardinal
22	rule that hearing officers only would make
23	recommendations at most on dispositive issues, what we
24	have on a motion to dismiss is certainly a dispositive
25	motion. And as long as we are guiding, we're going to

1	provide guidance on the procedural discoveries before
2	us to make your job a little easier. We didn't
3	necessarily have to do those, but we are just because
4	we had them before us before you were appointed. So
5	today you're here to take good notes as you say, sir,
6	listen in and this will hopefully help you as hearing
7	officer at the hearing.
8	MR. HARWOOD: Okay. Thank you very
9	much, Mr. Rubin. It's been a long time since our
LO	paths crossed back I think when I worked for the
L1	Environment Department in the 1990s. But at any rate,
L2	I will take good notes and I have to say that so far,
L3	if I were in your shoes, I have analyzed, I've read
L4	the pleadings, I've analyzed the standing issue
L5	basically the same way that you have. With all of
L6	that said, I will turn off my mic and camera and pay
L7	attention. Thank you all.
L8	THE COMMISSIONER: All right. With
L9	that, and I appreciate that we have various motions
20	initiated by various parties, I'm going to go ahead
21	and have us hear from Empire counsel first on these
22	issues. Then we'll go to Goodnight, the OCD and
23	finally Pilot.
24	MS. HARDY: Thank you, Mr. Chair. And
25	you'd like to hear from us regarding sort of the

1	format and the layout of where we are. Right? That's
2	the first thing. Okay.
3	THE COMMISSIONER: Yes.
4	MS. HARDY: So, you know, in these
5	cases, we have competing applications by Goodnight and
6	Empire. Empire, of course, operates the Eunice
7	Monument South Unit and has done so for several years.
8	The unit was approved in the 1980s. It was approved
9	by the Division, the State Land Office and the BLM.
10	So there are of course numerous parties involved and
11	who have interest in the unit. It's not just Empire.
12	And here, Goodnight's injection, of
13	course, and it's our position into the wells within
14	the unit as well as the wells outside of the unit that
15	are in proximity to it are impacting the units by
16	reaching it or increasing pressure or other mechanisms
17	that are impairing the production of hydrocarbons
18	within the unit and will continue to impair that and
19	will limit tertiary recovery possibilities, which of
20	course raises issues for the interest owners as well
21	the State of New Mexico because of course there are
22	substantial revenues resulting from the production of
23	hydrocarbons within the unit.
24	So it's an important issue for The
25	Commission to consider. The pending motions the
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1	competing motions to dismiss, although they are
2	different and Mr. Padilla will address Empire's motion
3	to dismiss Goodnight's applications to amend the unit,
4	those motions deal substantively with Goodnight's
5	standing and lack of standing because it is not an
6	interest owner in the hydrocarbon unit.
7	With respect to Goodnight's motion to
8	dismiss, that's a different type of motion because
9	it's really based on pleading. It's the claims that
L O	Empire did not plead sufficient standing. It's not
L1	that we don't have standing. Those are two separate
L2	issues. And so I will address that motion. And then
L3	with respect to the scope motions which are impacted
L 4	by the rulings on those motions to dismiss, in some
L5	degree Ms. Shaheen will address those.
L6	But I will say that I think the crux of
L7	the dispute on the scope is whether wells outside the
L8	unit are included as well as whether other parties are
L9	included in those cases. So I think those are the
20	main issues. So that's where we are on these things
21	today.
22	THE COMMISSIONER: Mr. Padilla.
23	MR. PADILLA: I don't have anything to
24	add. I don't have anything to add with regard to the
25	procedural what goes first and what's next. I will
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1	address the motion to dismiss whenever it's
2	appropriate.
3	THE COMMISSIONER: Mr. Rankin.
4	MR. RANKIN: Morning, Mr. Examiner. I
5	think Ms. Hardy has, you know, fairly summed up the
6	issues and I think that, you know, what The Commission
7	needs to deal with here today and then going forward
8	in this case are these competing claims and
9	allegations about whether or not the San Andres is a
10	economic hydrocarbon zone more generally and more
11	specifically whether within the EMSU even if within
12	the EMSU whether it's appropriate to inject produced
13	water for disposal purposes.
14	The framing around these issues I think
15	is fairly well laid out in the scope motion and in the
16	motions to dismiss, in particular the motions to
17	dismiss Empire's applications to revoke injection
18	outside the EMSU and then in the scope of the hearing
19	motion that we filed and The Division has filed.
20	I think, you know, without getting into
21	merits, I think there's some significant questions
22	Mr. Rubin has identified with the scope of the
23	Statutory Unitization Act and I think I've started to
24	hint at some of those in the applications. While I
25	didn't fight to the records or attach exhibits from

1	the unit hearing record back in 1984, it's essentially
2	a map, a trail map I laid out in the application if
3	you go through the hearing exhibits and the
4	transcripts, I think you'll see that at the time the
5	unit was created very clearly, the oil column is
6	limited to the Grayburg.
7	There's an effective seal or barrier
8	between the Grayburg and San Andres, otherwise the
9	water flood wouldn't work. They wouldn't be able to
10	take water out of the San Andres immediately below and
11	put it into the Grayburg. And so I think, you know,
12	there's a lot of facts to wade through there and legal
13	issues. Also implicated is whether or not, when
14	there's been no primary production in the San Andres
15	within the unit, whether it's been reasonably defined
16	by production.
17	And because it hasn't been and there's
18	been no current production within that portion of the
19	pool, our view is is that it's not susceptible to
20	tertiary recovery under the Statutory Unitization Act.
21	The Unitization Act expressly limits its authority to
22	development subsequent to primary production and
23	there's a reason for it.
24	And the reason is that the Statutory
25	Unitization Act authorizes The Commission to force

Τ	interests into the unit who otherwise aren't willing
2	to do so and again to force them to pay cost to
3	production for their share of the cost of operating
4	the unit where production is otherwise exploratory or
5	uncertain, the Statutory Unitization Act is not
6	intended to force people to pay for those costs.
7	And that's why the Unitization Act is
8	set up the way it is. So all that I think is
9	important. I want to just raise that with you 'cause
10	I think down the road it's going to be very important
11	to understand. So other than that, and I got a little
12	bit off track there, but I think you know, I think
13	it's important to understand the scope and for all
14	these reasons around Statutory Unitization Act we
15	think that The Commission should focus its interests
16	and its decision-making on these contested issues
17	solely within the unit initially.
18	THE COMMISSIONER: Mr. Tremaine?
19	MR. TREMAINE: Mr. Chair, I understand
20	the immediate question to be about the posture and
21	procedure of the case and so I don't have any further
22	comment other than what's been stated about the
23	procedure. We can provide our response to various
24	motions at any point The Commission desires.
25	THE COMMISSIONER: Suazo.

1	MR. SUAZO: Thank you, Mr. Chair.
2	Just to clarify, Pilot has entered into
3	these proceedings with regard to the scope matters
4	that are before The Commission. That being said, you
5	know, Pilot's here a bit reluctantly given the nature
6	and the extent of the interests in the EMSU. And so
7	depending on what Commission decides today with
8	respect to the motions to dismiss, that could impact,
9	you know, the extent to which Pilot involves itself in
10	future proceedings.
11	But our primary position is to address
12	the scope given that Pilot has one well within the
13	EMSU, the P15, it's a marginal injection well but is
14	nevertheless impacted, potentially impacted, by what
15	The Commission decides in this proceeding.
16	THE COMMISSIONER: I suppose maybe to
17	kick it off with some questions, again, 'cause they
18	were comprehensive briefings here and sort of thinking
19	through the two motions to dismiss that are pending.
20	One relates to Goodnight's actions to amend orders
21	R-7765 and 7767 and the other relates to case numbers
22	that I'm not going to bore the record with reading,
23	but all of the Empire cases to revoke injection
24	authority for wells outside the EMSU. I don't know

why I was adding an A. EMSU.

25

1	A couple of questions at the outset
2	that I had just sort of factually and would welcome
3	the parties input on it as it relates to the orders
4	establishing the EMSU and the question I would welcome
5	in sort of the motion to dismiss context, I had a
6	question about how critical making that amendment is.
7	And if you'll indulge me in a
8	hypothetical, if the hearing shows that there are no
9	recoverable reserves in the San Andres formation,
LO	which is part of the unit, and injection is otherwise
L1	properly authorized, does it matter that it's within a
L2	unitized level because if there are no recoverable
L3	reserve, there's no impairment of correlative rights?
L4	So does The Commission need to change
L5	those orders to get at that question or if there are
L6	no recoverable reserves and there's no impairment of
L6 L7	no recoverable reserves and there's no impairment of correlative rights and it was properly permitted under
	_
L7	correlative rights and it was properly permitted under
L7 L8	correlative rights and it was properly permitted under The Division's authority under the Safe Drinking Water
L7 L8 L9	correlative rights and it was properly permitted under The Division's authority under the Safe Drinking Water Act, is it even an issue we need to get into and if
L7 L8 L9	correlative rights and it was properly permitted under The Division's authority under the Safe Drinking Water Act, is it even an issue we need to get into and if so, why?
L7 L8 L9 20	correlative rights and it was properly permitted under The Division's authority under the Safe Drinking Water Act, is it even an issue we need to get into and if so, why? And I guess I'd welcome to hear from
L7 L8 L9 20 21	correlative rights and it was properly permitted under The Division's authority under the Safe Drinking Water Act, is it even an issue we need to get into and if so, why? And I guess I'd welcome to hear from Empire first since you're moving to dismiss those
L7 L8 L9 20 21 22	correlative rights and it was properly permitted under The Division's authority under the Safe Drinking Water Act, is it even an issue we need to get into and if so, why? And I guess I'd welcome to hear from Empire first since you're moving to dismiss those cases. And understand you may also touch on standing

1	welcome your perspective on that sort of factual
2	hypothetical.
3	MR. PADILLA: Mr. Chairman, members of
4	The Commission, let me speak for Empire here.
5	In answering your question about the
6	San Andres, it's not producing any oil at this time.
7	At the time of the hearing in 1984, however, there was
8	considerable discussion about inclusion of the San
9	Andres formation because there was a potential for
10	tertiary recovery. Our main case presently is going
11	to be that there are residual oil zones in the San
12	Andres formation and therefore, injection of very
13	dirty water in that formation is going to destroy
14	residual oil zones that has still to be developed.
15	So I don't it's not a question right
16	now whether or not there has been past production in
17	the San Andres formation. The potential for
18	production in the San Andres from residual oil zones
19	is clear. Residual oil zones are being developed
20	throughout the Permian Basin in a number of instances
21	and our main case is going to focus on residual oil
22	zones.
23	To say that The Commission was wrong or
24	that it made a mistake in 1984 is inappropriate. In
25	1984, Exxon and Mobil went at it in a contested

1	proceeding and prevailed upon the Statutory
2	Unitization. The Commission of Public Lands and the
3	Bureau of Land Management approved that unit. What we
4	don't see here today is that, relating to sanding, is
5	that we don't have Goodnight as to working in persona
б	or having any mineral interests or water right that
7	it's asserting.
8	The sole basis for their entry here is
9	their profit motive. Profit motive that they are
10	asking to eliminate the San Andres from the unitized
11	interval as there's really no basis other than the
12	fact that they want to dispose of water in the San
13	Andres formation. Their primary focus, and as I read
14	the response to the motion to dismiss, is they're
15	saying that Goodnight has had made or they estimate a
16	huge investment in its pipeline and disposal
17	facilities. But that doesn't mean that you go and
18	pick a dump site because it's convenient.
19	So going to the sanding issue, there's
20	no injury. None that there's no injury. I
21	disagree with counsel for The Commission on whether
22	there's a valuable property right. There may be that,
23	but Goodnight certainly knew that that unit existed
24	and they knew what the vertical limits of that unit

And they think that simply from a profit motive

25

were.

1	to the detriment of the owners of the unit. There is
2	no the BLM, the Commission of Public Lands, they're
3	not involved in this case at all from an affirmative
4	standpoint.
5	I've been involved in a number of units
6	for contraction and expansion of units, but those
7	cases are brought by working interest owners for
8	further development of the unit or contraction where
9	production has already declined and it's unfair from a
10	relative standpoint for non-producing properties to be
11	participating in unit operations or revenue.
12	THE COMMISSIONER: So is your
13	contention, Mr. Padilla, just to clarify, and I will
14	give other counsel opportunity to argue, that the mere
15	creation of a unit in 1984, which I think everyone
16	will agree occurred at a time when seismic data wasn't
17	as good, modeling wasn't as good, created effectively
18	it sounds like the argument rebuttal presumption
19	that there is a residual oil zone in it, not
20	withstanding the fact that the San Andres formation
21	writ large is used for disposal across the basin.
22	I guess I'd like to understand is the
23	argument here that just creates a presumption that
24	there are correlative rights in the unit just because
25	it was pooled at some point in time and forever more

1	we're stuck with geotechnical engineering from 1984 or
2	reservoir engineering from 1984?
3	MR. PADILLA: Well, essentially what
4	we're having is the applications to delete the San
5	Andres as a reformation of those agreements. The
6	Commission doesn't have that authority. We've cited
7	number of cases where The Commission has ruled on pore
8	space for property rights and we don't have
9	jurisdiction to do any of the same. These
10	applications by themselves would delete the San Andres
11	formation and I don't think The Commission could go
12	that far. I mean, we've cited the unit agreement, the
13	operating agreement where working interest owners
14	would can amend the unit, but a commission
15	shouldn't be changing those agreements.
16	And I agree they're you can have a
17	corollary in terms of residual oil zones with better
18	information today where you have residual oil zones in
19	the San Andres throughout the Permian Basin. We're
20	contending that residual oil zones could exist in the
21	San Andres underlying the unit.
22	THE COMMISSIONER: Mr. Rankin
23	MR. RANKIN: Thank you, Mr. Chair,
24	Commissioners.
25	You know, we went into Goodnight
	Page 30

1	went into its disposal operations in this area with
2	the understanding and I think to assist my
3	discussion, I am going to share my screen because I do
4	think it's just helpful to keep in mind what we're
5	talking about if that's okay.
6	THE COMMISSIONER: Yeah.
7	MR. RANKIN: So what we're talking
8	about here is on the screen that you can see in the
9	red outline is the unit boundary for the EMSU unit.
10	This is a unit boundary that's been in place
11	essentially since its creation back in 1984. The
12	wells that are highlighted yellow are all the wells
13	that are within the unit boundary. The wells that are
14	not highlighted are those that are outside the unit
15	boundary that Empire's seeking to revoke the injection
16	authority for.
17	With the exception of this Parker
18	Energy well, this has not been the target of an
19	application to revoke, okay. Otherwise, every other
20	well, including some that haven't been drilled, are
21	subject to the applications to revoke. Included with
22	the information on each well is the first date of
23	injection.
24	So you'll see that there are two wells
25	in particular that has commenced injection decades

1	before the unit was created. The first one up here,
2	just outside the unit boundary, is the EME SWD $\#033M$
3	well. That well has been injecting since 1960 and now
4	has above 60 million barrels injected. The other well
5	that is in the unit boundary is this EME SWD #021
6	well. That well has been injecting since 1966 and
7	it's upwards of 40 million barrels.
8	So at the time the EMSU was created, it
9	came to disposal within the San Andres zone. There
LO	was active disposal occurring at that time for
L1	decades. When we came to now when Goodnight, you
L2	know, first came to this issue and was looking at
L3	disposing, it identified the EMSU as a prime location
L4	for one reason. It had been the source of a
L5	waterflood.
L6	So for decades, the operators of the
L7	unit have withdrawn millions of barrels from the San
L8	Andres zone, upwards of 350 million barrels have been
L9	withdrawn over three decades, creating a massively
20	depleted zone that was ideal for disposal.
21	So Goodnight initially came up to the
22	boundaries of the unit, you know, within a mile or so
23	and they initiated injection disposal activities
24	there. It had approached XTO to inquire about, you
25	know, disposing within the unit and those discussions

1	were ongoing when this well, the N11, the P15 were
2	approved by The Division for injection disposal in the
3	unit boundaries.
4	Having seen those wells be approved for
5	disposal, Goodnight then applied itself for wells to
6	dispose within the unit boundaries, four of them.
7	They were approved. XTO never objected. So those
8	wells then commenced injection operations and were
9	going along just swell. And the unit
10	MR. BLOOM: I'm sorry. Who's the
11	operator of the P15 well?
12	MR. RANKIN: The P15, at the time Rice
13	drilled the well. Rice was the one that drilled it.
14	But I believe in 22 they transferred the rights to Owl
15	and Owl's currently operator still.
16	MR. BLOOM: Okay.
17	MR. RANKIN: Okay.
18	The other wells, the N11 and the EME 21
19	are Rice wells. Now, they have recently been
20	transferred. Operatorship has recently been
21	transferred to Permian Line Service. So they're
22	currently operated by Permian Line Service. And so we
23	came
24	THE COMMISSIONER: And Mr. Rankin, I'm
25	sorry.

1	MR. RANKIN: Yeah.
2	THE COMMISSIONER: When you made the
3	remark that when Goodnight developed its wells and
4	there were not an objection from XTO, is that because
5	XTO or an XTO entity was the operator of the unit at
6	the time?
7	MR. RANKIN: Right. XTO is the
8	operator of the unit. They got notice of course that
9	Goodnight was proposing to drill these wells and
10	commence injection operations and there was no
11	objection. They were approved. It went forward. So
12	at the time, based on the history, based on the fact
13	that there was existing disposal long before the unit
14	was created, not only in the unit but offsetting
15	within the San Andres itself and based on the fact
16	that the division has approved two recent disposal
17	wells within the unit boundaries, Goodnight understood
18	that it was not necessary to amend the unit interval
19	to address the fact that the San Andres was included
20	in the unitized interval.
21	Now, that position was maintained up
22	through the time that we filed our application for the
23	Piazza well, which is this one here in the middle of
24	the unit area. The Piazza SWD. By the time that

application was filed, Empire was the operator unit.

25

1	They objected to the injections. It went to hearing
2	and they took the position that there should be no
3	third-party operators disposing of produced water
4	within unit boundaries.
5	We made arguments to The Division and
6	it's in as far as the case record that it's not
7	necessary to amend the unit interval because as long
8	as you're not interfering with correlative rights with
9	ways otherwise preparing unit operations and
LO	otherwise meet the requirements of disposal approval
L1	that we can get approval from The Division and proceed
L2	without having to deal with the legal issues around
L3	the Statutory Unitization Act or the unit border
L4	authorizing the unit.
	authorizing the unit. Now, Empire, you know, took the
L4	
L4 L5	Now, Empire, you know, took the
L4 L5 L6	Now, Empire, you know, took the position at the time that, no, no, you need to go
L4 L5 L6 L7	Now, Empire, you know, took the position at the time that, no, no, you need to go amend the unit. That's what they should do. You need
L4 L5 L6 L7	Now, Empire, you know, took the position at the time that, no, no, you need to go amend the unit. That's what they should do. You need to go amend the unit. We disagreed and we went
L4 L5 L6 L7 L8	Now, Empire, you know, took the position at the time that, no, no, you need to go amend the unit. That's what they should do. You need to go amend the unit. We disagreed and we went through the hearing and we ultimately were denied our
14 15 16 17 18	Now, Empire, you know, took the position at the time that, no, no, you need to go amend the unit. That's what they should do. You need to go amend the unit. We disagreed and we went through the hearing and we ultimately were denied our application, partially on the basis that the San
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14 15 16 17 18 19 20 21	Now, Empire, you know, took the position at the time that, no, no, you need to go amend the unit. That's what they should do. You need to go amend the unit. We disagreed and we went through the hearing and we ultimately were denied our application, partially on the basis that the San Andres was included within the unit. It was included for purposes of providing the water source. When you read through and review the

1	be the source of water. They're not going to conduct
2	waterflow operations within the San Andres. The oil
3	column extends from the base of the Grayburg up into
4	the Penrose, but it does not go down in San Andres.
5	Mr. Padilla made the statement that
6	actually at the time of the hearing there was a lot of
7	discussion about potential tertiary recovery in the
8	San Andres. I'm going to tell you that I spent a lot
9	of time on that transcript and on the materials and it
LO	was never discussed. Okay? It was discussed for the
L1	AGU, to the southeast briefly.
L2	And you'll see in the Piazza order that
L3	there's a reference to the potential for tertiary
L4	recovery but it cites to a different unit. There was
L5	no discussion at the time of the EMSU that there was
L6	any possibility of tertiary recovery CO2 flooding in
L7	the San Andres. That discussion was related to the
L8	AGU. Okay?
L9	And so there was no prior discussion
20	about the San Andres as a hydrocarbon-bearing zone.
21	So based on the order that The Division ordered
22	denying our authority to injection to Piazza with the
23	taking the position that the San Andres was necessary
24	and important for the unit operations as a water zone
25	and that Empire at the time had put forth enough

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1 evidence to suggest that there might be concerns about 2 waste flooding out of potential hydrocarbon zone and that they deserve more time to continue to assess the 3 San Andres for hydrocarbon potential, they denied our 4 5 application. 6 Based on that ruling and Empire's, you 7 know, continued proposition, we felt we had no choice 8 but to apply to amend the unit interval. That injury 9 to us, to Goodnight and to their ability to continue to operate, there's not only the purposed five wells 10 11 that are subject to The Commission's review and 12 approval, but the four existing injectors essentially 13 put us into a corner where we had no choice but to 14 amend being integral to remove the San Andres. 15 Because at the time the order was 16 issued, at the time the case was presented, there is 17 no question that there was no thoughts but that the 18 San Andres was solely was going to serve as a water 19 management zone both for disposal and for water supply 20 in order to re-pressurize the Grayburg. 2.1 And so our view is that based on the 22 facts and evidence presented at hearing at the time 23 the EMSU was created, it does not meet the 24 requirements of the Statutory Unitization Act. Ιt 25 should have never been included and that those orders

1 as to the San Andres are void ab initio. 2 So we think it's imperative for The Commission to revisit those orders and do what it 3 should have done initially, which is to recognize 4 that, you know, underground sources of water are 6 subject to the New Mexico constitution. They're not to be included in the unit because there's no 8 hydrocarbons, no. 1. And no. 2, the San Andres is not 9 part of a pool. 10 There was testimony at the time of the 11 hearing that hydrogen, the oil column is limited to 12 the Grayburg which is why they were sweeping only the 13 Grayburg with their water -- I think the necessity here for addressing this issue is now kind of plain 14 15 because I don't think this dispute will go away unless 16 it's addressed by The Commission. 17 Empire is raising the claim that they want to be able to come in and do a tertiary recovery 18 under their order, under the Statutory Unitization Act 19 20 order. The EMSU, contrary to Mr. Padilla's argument, is a creature of New Mexico statute. It is a creature 2.1 22 of the New Mexico statute. And it's limited and 23 defined by the conditions and requirements of the 2.4 Statutory Unitization Act. 25 It requires any pool that's going to be

1	unitized to be demonstrated that it's defined by
2	primary production. Any pool or portion of a pool has
3	to be defined by primary production. The San Andres,
4	as we just heard today, has not been. There is no
5	primary production. Every time an operator penetrated
6	to San Andres, all they got was water. They came
7	back up, they plugged it off and they produce in the
8	Grayburg. There is no primary production in the San
9	Andres. It is not subject to the Statutory
10	Unitization Act.
11	There is no way that Empire should be
12	allowed to go forward with the tertiary recovery plan
13	in a zone that has not been defined by primary
14	production. To the extent that they want to do that,
15	if they think they've got evidence to demonstrate that
16	there is now potentially economic recoverable
17	hydrocarbons in the San Andres, I think they have to
18	come back and do so through an exploratory unit. It's
19	not susceptible to Statutory Unitization.
20	So that's for them to figure out. But

for The Commission I think the issue is it's plain that they need to and should rectify what was done incorrectly in the past, amend the issue so that we don't have this dispute going forward and we could go about our business and dispose of produced water in

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24

25

the San Andres.

2.1

2.4

THE COMMISSIONER: I did have one question because you brought up the sort of necessity to amend these orders based on the OCD's decision in case no. 22626, order no. 22869 which was concerning Goodnight's Piazza well and, you know, at least if I'm understanding your argument, there was some contention that there was a finding that The Commission found some preclusive effect of the unit when instead, at least as I'm reading that order that I've pulled up, you know, essentially it was a finding that in that proceeding, it wasn't necessarily that the scope of it EMSU was the problem.

It was that Empire had provided sufficient assessment of the unitized -- for continued assessment of the unitized interval for potential recovery of hydrocarbon resources which ran into our statutory charge or the OCD statutory charge to prevent the drowning out of water or stratum -- capable of producing oil and gas and that we did not necessarily -- the division did not necessarily hang its hat on the existence of the EMSU and the strata within it as preclusive of disposal there, assuming you could show that such disposal wasn't going to prevent the grounding out of any stratum capable of

1 producing oil and gas. 2 Which again gets to my central question of do we need to touch the orders at all or can The 3 Commission find that -- either find that Goodnight's 4 5 disposal does or would not. Yeah. 6 MR. RUBIN: Thank you. I'd like to just comment on that and remind The Commission that 7 8 there's a basic judicial principle that I think 9 applies here. You only decide what you need to decide and your orders should only cover what you need to 10 11 cover, which is why it's a very important question, do 12 we need to revisit the order defining the unit. 13 Mr. Padilla, I didn't hear and I'm not 14 -- you know, obviously the phrasing is a hypothetical, 15 but if we did not, as a factual matter, find there 16 would be, for lack of a better word, impairment or 17 production of hydrocarbons or impairment of the production of hydrocarbons, I'm simplifying, would we 18 still need to change the unit? 19 20 And Mr. Rankin, I'm not sure if your --I thought your proposition was if there is no 2.1 22 impairment or production with the San Andres that we 23 don't need to. I know you're hedging guite a bit, for 2.4 a lack of a better word, and I understand why you needed to file a motion to amend the unit as perhaps a 25

1	hedge, but is it your position that, as Chairman has
2	said, do we need to even go fix the unit if there's a
3	factual inquiry that results in there's no production
4	of hydrocarbons there and there's no impairment of the
5	other production in the EMSU.
6	Mr. Padilla?
7	MR. PADILLA: Well, I think that
8	assessment is basically correct is that you don't need
9	to touch Mr. Chairman, you don't need to touch the
10	orders if you find that ultimately that dumping into
11	the San Andres is appropriate. Mr. Rankin argued
12	in his argument he's saying that you don't need to
13	touch the unit if there's no production there.
14	There's no oil and gas production. We're contending
15	that there is and that there will be an impairment of
16	the reservoir by introduction of very dirty water.
17	MR. RUBIN: Yes. And I think that goes
18	to the definition of what a pool is under the
19	Unitization Act. It refers certainly to the
20	production, but it also talks about each zone of
21	general structure which does imply you know, I'm
22	well, I'm aware of what I learned at the engineer's
23	office for hydrological connectivity, but I think that
24	does imply that if it affects the if it impairs the
25	production of those working interest it's still a

1	problem. But yes.
2	MR. RANKIN: Mr. Rubin, you are
3	correct. I mean, we initially believed that it wasn't
4	necessary to address the Unitization Act or orders.
5	I think as you've heard Mr. Padilla contends that
6	their view is that it's firmly within the unit and
7	should be remain in the unit.
8	Our view has necessarily evolved and in
9	closer scrutiny of the hearing testimony exhibits and
10	evidence that was put forward to The Commission at the
11	time in 1984, I believe strongly that The Commission's
12	decision at the time was in error. It was a legal
13	error. And it's got, as a consequence, rippling
14	effects through the top two times into this point and
15	I believe that it is necessary correct at this point.
16	MR. RUBIN: It is. Okay.
17	MR. RANKIN: I believe it is and I
18	understand you know, I'm unable to pull up the
19	Piazza order and so I don't have the language right in
20	front of me. For some reason, my Adobe Acrobat is not
21	allowing me to open it. Pry it open.
22	I think it's a little vague, Mr. Chair,
23	that there is some discussion about the use or
24	necessity. There's some discussion in the order about
25	the fact that part of the costs were that and the

1	justification for the unit was the fact that they're
2	going to be the supply wells they're producing from
3	the San Andres and that was part of the justification
4	for inclusion of the San Andres in the unitized
5	interval.
6	We read that broadly as in the sense
7	that we thought Empire would and so, you know, I'm not
8	relying solely on the Piazza order for the basis that
9	it must be addressed or resolved. I do believe, you
10	know, looking at the exhibit testimony and the facts
11	put forth at The Commission that it was an error and I
12	believe, you know, it's contrary to the statute and
13	needs to be corrected.
14	THE COMMISSIONER: I have some other
14 15	THE COMMISSIONER: I have some other questions. My fellow commissioners may. But I did
15	
15 16	questions. My fellow commissioners may. But I did
15 16 17	questions. My fellow commissioners may. But I did want to hear from Mr. Tremaine.
15 16 17	questions. My fellow commissioners may. But I did want to hear from Mr. Tremaine. MR. TREMAINE: So, Mr. Chair, I'm going
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15 16 17 18	questions. My fellow commissioners may. But I did want to hear from Mr. Tremaine. MR. TREMAINE: So, Mr. Chair, I'm going to give you the normal lawyer answer which is it depends. So to directly answer your question, I think
15 16 17 18 19 20	questions. My fellow commissioners may. But I did want to hear from Mr. Tremaine. MR. TREMAINE: So, Mr. Chair, I'm going to give you the normal lawyer answer which is it depends. So to directly answer your question, I think it's an apt question that I think really goes more to
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15 16 17 18 19	questions. My fellow commissioners may. But I did want to hear from Mr. Tremaine. MR. TREMAINE: So, Mr. Chair, I'm going to give you the normal lawyer answer which is it depends. So to directly answer your question, I think it's an apt question that I think really goes more to order of operations and structuring a hearing appropriately.
15 16 17 18 19 20 21 22	questions. My fellow commissioners may. But I did want to hear from Mr. Tremaine. MR. TREMAINE: So, Mr. Chair, I'm going to give you the normal lawyer answer which is it depends. So to directly answer your question, I think it's an apt question that I think really goes more to order of operations and structuring a hearing appropriately. I think there are two threshold

Τ	fact, an ROZ and second, is the injection affecting,
2	negatively impacting, our ROZ? And I think depending
3	on the answer to that first question in particular,
4	then what to do with that previous order is that's
5	largely going to dictate what The Commission should
6	see as necessary with that previous order.
7	And so I think that there are quite a
8	few factual questions that cannot be resolved, like
9	the discussion here today is absolutely necessary to
LO	appropriately set and schedule the scope of that
11	hearing in September. However, I don't think we can
12	actually answer that question until we get to some
L3	the presentation of evidence and the factual
14	determination that The Commission may or may not make
15	at that time.
16	At a higher level, The Division
17	ultimately sees both motions to dismiss as asking The
18	Commission to reject such as applications that raise
L9	larger resource and poor management, poor space
20	management, questions presented to The Commission and
21	The Commission should reject both motions to dismiss
22	those applications and then structure the hearing
23	according to well, according to whatever it decides
24	about related to the scope question.
25	If the production is not possible from

1	the San Andres, then I think that there is a colorable
2	argument that inclusion of the San Andres was an error
3	based on new information. But I'm not taking that
4	position. The City's not taking that position today.
5	As I said, that needs to be answered after full review
6	of the facts. And I just want to highlight, you know,
7	when distinguishing between other agency permissions
8	and the Statutory Unitization Act and the orders, this
9	Commission retains all necessary authority to review
10	prior orders based on new and updated information.
11	There's concurrent jurisdiction and the question
12	before The Commission is only whether or not specific
13	aspects of prior orders were in error.
14	The implications for what that does or
15	if it creates conflict with other permissions or
16	orders outside of the control of The Commission, that
17	question that's a remedy question and it's not
18	actually I think before The Commission. So to
19	Mr. Rubin's point, you know, answer the issues and
20	questions that must be answered by The Commission
21	only.
22	THE COMMISSIONER: Mr. Suazo, anything
23	or
24	MR. SUAZO: Sure. Just a few points of
25	clarification. And let me preface this by saying
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1	that, you know, Pilot has not had the benefit of being
2	involved in these various proceedings for as long as
3	the other parties. We've only been, you know, kind of
4	really brought into this in this last couple of
5	months. So Pilot hasn't had the benefit of doing all
6	the discovery and due diligence and consulting its
7	technical people and so on and so forth.
8	That being said, I did discuss with my
9	clients about, you know, what their take is on some of
10	the claims that were being made and it's Pilot's
11	position, you know, preliminarily that they are not
12	aware of any residual oil zones that exist within the
13	San Andres formation so there's not, you know, to
14	their knowledge any oil bearing concerns.
15	Now, they do want the opportunity to be
16	able to investigate that further, but that is their
17	preliminary position. And they believe that the San
18	Andres can be used and really is only used for, you
19	know, water disposal.
20	And Commissioner Bloom, I know you had
21	a question about Owl. Just for the record and for
22	your own clarification, Pilot essentially merged or
23	acquired Owl back in 2022.
24	THE COMMISSIONER: Sorry.
25	MR. BLOOM: Mr. Suazo, that was in

1	reference to that P15 well?
2	THE COMMISSIONER: The okay.
3	MR. SUAZO: The P15, that's right.
4	THE COMMISSIONER: Do you have some
5	questions, Dr. Ampomah?
6	DR. AMPOMAH: Yeah.
7	THE COMMISSIONER: Or questions.
8	DR. AMPOMAH: So, Mr. Rankin, you
9	talked about how be made primary recovery in the
10	San Andres. So even if there's a recent technology
11	that shows that there's some kind of oil in there, we
12	should still not admit that.
13	MR. RANKIN: No. Thank you,
14	Dr. Ampomah. That's an important question, a
15	distinction I want to make in partial response to
16	Mr. Tremaine's discussion. What I'm saying is that
17	under the Statutory Unitization Act, the MSU is a
18	creature of statute. Okay? In other words, what
19	Empire's authorized to do and how it's authorized to
20	act and what operations it's authorized to conduct are
21	limited and constrained under the terms and conditions
22	of the act itself and the unit order that was issued
23	by The Commission, okay, and approving the unit
24	operating agreement.
25	When the unit was approved, it was

1	limited to water flood operations. Okay? And that's
2	because for a number of reasons. No. 1, that was what
3	they asked for. And they asked for water floor
4	operations for secondary recovery within the Grayburg
5	zone. And they went into hearing and they said,
6	"We've got an oil column that is from the base of the
7	Grayburg up to and up into the Penrose and we
8	intend to take water from the San Andres and flood and
9	produced from the Grayburg.
10	As a result of the demonstration that
11	they made, The Commission had concerns about cost and
12	recovery and they limited the application of their
13	allocation formula to a certain volume of oil. Okay?
14	Under secondary recovery only. So under the terms of
15	the order and the terms of the Statutory Unitization
16	Act, Empire's limited currently to conducting only
17	water flood operations and only allocating production
18	in accordance with the order up to a certain amount of
19	recovery. I don't think they've reached that yet.
20	I'm not sure they ever will. Okay?
21	But that's the limitation of the order,
22	no. 1. No. 2, under the terms of the Statutory
23	Unitization Agreement or rather the Statutory
24	Unitization Act, as a condition for authorizing the
25	forced contribution or commitment of interests into

1	the unit area, the legislature has determined that
2	it's appropriate only to allow operators do so where?
3	Zones, a pool or a portion of a pool has been defined
4	initially by primary production. Okay?
5	So under the Statutory Unitization Act,
6	as part of a condition, a requirement, to getting an
7	order authorizing them to force the interest of other
8	working interests into the unit, they must show that
9	it's been reasonably defined by a development. So
10	they did that at the hearing and they showed that the
11	Grayburg, of course which has been produced since the
12	30s, a lot of these wells are 80-years-old, has been
13	defined by development. And that's what they had a
14	technical committee for.
15	This technical committee for four,
16	five, six years in advance, trying to figure out how
17	best to develop the Grayburg. What they haven't done
18	is under the Statutory Unitization Act, they haven't
19	showed what they need to show, which is that the
20	portion of the pool that they're now saying has
21	hydrocarbons has been defined by development. Primary
22	development. I'm not saying they can't go in there
23	and produce it.
24	If they are you know, if they can
25	get somebody to voluntarily pay for the money to
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1	deepen their wells, to bring in CO2 resources to
2	upgrade their 80-year-old wells and then pay for all
3	those capital costs, I'm not saying they don't have
4	the ability to go do that if they want to go do that.
5	But no. 1, I'm saying is The Commission
6	made an error by including it as a pool because
7	there's no hydrocarbons. So it should never have been
8	part of a pool. And no. 2, it shouldn't be included
9	in the Unitization Act because it's not defined by
10	production. And so they want to go do that, the
11	exploration, they can do it outside, they must do it
12	outside, the authority of the Unitization Act in their
13	current order because the order doesn't authorize it.
14	Now Mr. Tremaine raised the issue that,
15	you know, potentially, if after a full evidentiary
16	hearing on the merits, we see that there's no ROZ in
17	the San Andres, then maybe The Commission has
18	justification to exclude the San Andres from the unit.
19	My point is, as an initial matter, as a
20	threshold matter, The Commission must first evaluate
21	whether or not the San Andres was properly included
22	because of the legal issues I just raised that needs
23	to be addressed in the first instance.
24	MS. HARDY: Can I I would like
25	_
	THE COMMISSIONER: Ms. Hardy.

1	MS. HARDY: Thank you.
2	So I disagree with Mr. Rankin. I think
3	that The Commission's jurisdiction is not limited of
4	course to the Statutory Unitization Act. The
5	Commission's mandate under the Oil and Gas Act is to
6	prevent waste, to protect correlative rights and as
7	set out in the Piazza order to prevent the drowning by
8	water of any strata capable of producing oil and gas.
9	So those are the Commission's paramount
10	obligations. It's not limited to the Statutory
11	Unitization Act and whether a formation was correctly
12	or incorrectly included. Much broader than that, in
13	here Empire is alleging and will demonstrate at
14	hearing that injection into the San Andres is
15	impairing correlative rights in the unit. It's not
15 16	impairing correlative rights in the unit. It's not just that there is a unit that exists so they can't
16	just that there is a unit that exists so they can't
16 17	just that there is a unit that exists so they can't inject. It's not that simple. There are correlative
16 17 18	just that there is a unit that exists so they can't inject. It's not that simple. There are correlative rights that are being impaired and that's what we will
16 17 18	just that there is a unit that exists so they can't inject. It's not that simple. There are correlative rights that are being impaired and that's what we will show at hearing.
16 17 18 19	just that there is a unit that exists so they can't inject. It's not that simple. There are correlative rights that are being impaired and that's what we will show at hearing. So I think that's the crux of the issue
16 17 18 19 20	just that there is a unit that exists so they can't inject. It's not that simple. There are correlative rights that are being impaired and that's what we will show at hearing. So I think that's the crux of the issue that The Commission and Division need to decide. Even
16 17 18 19 20 21	just that there is a unit that exists so they can't inject. It's not that simple. There are correlative rights that are being impaired and that's what we will show at hearing. So I think that's the crux of the issue that The Commission and Division need to decide. Even if there were no units, those issues would still exist
16 17 18 19 20 21 22	just that there is a unit that exists so they can't inject. It's not that simple. There are correlative rights that are being impaired and that's what we will show at hearing. So I think that's the crux of the issue that The Commission and Division need to decide. Even if there were no units, those issues would still exist because there are correlative rights in hydrocarbons.

1	the unit. I think the crux of the issue what are the
2	injections impairing correlative rights and resulting
3	in waste. And I also don't think it's necessarily
4	limited to whether there's a ROZ because if injection
5	is impairing production from the Grayburg, which is in
6	the unutilized interval, that's also a problem. So
7	the ROZ is an important issue and would be addressed
8	certainly at hearing, but that's not the only issue.
9	THE COMMISSIONER: Dr. Ampomah, did you
10	have a follow-up?
11	DR. AMPOMAH: Yeah. So I kind of tend
12	to agree with the OCD position because we need to
13	address whether there's ROZ. If there is ROZ, then
14	certainly the San Andres needs to still be part of the
15	unit. So I believe on I'm leaning in the direction
16	that, like OCD suggestion, you know, for us to go to
17	the bottom of it to know whether there's an ROZ
18	existing, for us to more or less make a decision as to
19	whether we have to exclude or not.
20	MR. RANKIN: I don't mean to say that I
21	don't think 100 percent agree that The Commission
22	must address the issue of whether there's going to be
23	any ways for impact to correlative rights at all. I
24	agree 100 percent just already on that point. My only
25	point is that I think there are some initial legal

1 threshold issues that are inextricably tied to the 2 question that must be addressed on the front end. Ultimately, of course, the issue is 3 going to be whether or not there are ways to --4 5 impairment of correlative rights and we are 100 6 percent prepared to go to the heart of that issue with a demonstration on the claims about ROZ, absolutely. 8 My only point about this is just that I think it's 9 necessary, I'm being a lawyer, no doubt about it, but 10 there are initial legal issues that implicate the 11 question. Because if it's not part -- if it can't be 12 part of the unit, okay, if the San Andres can't be 13 part of the unit, and it can't be part of the unit for a number of reasons, then the question becomes how are 14 15 they going to develop the ROZ. What's their plan to 16 do it? 17 And that also does weigh into this 18 analysis. So I just want to raise these issues at the 19 outset for The Commission because they are going to 20 come up during the course of these proceedings. 2.1 THE COMMISSIONER: I guess I just have 22 a broader universal question 'cause I, you know, I'll go back, you know. I know Empire has characterized 23 2.4 the unit agreement as purely private. understanding is the unit includes federal minerals 25

1	and state minerals so it's not really a private
2	agreement. I know the BLM doesn't develop it as a
3	working interest owner, but the minerals don't belong
4	to Empire, XTO or anyone. They belong to the federal
5	government.
6	Has anyone taken action are there
7	any actions pending against BLM or the State Land
8	Office who all approved this unit? Because there were
9	federal and state minerals to get them to contract it
10	or change it.
11	MR. RANKIN: Mr. Chairman, we have not
12	approached the State Land Office. State Land Office
13	was actively involved in our cases that were initially
14	presented before The Division. And I don't have the
15	full layout here of the state's interest, but I know
16	that where Goodnight's wells are located here on the
17	map and I believe it's beware of my cursor. I
18	believe these two lower sections or sections 20 and 21
19	and then I can't recall what that 'cause I'm not on
20	the land and I can't recall, the sequencing up here.
21	But I believe the State Land Office owns a
22	substantially the middle interest down here in the
23	southern part of the unit.
24	So during the time when we filed these
25	applications, in every instance the State Land Office

1	was a party. And in fact, and I can't recall off the
2	top of my head which one it was, three of the cases
3	they actually appealed. One or two of them were
4	outside the unit and one was inside the unit. They
5	appealed up to The Commission, they sought discovery
6	from Goodnight and information about the San Andres
7	zone pressures, injection rates, so forth.
8	We provided that information to them
9	and they, upon reviewing all that information, they
10	withdraw their appeals at the commission level and
11	stated that they didn't have any concerns about
12	impacts on the unit.
13	MR. RUBIN: Mr. Rankin, if you could
14	stop screensharing. We had a request to do that.
15	THE COMMISSIONER: I think could maybe
16	advance discussion a little bit on some of these and
17	I'd like to hear from my fellow commissioners who
18	obviously if they have other questions we can also go
19	back to just sort of questions on the pleadings. But
20	it seems clear in terms of figuring out what's the
21	bite-sized piece for this hearing that the core one
22	of the core questions, regardless of the order, is
23	whether there's an ROZ in the San Andres.
24	That's going to be at issue however we
25	slice it or move it forward. That's a core question.

And other things flow, back to the water case, flow from that finding. And that at least in a discrete universe, while we could sweep in all disposal in the EMSU in the San Andres formation and questions about residual oil zones and the entire San Andres formation, that would be a massive unwieldy case.

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And so it strikes to me, at least where I'm headed and I'd welcome some discussion from the parties on it, on the motion to -- various motions to dismiss is really Goodnight's motion to amend orders R-7765 and R-7767 is really maybe reserved for a later time once we've gotten at the factual question of is there an ROZ in the San Andres zone.

And then as to scope and sort of relevance between the parties that there's also a strong case to focus this hearing in September on wells that are in the EMSU. And while I understand technically that the water may not recognize a boundary and injection in the San Andres and sort of other questions, it is discrete -- you know, we can chop it up as sort of looking at the questions and moving it and that maybe it's not a motion -- maybe it's not a we dismiss the applications but we certainly save them until such time as we resolve those core questions which are injection wells

1	operating within the EMSU and questions of whether
2	there's a residual oil zone and whether there are
3	impairments of correlative rights.
4	And then that findings there have, you
5	know, will inform possibly those other cases that had
6	been stayed as to whether we need to deal them. And I
7	guess that's sort of what I was thinking kind of
8	listening to the argument and having reviewed sort of
9	the extensive briefing both on the motions to dismiss
10	and on the scope of the hearing, you know, candidly.
11	And I suppose the last issue, I know
12	there are pending cases before The Division to revoke
13	injection authority in the EMSU, and there were
14	contention made about those parties not singling an
15	interest in participating, the OCD's procedural rules,
16	they don't really have to express an interest. The
17	Commission can pull those cases up or the director can
18	kick them up whether the parties want to participate
19	or not candidly.
20	And that's not a discretionary decision
21	where they're joinder questions or anything like that.
22	That's just the decision-making authority of the
23	director to decide where to refer cases and move them
24	up. And so I suppose there's an open question about
25	what to do with those handfuls within that procedural

1 frame for the cases. 2 That at least seems to me, looking at 3 all of this, as a reasonable bite for The Commission to deal with in September that gets at core issues in 4 the proceeding here without overwhelming us with saying, "Hey, we're going to look at disposal in the 6 San Andres writ large." 8 MR. RUBIN: Mr. Chairman, members of 9 the commission, I would hardly agree. I don't believe it's the position of The Division that there are 10 11 factual issues, as Dr. Ampomah has also pointed out, 12 precluding granting any motion to dismiss. You know, a denial -- but I think would be proper at this point 13 14 to deny the motion to dismiss 'cause it is only a 15 preliminary motion. 16 And so the parties should have that 17 closure on the motion and of course with all respect to Mr. Rankin's contention that the law comes first, I 18 19 see the factual issues getting to the bottom of 20 whether there's an ROZ. That -- September. 2.1 As part of that hearing, the parties 22 can amply brief what the -- whether the unit itself needs to be amended. That is certainly part of the 23 2.4 scope of that hearing. And those are of course legal issues, but that is part of what we have a hearing 25

1	officer for. So at this point, as our decision I
2	would recommend denying the motions to dismiss.
3	As to the scope of the hearing, yes,
4	you have a lot of latitude. Parties the people who
5	aren't here of course and even goes to Pilot, they can
6	intervene if they want. You can bring them in. Or
7	they can all sit back and see what happens in what
8	the result is at the factual inquiry in September.
9	It's hard to decide what is more efficient at this
10	point.
11	I do appreciate Ms. Hardy's outlining
12	of what exactly is at stake in the motion for scope
13	and drawing the line at let's say the wells that are
14	outside the MSU is as good as any. So I would hold
15	the it's a it's a more difficult issue to decide
16	what to do about the motion to limit the scope.
17	But at least I would recommend a motion
18	to deny the motion, to dismiss based upon what we've
19	heard. I have not even heard from Empire that there
20	is no issue as to whether there's an ROZ.
21	THE COMMISSIONER: I'd like to hear
22	from the parties if that's okay.
23	Ms. Shaheen.
24	MS. SHAHEEN: Thank you.
25	THE COMMISSIONER: Can you turn on your
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1	mic, Ms. Shaheen?
2	MS. SHAHEEN: Thank you, Mr. Chair.
3	When you started addressing the scope, that raises the
4	arguments that I was prepared to make today. I think
5	that the first point I'd like to make two points.
6	And one is, as you recognized, there's no artificial
7	boundary around EMSU when it comes to the formation.
8	I am not a geologist, but I'm assuming, and I believe
9	this is true, that in the analysis of whether there's
10	a ROZ that exist in the San Andres is going to include
11	that area outside of the EMSU so you're going to be
12	hearing evidence relating to that area outside of the
13	EMSU, whether you like it or not.
14	And I think as a result, you can easily
15	consider the Empire applications relating to
16	Goodnight's wells that are only approximately 1 mile
17	outside of the unit. So I would suggest that you not
18	limit the scope to the wells within the EMSU. As for
19	Goodnight's suggestion that we should be expanding the
20	hearing by including those applications that were
21	filed with respect to the Rice wells, Permian Lines
22	and Owl, I would note a few things.
23	First, today we will be filing motions
24	
	to dismiss those applications. I understand that
25	to dismiss those applications. I understand that Goodnight opposes those. We presume that The Division

1	opposes those in light of their motion on the scope of
2	the hearing. But Rice, I understand that Owl or Pilot
3	also opposes dismissal of its application. Rice,
4	however, supports dismissal of the applications with
5	respect to the Rice wells.
6	So we will be filing those motions
7	today. Second, consolidating any of the Rice
8	applications at this hearing will result in the
9	deprivation of Empire's right to choice of counsel
10	because the Hinkle firm has a conflict with Rice. So
11	I'm sure you're aware, it's blackletter law that we
12	have Empire has a right to its choice of counsel
13	and that right arises under the Sixth Amendment.
14	Third, the scope of operations by these
15	third parties is simply not comparable to Goodnight's
16	high volume commercial operations in recent years
17	discussing of highly salient and incompatible water
18	from outside the area. Goodnight's operations far
19	exceeds the operations of these other third parties.
20	Now, I spent a lot of time yesterday
21	looking at Mr. Rankin's Exhibit C, which was very
22	helpful, and comparing it to OCD data that's readily
23	available on the website. And I can provide you with
24	the numbers comparing the volumes that Goodnight is
25	injecting with the volumes that these other parties or

1	these other operators are injecting. You may not want
2	to hear that today.
3	But I am prepared to provide that
4	information for you and I'll just provide you with one
5	example. And that relates to the Owl well or the
6	Pilot well. That's the P15 no. 1. And that's Exhibit
7	C. Goodnight represents that Owl injected 2,160
8	barrels since November of 2020. The Nolan Ryan well,
9	which is the nearest Goodnight well, injected
LO	approximately 13.35 million barrels into the Nolan
L1	Ryan during the same time period. That's the most
L2	extreme example of the difference between the
L3	operators that are at issue.
L 4	So for that reason, and again, if you
L5	would like for me to go through the numbers with
L6	respect to the Rice well and Permian Line well that
L 7	Goodnight has raised, as well as the Parker well and
L8	the EMSU well that Empire has, I can go through the
L9	numbers on those. But I won't bore you with that if
20	it doesn't matter.
21	My point is simply that to include
22	these third-party operators would simply make the
23	hearing that much more difficult. That is what will
24	make the proceeding unwieldy.
25	THE COMMISSIONER: Is it your

1	contention that those operators' rights won't be
2	impaired by a hearing here? I mean, if we find and
3	if The Commission were to find there's a recoverable
4	oil zone that Goodnight's wells are flooding out, we
5	would almost statutorily wouldn't The Division
6	statutorily have to act against those other non-op
7	providers for their injection for doing it?
8	And I think the presumption, yes, I
9	understand Goodnight's scale is larger at the moment,
10	but the OCD is effectively in part a produced water
11	management agency at five million barrels a day of
12	produced water generated in the Permian. If you shut
13	off wells, the water will go to other wells.
14	So is it your contention that volumes
15	at Rice and others will remain low if suddenly
16	Goodnight's wells were to go offline? I find that a
17	little bit of a stretch just given the broad need to
18	dispose of produced water generally and the volumes
19	are not decreasing.
20	MS. SHAHEEN: Well, first, those
21	parties will not be collaterally stopped by anything
22	that happens in these hearings.
23	THE COMMISSIONER: I don't see how
24	that's possible. If we were to find in a hearing that
25	there's a recoverable there's an ROZ in the EMSU, I

1	don't know how in a subsequent hearing we could
2	suddenly decide, oh, there's not.
3	MS. SHAHEEN: Well, Rice or Owl or
4	Pilot or Permian Line, if they want to intervene in
5	these cases because they are concerned and want to
6	have a say, then they have every right to do that and
7	The Commission can allow that intervention. My point
8	is we do not need to bring the applications that
9	Empire filed in which we are now dismissing to be a
10	part of the hearing.
11	THE COMMISSIONER: And I guess I just
12	have a follow-up question on the Sixth Amendment
13	argument, which not completely would welcome in a
14	discussion about how that might apply in the
15	administrative context. But Empire's represented by
16	three firms or three lawyers, maybe two firms. And
17	the issue is an existing conflict created by the firm
18	which are waivable. There are ways to manage those
19	conflicts if parties so choose walling off and other
20	components.
21	It's unclear to me about how the OCD
22	exercising its authority to consolidate cases that
23	raise relevant issues, the fact that it may raise a
24	conflict that counsel has to resolve in part by
25	counsel's own business decision necessarily implicates

1	the Sixth Amendment in its purest form that we would
2	be barred from pulling them up. I guess I'd like to
3	understand that.
4	MS. SHAHEEN: There is a Supreme Court
5	case that recognizes that and I think it would apply
6	to the agency. And let me see if I can find it in my
7	notes here. That's Sanders v. Rosenberg, 1997,
8	NMSC-002, a party has a right to be represented by an
9	attorney of her own choosing.
10	And then the Chappell v. Cosgrove, it's
11	also a New Mexico Supreme Court Case, 1996, NMSC-020.
12	In that case, the Court reversed a trial court's
13	disqualification of an attorney from representation
14	because the grounds for disqualification were
15	insufficient to overcome the right to representation
16	by an attorney of the client's own choosing, relying
17	on American Cable publications, a Tenth Circuit case,
18	which stated that a corollary to one's right to
19	self-representation under the Sixth Amendment "Is the
20	right of representation by counsel of his choosing."
21	So those are the cases that I found
22	that relate to this. I don't think counsel is
23	required to seek consent waivers if there's an issue
24	and
25	THE COMMISSIONER: But we're not
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1	proposing to disqualify Hinkle Shanor. We're making
2	no in pulling them up or we're making no assumption
3	about Hinkle Shanor's qualification, that you may have
4	an ethical obligation with respect to representation
5	that complicates it is would seem to basically say
6	that a large firm's decisions about who they represent
7	forces hand in terms of how we scope cases which I
8	think goes beyond what either of those rulings
9	require. I'm looking to commission counsel, but
10	MR. RUBIN: Thank you, Mr. Chair. I'm
11	at a loss. I don't believe this was in the briefing,
12	your Sixth Amendment issue or did I miss something
13	there?
14	MS. SHAHEEN: There is a paragraph in
15	the response to the motion on scope I believe that
16	raises this issue. I don't recall whether we cited
17	the cases in that response, but I think I'm
18	providing you with the case law now.
19	I realize that this is not a
20	disqualification case per se, but by consolidating
21	these cases, you are effectively disqualifying Hinkle
22	from participating because it has a conflict. And as
23	we all know, Ms. Hardy has provided a tremendous
24	amount of work on behalf of Empire to date on these
25	cases. So by consolidating the Rice and Permian Line

1	case, we would be effectively without Ms. Hardy's
2	assistance.
3	THE COMMISSIONER: And is it your
4	testimony on the record that it would be impossible
5	for Hinkle Shanor through commonly accepted means,
6	ethical screens and other things like that to manage
7	the cases? And I will say, having worked in a very
8	large law firm, I'm aware of these tools to do complex
9	cases.
10	Are you saying it is impossible for
11	Hinkle Shanor to do that or are you simply stating
12	that Hinkle Shanor's unwilling because it's not
13	required to?
14	MS. SHAHEEN: Well, first of all, I
15	would defer to Ms. Hardy as to what Hinkle can do.
16	But in my mind, Ms. Hardy cannot, in her mind,
17	represent two clients who are adverse or would be
18	adverse. I mean, she has to like have a division in
19	
LJ	her head. I mean, that's impossible for Ms. Hardy to
	her head. I mean, that's impossible for Ms. Hardy to be able to do that.
20	
20 21	be able to do that.
20	be able to do that. And Hinkle firm is not a huge firm. I
20 21 22	be able to do that. And Hinkle firm is not a huge firm. I mean, it does have two offices. But I no, I don't
20 21 22 23	be able to do that. And Hinkle firm is not a huge firm. I mean, it does have two offices. But I no, I don't believe Ms. Hardy would be able to do that. And I

a constitutional right to its choice of counsel and to consolidate those cases would result in deprivation of our constitutional right to counsel. There are other reasons that the Rice application and the Permian Line application should not be included and I'm happy to go over those if that would be helpful for you in making that decision.

2.1

2.4

MR. RUBIN: Mr. Chair. There's certainly a difference and I want to make sure the commissioners are clear. As to the scope of the hearing, as to where the evidence may lead in the case, we're just deciding whether to include other parties and other applications. None of this will limit in any way the evidence that the party see fit to submit in September on these issues.

And I think her point, we could avoid the Sixth Amendment issue, I'm not saying there's any merit to it, but certainly if we -- if whatever other potential parties wish to intervene do, that's fine. But if they don't, we're not trying to do a full -- we don't need to do a full-scale adjudication. If after this commission -- if this commission decides after its September hearing that there is an ROZ, that there are these factual issues, we can then further make sure that nothing happens on the ground until we deal

1	with the rights or potential impairment of these other
2	parties if we get there.
3	I mean, again, this reminds me of the
4	difficulties of adjudicating the whole stream system.
5	Do we try to do a full-scale adjudication or do we
б	just adjudicate these parties' issues, these with each
7	other? And again, because we're not limiting the
8	evidence that these parties may bring, it may include
9	what happens to wells outside the EMSU.
10	I mean, I suspect that you care about
11	the relevance of the Sixth Amendment here, but it
12	would probably be simpler to simply let this hearing
13	proceed.
14	And it is your discretion, Chair, of
15	course, to bring into this as the division director,
16	but we do have the hearing in September. And as an
17	attorney, boy, that's not a lot of time to prepare and
18	for a case of this magnitude. So we could protect
19	you would not be remiss in statutory duties as
20	commission by simply proceeding with the scope you
21	currently have and with the parties we currently have.
22	THE COMMISSIONER: I'm going to give
23	some of the other parties an opportunity, Ms. Shaheen,
24	to comment on some of these issues unless you had an
25	immediate follow-up.

1	MS. SHAHEEN: My only follow-up was I
2	believe that both Rice and Pilot have now moved to
3	intervene in these cases. That's my only other
4	addition.
5	THE COMMISSIONER: Mr. Rankin?
6	MR. RANKIN: Thank you, Mr. Examiner.
7	I mean, there are a couple of things
8	you raised at the outset before we get into the scope
9	on the motions to dismiss. I understand denying
10	those initially and allowing the parties to come back
11	at a later time. I think that's fine and then I think
12	probably those motions hopefully educated The
13	Commission.
14	We do plan to file a summary judgment
15	motion on the applications to amend the unit interval.
16	I understand that The Commission my position on
17	that is that it would not preclude in any way The
18	Commission from hearing the ultimate issues on the
19	ROZ, whether those ROZ recoverable or not. But I do
20	want to make it clear that we are going to be filing
21	that motion for summary judgment in advance of the
22	hearing. But I think it will help direct the issues,
23	legal issues, for The Commission going into that
24	hearing. On the scoping issues, it's true, yes, Pilot
25	now have

1	MR. BLOOM: I'm sorry, Mr. Rankin, real
2	quick, one more time what would be the scope of the
3	motion for summary judgment?
4	MR. RANKIN: It will be addressing the
5	applications we filed to amend the unit interval and
6	the special pool. Okay? So the summary judgment that
7	we're going to be filing will be addressing
8	specifically tying the facts to the legal to the
9	law, demonstrating that the San Andres should be
10	excluded from the unitized interval and from that
11	special pool. Okay?
12	Now, on the scope, Pilot/Owl and
13	Permian/Rice have both now intervened in the cases,
14	but they haven't themselves requested that their
15	pending applications from the division level be
16	referred to The Commission.
17	I understand why they would not want to
18	do that. They want to dip their toes into this debate
19	without actually putting any skin in the game and I
20	understand the reluctance to be dragged in. And
21	intervening is an opportunity for them to make their
22	voices heard and to do so without actually having the
23	risk potentially of an adverse decision.
24	Now, to your point, Mr. Chair Fuge, I
25	don't see how The Commission can make a decision

1	that's adverse say to these operators and have it not
2	substantively affect their authority to inject in it
3	and, you know, obviously, they would come back and
4	argue we have a right to have a separate hearing on
5	this and we want to present our own evidence and
6	testimony.
7	And that would be make no sense to
8	require them to do that at a later time. It may
9	result in conflicting decisions. It'd be an
10	administrative burden on The Commission to have to
11	hear these cases subsequently from different points of
12	view. So I think it's important to keep that in mind.
13	If I may show my screen again, I want to make a point
14	about something. And I think this is important to
15	understand.
16	Mr. Fuge, you raised this issue.
17	The P15 here is a well that's isolated.
18	It's not connected to a pipeline. Okay? That well is
19	the authority to inject is maintained periodically
20	by produced water being trucked to that well and being
21	injected. The N-11 [ph] up here is connected to a
22	pipeline system. It's connected to the 3 Bear Energy
23	Delek pipeline system recently.
24	Goodnight has an arrangement with
25	Rice/Permian to dispose of some of this water and this

1	well. Okay? I don't see how I mean, of course if
2	we lose our authority to inject, that well's going to
3	get a lot of water. A lot more water than it's
4	getting right now. I don't see why The Commission
5	would be reluctant to bring in these cases. They're
6	currently cases pending. They involve the same exact
7	issues. They're under the same exact legal framework.
8	Under the Statutory Unitization Act, any decision that
9	The Commission makes with respect to the San Andres in
10	this area is going to directly impact their rights and
11	ability to continue injection.
12	I think the issue about choice of
13	attorney is the tail wagging the dog. They got three
14	law firms. I think Montgomery Andrews handles massive
15	cases against, you know, representing the state.
16	They're more than adequate with Mr. Padilla's
17	experience to address this case if, in fact, Hinkle is
18	unable to resolve the conflicts. That issue is the
19	tail wagging the dog.
20	My understanding, now I haven.t
21	because no cases were cited, no arguments were made
22	about this in the briefing, we have been unable to
23	review the Sixth Amendment arguments. I don't believe
24	it has any merit. I'm not aware of any situation

where despite conflicts or any other reason that a

1	client is authorized to insist on having more than one
2	attorney represent them at any kind of hearing, no. 1.
3	No. 2, my understanding is that that Sixth Amendment
4	argument, it's not appropriate. It can't be used as a
5	sword to preclude a substantive argument or
6	substantive issues from being heard.
7	And here, substantives issues is
8	whether or not these other three wells are also
9	impairing and impacting the correlative rights and
10	affecting ways that Empire claims is occurring.
11	Empire's testimony that they submitted to The Division
12	repeatedly says that no third-party injection should
13	be authorized within the unit. None.
14	All disposal wells within 2 miles of
15	the within the unit within 2 miles should be
16	revoked and banned and then any wells from 2 miles to
17	5 miles should get approval from the unit operators.
18	That's their position and sworn testimony. So I don't
19	see how really what they're trying to do is avoid a
20	conflict. They just want to avoid a conflict. And I
21	don't see how that justifies limiting in any way the
22	substantive issues that need to be decided by The
23	Commission.
24	Now, I understand, you know, I've
25	spoken with Mr. Suazo and I've spoken with

1	Mr. Beck [ph] who represents Rice and Permian and I
2	understand no clients want to be in a position where
3	their valuable injection rights are at risk. I
4	understand that. Goodnight doesn't want to be in this
5	position at all. And so now do we think we should
6	be.
7	But, unfortunately, that's where we
8	are. And I think it'll be important for The
9	Commission to hear from these operators, I mean, not
LO	just on a basis of having intervene but actually with
L1	skin in the game. So I think I would encourage the
L2	commissioner and the commissioner to pull those cases
L3	up and have the full vetting of these issues before
L4	The Commission. I think it can be yes, I mean, I
L5	think Goodnight has done a lot of work on this
L6	already.
L7	We do not want to delay the hearing.
L8	We have no interest in delaying this hearing. And we
L9	do not want to we're not encouraging the addition
20	of these parties in order to cause delay or in order
21	to force conflict on any of the counsel. That is not
22	our motivation. Our view is that is something that
23	it's Empire's issue. Empire as the client has created
24	this issue and it's not something that Hinkle or
25	Ms. Hardy has created. It's something that Empire

1	itself has done. So I think, you know, with that I
2	think on the scoping issue
3	The other thing I want to say on scope,
4	Mr. Commissioners, and I know you may be aware, it's
5	been referenced in some of the briefing. It's been
6	referenced in the motions to intervene. But there are
7	two pending district court cases. Okay? Empire has
8	filed a lawsuit against Goodnight down in the Fifth
9	Judicial District Court making similar claims as they
10	make here.
11	We argued we briefed a motion and
12	argued that that case should be stayed and the
13	proceeding should be stayed pending under primary
14	jurisdiction pending allowing The Commission to
15	first address these factual issues. The court in that
16	case agreed and said basically, "I can't imagine a
17	more apt situation for The Commission to first address
18	these issues. It's something for The Commission to
19	decide initially."
20	While those arguments were being
21	briefed, Empire through only Montgomery & Andrews and
22	Mr. Padilla filed a parallel lawsuit against Rice
23	operating Permian and Owl and Pilot. So to say that
24	somehow they are unable to proceed here
25	administratively when they have filed a very complex

1	lawsuit down on Fifth Judicial District without the
2	aid of Ms. Hardy is confusing to me. I don't
3	understand the basis for that position today. They
4	chose to file a lawsuit with only two law firms. That
5	was their choice. Okay?
6	They're pursuing their claims in
7	district court with only those two law firms. They
8	have not dismissed those complaints and as I
9	understand, they do not intend to. Now, the fact that
10	they do not intend to dismiss that lawsuit or either
11	of those lawsuits indicates to me that it's even more
12	important for The Commission to hear in the first
13	instance to claims as to all those parties.
14	The court has ruled that it's
14 15	The court has ruled that it's imperative for The Commission in the first instance to
15	imperative for The Commission in the first instance to
15 16	imperative for The Commission in the first instance to make a determination about these factual issues about
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15 16 17 18 19 20 21 22	imperative for The Commission in the first instance to make a determination about these factual issues about waste, about correlative rights, about the presence of hydrocarbons. So I don't see how counsel for Empire can argue that they have a right, a constitutional right, to force The Commission to separate these cases when Empire itself has decided already to pursue their claims in district court with only two law firms.

1	Commission to consolidate all these cases with the
2	EMSU. The point that, you know, by including these
3	two additional parties and three wells is somehow more
4	complicated than including six or seven additional
5	wells outside the unit, even if they're just
6	Goodnights' wells that they're going to each have to
7	be evaluated on an individual basis based on the
8	distances, locations and geologic factors, I don't see
9	how that makes any sense.
10	I think it's far easier and more
11	streamlined to address everything within the unit.
12	There is not an arbitrary boundary. There's a legal
13	boundary that distinguishes what's happening in the
14	unit from outside and that's the basis substantially
15	for why these cases should be consolidated.
16	THE COMMISSIONER: I'd like to give
17	Ms. Shaheen an opportunity to respond on the
18	litigation and other components 'cause there were some
19	issues that were outside the confines of the paper so
20	
21	MS. SHAHEEN: I believe this focus on
22	the unit is somewhat of a red herring. And Ms. Hardy
23	nailed it on the head I think when she talked about
24	what's really at issue here is protection of
25	correlative rights and the prevention of waste. The

1	unit boundaries and anything that all of those
2	requirements and the order and the Statutory
3	Unitization Act, that really, as I think Commission
4	counsel has recognized, that really has no bearing
5	and, I think as the Chair recognized, really has no
б	bearing on whether correlative rights were being
7	adversely impacted and whether there's waste that's
8	occurring as a result of drowning the strata by
9	producing formation.
10	So this whole focus on the unit and the
11	Statutory Act I think is a little bit of a red
12	herring. So I just wanted to say that. I disagree
13	that somehow leaving Rice and Owl and Permian Line out
14	of this hearing as a party with the applications that
15	we are dismissing today precludes consideration of any
16	substantive issue. And I don't believe Mr. Rankin
17	identified any substantive issue that would be
18	precluded from The Commission's consideration if Rice,
19	Owl and Permian Line applications are not consolidated
20	here.
21	Goodnight can subpoena whatever
22	information it believes it needs from third parties.
23	It could even subpoena their witnesses to testify. So

It could even subpoena their witnesses to testify. So I don't believe that requires those applications to be consolidated.

24

25

1	As for the litigation, I think, again,
2	that's really of no import here. We have not yet
3	served the complaint on Rice or Owl and the magnitude
4	of that complaint is far outweighed by the magnitude
5	of the litigation against Goodnight and the magnitude
6	of the applications that are at issue with respect to
7	Goodnight's wells. I don't think that is of any
8	import here with respect to The Commission's decision
9	on the scope of the hearing. With respect to
10	conflicts, I would now defer to Ms. Hardy.
11	THE COMMISSIONER: Thank you.
12	Ms. Hardy.
13	MS. HARDY: I'll just be brief. I
14	think we could certainly explore matters like waivers,
15	but I think I'm not sure whether that's a
16	possibility or not. So it's not that we're not
17	willing to do that, it's that I'm not sure that would
18	succeed and I think Empire is entitled to have its
19	counsel of choice involved in these matters.
20	And given the scope of the matters, I
21	know there's been a lot of discussion of three groups,
22	three firms or three different attorneys and I think
23	the scope of these matters certainly warrants that.
24	And I also point that out Ms. Shaheen stated, we are
25	planning to file to dismiss the Rice and Owl

1	applications today.
2	THE COMMISSIONER: I have one factual
3	question. With respect to the Goodnight wells that
4	are outside the EMSU, is Empire the mineral interest
5	holder in the minerals adjacent to those wells or is
6	your mineral interests solely bound within the EMSU,
7	at least to those wells?
8	MS. SHAHEEN: Empire does have mineral
9	rights outside of the EMSU.
10	THE COMMISSIONER: Approximate to
11	Goodnight's existing disposal operations?
12	MS. SHAHEEN: Yes. Within that
13	township and range and I believe within the AGU as
14	well and within that same township and range of that
15	AGU which I want to say is 21 South 36 East and 22
16	South 37 East, but I'm not exactly sure. It might be
17	evident on Mr. Rankin's Exhibit C.
18	THE COMMISSIONER: My other I have a
19	couple more, but I'm looking at my other
20	commissioners.
21	DR. AMPOMAH: I'm out of advice at this
22	point.
23	THE COMMISSIONER: Yep.
24	We've had a lot of argument here this
25	morning and if I think back to some of the basic

1	standards about a motion to dismiss and some of the
2	arguments made by the parties, I'm not sure there's
3	clear enough facts on either side to that it would be
4	appropriate for The Commission to deny the motions,
5	even facts candidly not addressed by the proceedings.
6	And I'll just observe for the record
7	I'm surprised the party didn't address it. Questions
8	of participation in administrative proceedings leading
9	up to this. I mean, there was no discussion of, you
10	know, I had a question here and I don't think it's
11	relevant to these motions, but you know, Empire's a
12	successor in interest to prior companies that held it.
13	Those prior companies opted not to participate in
14	administrative proceedings related to injection wells.
15	There are I think legitimate questions
16	about how are you bound by, you know, actions by, you
17	know, predecessors and interests. I think there are
18	maybe some similar questions in Empire's posturing of
19	the case. All of that to say, at least where I am
20	right now, is I think The Commission should deny the
21	motion to dismiss Goodnight's applications to amend
22	orders R-7765 and R-7767 filed by Empire, that those
23	applications should be stayed.
24	I think that issue actually clouds a
25	little bit the questions that Ms. Shaheen so

1	eloquently put are most relevant to our hearing in
2	September, which is is there an ROZ in the San Andres,
3	is injection into the San Andres going to impair it.
4	Right? That's the core factual nugget in my mind that
5	carries through all of these cases and, you know,
6	arguments about amending an order, establishing the
7	unit, if there's no ROZ, whether the unit includes it
8	or not, I don't think precludes, you know, the OCD
9	authorization of injection into that formation.
10	So it's unclear. I think in terms of
11	management of scope, we should also deny the motions
12	to dismiss filed by Goodnight related to cases no.
13	24021 through 24024, 24026 and 24027. But for similar
14	reasons of focusing the hearings and focusing the
15	issues to be resolved in September, I would recommend
16	to my fellow commissioners that those cases also be
17	stayed until following a hearing that is focused on
18	the presence or not of hydrocarbons and the
19	recoverable hydrocarbons in the San Andres formation
20	and the disposal wells that are using that formation
21	within the unit.
22	I'll recognize for the group that that
23	may knock-on issues for external cases. It's going to
24	have knock-on issues for other disposal operations in
25	there. And I think it's knock-on issues independent

1	of what applications people file. I think there is a
2	pathway here where if there's recoverable oil in the
3	San Andres, the OCD independently, with its own
4	independent authority, will have to review injection
5	authority within the EMSU because we have potentially
6	authorized injection that is flooding out a zone with
7	recoverable oil inconsistent with our obligations
8	under the its obligation under the Oil and Gas Act
9	and its obligations to protect correlative rights.
10	And that's an independent action OCD
11	can initiate and I don't know how we can do that and
12	just pretend they're existing in little silos or rely
13	on an assumption that injections are low. I am also
14	sensitive to adding more parties at a late date and
15	Counsel Rubin's suggestion to narrow what you have to
16	put before you, but I also think there's a question of
17	whether we as The Commission should stay Division
18	Cases 24432, 24434 and 24436 to let these issues
19	let the factual issues that will be developed here
20	play out.
21	They will have impact on those
22	injection authorities that we can't say independently
23	right now will be zero on the parties that are they
24	are depending on the findings.

MR. RUBIN: Mr. Chair, I'm sorry to

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1	interrupt. Of course, the Open Meetings Act always is
2	the ultimate constraint. I'm just looking through
3	there are a lot of numbers here. I'm looking through
4	the agenda as to Goodnight's motions to dismiss that
5	you just started talked about.
6	THE COMMISSIONER: Yep.
7	MR. RUBIN: Are those on the agenda?
8	THE COMMISSIONER: Yeah. They're on
9	the
10	MR. RUBIN: Clearly.
11	THE COMMISSIONER: bottom of the
12	agenda.
13	MR. RUBIN: Twenty-four.
14	THE COMMISSIONER: Under "The following
15	consolidated meeting motions regarding the scope of
16	the hearing, motions to dismiss," all which were filed
17	and logged.
18	MR. RUBIN: Yeah.
19	THE COMMISSIONER: And those cases are
20	in the list of if you look at the third bullet, right
21	in the middle, case no they're all in that run,
22	24018 to 24027.
23	MR. RUBIN: Okay.
24	THE COMMISSIONER: The cases are
25	MR. RUBIN: Thank you.
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	1435 00

1	THE COMMISSIONER: The cases are there.
2	
3	THE COMMISSIONER: So maybe I'll open
4	it up for some discussion on my fellow commissioners
5	about that as a potential landing spot.
6	MR. BLOOM: So the two issues, you're
7	looking for comments on both of those recommending
8	recommendation regarding staying
9	THE COMMISSIONER: Well, denying both
10	motions to dismiss.
11	MR. BLOOM: Yeah.
12	THE COMMISSIONER: Staying the cases by
13	the motion to dismiss and then basically moving
14	forward with the hearing that is the EMSU injection
15	cases in September as sort of the best package 'cause
16	we resolve the motion to dismiss that way, the motion
17	as to scope naturally the natural consequence,
18	that's where you'd end up is to scope.
19	And then the sort of separate question
20	is whether we want to consider staying 24432, 24434 or
21	24436 or whether we just want to leave those alone and
22	let the parties take their own counsel on, you know,
23	potential impacts to their interests by participating
24	in or not in this matter.
25	MR. BLOOM: I know, Mr. Chair, I don't
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1	know if we've heard from the OCD on this or if there's
2	any thoughts there.
3	MR. TREMAINE: I'll try to be brief.
4	Thank you, Commissioner Bloom and Mr. Chair.
5	I think the OCD supports I think much
6	of the outline or recommendation that the Chair just
7	outlined. I think that the current cases before The
8	Commission related to the EMSU are the appropriate
9	bite size for the hearing that's currently scheduled
LO	and will allow all parties with interest in the area
L1	to participate. There's been a lot of talk and
L2	briefing about the issue of joinder and implication of
L3	due process concerns.
L4	I can concur with the Chair's statement
L5	that the Chair and the director have the authority to
L6	elevate those cases. I'm dubious of the Sixth
L7	Amendment claims that were raised. So that's
L8	something that The Commission or the director could
L9	do, but ultimately, I think that those concerns may
20	largely be resolved by the entries of appearance this
21	morning. And so while those other cases have not been
22	elevated up, my understanding is Rice and all of the
23	other parties that we've been discussing have actually
24	now entered appearance and notice of intervention.
25	So unless any party is opposing those,

1	I think that question's resolved and could be moot.
2	And so you don't necessarily have to reach a
3	determination on that and all of the parties of
4	interest will have an opportunity to take part in the
5	hearing to address the, as we've discussed ad nauseam,
6	the underlying ROZ question that's driving everything.
7	In addition, you know, OCD's technical team has looked
8	at the information it currently has available.
9	It's not final determination, but it is
10	OCD's position that the EMSU represents the most
11	logical core set of facts raised by the legal
12	questions in the various applications. And so I think
13	both in terms of the actual core of similar facts and
14	circumstances but also when you factor in, and what we
15	haven't really talked about is, administrative
16	efficiency.
17	So I think the inclusion of all the
18	parties who have now entered appearance will all
19	interests will be appropriately raised at the hearing
20	in September based on the scope discussed by the
21	chair. But we're not going to have to get into the
22	minutia of minor differences between particular wells,
23	is there going to be X amount of impact to this well
24	versus that well because there will be I anticipate
25	factual distinctions between the wells but not to the

1	level of is there an ROZ and is the zone getting
2	watered out.
3	So I think that ultimately, the
4	questions that were raised by the put before The
5	Commission has been addressed. And if there is any
6	ongoing concern related to the Sixth Amendment issue,
7	that's something that OCD would ask time to address.
8	I don't think it's an issue. I'm dubious. I also
9	think that there's an issue with using it defensively
10	rather than offensively.
11	And I would just note as a practical
12	matter this is something that The Commission and The
13	Division need to keep in mind because it's the common
14	practice of operators before The Division to cycle
15	through using basically the entirety of the oil and
16	gas bar in New Mexico. So when you look at the docket
17	on any given day, the same operator will be
18	represented by multiple different firms. So this is
19	something that would come up potentially in the
20	future.
21	And lastly, regarding the motion for
22	summary judgment raised by Mr. Rankin, I'm looking at
23	the rules and I don't think that that moves the needle
24	on anything. I don't actually think that The
25	Commission is required to rule on that motion for

1	summary judgment in advance of the hearing so the
2	parties can do what they want to do and that could be
3	essentially stayed until later.
4	In my opinion, the 19.15.4.16 C gives
5	The Chair and The Commission the discretion to rule on
6	dispositive motions. So I think that that's
7	basically, I think everything is wrapped up by the
8	entries of appearance and that OCD's recommendation is
9	that The Commission move forward essentially along the
10	lines that The Chair only know.
11	THE COMMISSIONER: Mr. Suazo is
12	representative of a party that, if I'm characterizing
13	this correctly, has one of those Division cases we're
14	talking about that is not currently at issue here but
15	has an entered an appearance in this matter. Would
16	welcome your perspective on those questions.
17	MR. SUAZO: Sure. Thank you,
18	Mr. Chair.
19	I guess let me address first the wells
20	within the EMSU and the wells outside of the EMSU. On
21	behalf of Pilot I think I can represent that they
22	clearly prefer that the wells within the EMSU be dealt
23	with on their own and that the wells outside of the
24	EMSU be left to, you know, another proceeding if
25	possible.

1	With respect to the conflict like
2	yourself I worked at a 1,000 plus person law firm in
3	conflicts like this are addressed relatively routinely
4	and I have every confidence that that can be done so
5	here. That being said, you know, it comes down to
6	initiating offer to or so this issue going to
7	dismiss the proceeding against Pilot and Owl. And
8	that's a bit of a mixed bag from our perspective
9	because for starters, it's not being dismissed with
10	prejudice. And that still leaves us with the
11	potential implications of the district court case that
12	Mr. Rankin referenced.

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And the district court case against
Pilot is essentially identical to the one against
Goodnight here. And the court in that case set the
hearing in late May, but it would like OCD and The
Commission to weigh in on these various issues with
primary authority. And so the concern from Pilot's
perspective is what are the implications just 'cause
this OCD case goes away in the short-term, what are
the implications in the long-term, especially because
The Commission needs to have the first insight that
the court -- that will guide the court at a later
date.

So unless Ms. Shaheen is ready to

1	represent that the case against Pilot will be
2	dismissed as prejudice, I still think that at least
3	for right now Pilot's position is that they will
4	oppose the dismissal 'cause they want to reserve the
5	rights its rights to assert its right over the
6	formation and the EMSU going forward.
7	MR. RUBIN: Mr. Chair, may we take a
8	very, very brief break so I can talk to the Chair
9	offline for a few moments?
10	THE COMMISSIONER: Yeah.
11	MR. RUBIN: Thanks.
12	THE COMMISSIONER: Let's come back in
13	ten minutes, so 11:25.
14	(Off the record.)
15	THE COMMISSIONER: All right. We are
16	back on and I think we heard from all the parties on
17	the proposal that I had put the sort of straw
18	proposal that I had put out. Commission counsel
19	correctly reminded me that any sort of Commission
20	action on cases 24432, 24434 or 24436 would be
21	improper because while I know the parties to those
22	cases were well aware of this hearing, it was not
23	formally noticed on our agenda, those case numbers
24	that we might be taking any sort of action today, at
25	least The Commission may be taking any sort of action

1	on those.
2	So, therefore, I would like to make a
3	motion that The Commission deny the motion to dismiss
4	deny Goodnight's motion to dismiss sorry. Let
5	me start again. I'm going to make a motion denying
6	Empire's motion to dismiss the applications to amend
7	orders R-7765 and R-7767 that were filed by Goodnight
8	and those are in case no. 24277 and 24278 and that
9	those that that motion be denied and that those
10	applications be stayed pending the conclusion of the
11	currently scheduled hearing for September.
12	MR. RUBIN: Mr. Chairman, by stay you
13	mean it'll proceed to hearing in September.
14	THE COMMISSIONER: No. They will be
15	stayed and the OCC will revisit, putting them back on
16	the docket with the parties after the hearing
17	MR. RUBIN: Oh, yes, yes. Okay.
18	MR. BLOOM: Mr. Rubin, it's okay to do
19	both those it sounds like we're doing two things on
20	one motion. Is that okay?
21	MR. RUBIN: Yeah. That's fine.
22	MR. BLOOM: And we're good? Okay. All
23	right. Then I so move.
24	DR. AMPOMAH: I second.
25	THE COMMISSIONER: Let the record
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	Page 94

1	reflect that motion was approved unanimously. The
2	second motion I'm proposing to make is that we dismiss
3	the motion to dismiss filed by Goodnight to dismiss
4	cases 24021 through 24024 and 24026 and 24027. Those
5	are Division case numbers that are all part of case of
6	Commission case 24123. And much like the first,
7	those cases be stayed until some future date following
8	the hearing in September.
9	MR. BLOOM: I so move.
10	DR. AMPOMAH: I second.
11	THE COMMISSIONER: Let the record
12	reflect that that motion was approved unanimously.
13	And then the final motion I would make as to the scope
14	of the hearing, and I think this flows from the
15	actions that were just approved on the motions to
16	dismiss, that the hearing in September have the
17	following scope: that it is to address the potential
18	for a recoverable oil zone, residual oil zone in the
19	San Andres within the EMSU unit and that it covers any
20	applications to inject or applications to revoke the
21	authority to inject for SWDs located within the EMSU
22	boundary.
23	MR. BLOOM: I so move.
24	DR. AMPOMAH: I second.
25	THE COMMISSIONER: Let the record

1	reflect that
2	MS. SHAHEEN: Just to clarify, you mean
3	Goodnight's wells within the EMSU?
4	THE COMMISSIONER: I see. Sorry. I
5	should have clarified.
6	That it covers the Goodnight wells that
7	are currently at issue before The Commission.
8	MR. BLOOM: I so move.
9	DR. AMPOMAH: I second.
10	THE COMMISSIONER: Let the record
11	reflect that that motion was approved unanimously.
12	And I think that informs the scope of the hearing for
13	September. And so the last item on the docket for
14	today in this case is a request for reconsideration of
15	the motion partially quashing Goodnight Midstream
16	Permian's subpoena and specifically and I was
17	authorized by The Commission to act on the subpoena
18	with advice from Commission counsel.
19	My decision to produce documents
20	responsive to request no. 7 to 9, that was quashed in
21	its entirety and there is a request to restore that.
22	I'd like to offer some brief arguments from the
23	parties related to that motion and we'll start with
24	Mr. Rankin.
25	MR. RANKIN: Thank you, Mr. Chairman.
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1	I'm going to go ahead and put these up
2	on the screen. I'm not sure if everybody is familiar
3	with these requests specifically so I want to make
4	sure that you all can see the language here. And I'll
5	just quickly walk through what we're asking for. And
6	I'm going to give a little bit of background because
7	I'm going to explain how it came about that we were
8	seeking this information. Okay? The first request
9	here is a request for reserve reports for the EMSU,
LO	including related internal/external communications,
L1	emails, summaries and so forth that reflect on or
L2	discuss concern, those reserve reports.
L3	That's kind of a general request that
L4	we're asking for. And the reason we're asking for it,
L5	not just the reserve reports but we're asking for the
L6	communications and summaries because we want to
L7	understand what information or data was provided that
L8	relate to the preparation of those reserve reports.
L9	While we think that the reserve reports will identify
20	the method, means and the data that went into the
21	calculation, we also want to understand what was
22	provided to the parties that were doing the work.
23	The second one, no. 8, is similar,
24	except it's a little bit broader. As Ms. Hardy
25	pointed out, and she was speaking, just to be clear,

1	in her response, in Empire's response, they were
2	taking a position it seems that we were only seeking
3	SEC reserve reports. And that's not the case. We're
4	asking for a broad range of potential reserves reports
5	because we're trying to identify what Empire or its
6	third-party engineering consultants have looked at and
7	have identified as potential for hydrocarbons in the
8	San Andres and around the EMSU.
9	So the second one, no. 8, is asking for
10	not just reserve reports, meaning proved reserves,
11	okay, which is what the SEC requires, but we're
12	looking for a broader range. We're looking for
13	proved, probable and possible reserves which are
14	defined terms under the Society of Professional
15	Engineers' guidance for determining reserves.
16	So we're looking for a much broader
17	range, anything that would qualify under those
18	definitions for oil, gas and hydrocarbons within the
19	EMSU and again, asking for reports that relate to
20	those, including you've got communications because
21	we're trying to figure out and summaries 'cause
22	we're trying to figure out what data went into the
23	preparation of those reports.
24	And the last one is all reserve reports
25	and reserve estimates prepared to underwrite the

acquisition of the EMSU again. And I'm going to explain why we asked for this in particular and I'm going to do so by pointing to some testimony that Empire's chief operating officer gave and that will also lay out a little bit of the background to explain why it is that we're focused here today in these requests on reserved reports.

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So to do that real fast, and I think you all probably have a good idea of what reserve reports are. But I'm going to point out here this is from the SEC paper that we attached as part of our motion, proved reserves. Again, it's the highest kind of standard. It's what the SEC requires. And of course, we understand that the San Andres isn't going to have proved reserves. There's no production from the San Andres as an ROZ. So of course we understand that's likely going to be the case, that there are none.

But we're also looking for probable or possible reserves. And you'll see, as I get into the testimony from Empire's chief operating officer, why it is that we think that they may have done this. And if they haven't, that's fine. We'd like to know. So in any event, that's the basis for what probable reserves and proved reserves are.

1	Now, this goes back to the Piazza case
2	when we were initially seeking authority to inject in
3	one of those wells that is subject to this subject set
4	of hearings. It's the only case that's up on de novo
5	appeal. Now, you'll see that I've outlined and
6	highlighted some of the dialogue here between what the
7	let me get to my point here between actually,
8	this is between Mr. Padilla and Empire's chief
9	operating officer.
10	So where you see the A here for answer,
11	that's their chief operating officer responding to
12	questions from Mr. Padilla. And I've highlighted his
13	testimony. You'll see he goes on to say, in response
14	to a question, that Empire has had their own
15	subsurface team that has looked at the formations, you
16	know, our productive horizons. We've also had
17	third-party studies that we've done and, you know,
18	that's what we're going those are the people I'm
19	listening to on this one.
20	So he's talking about that he's had
21	third-party studies and he's had their own subsurface
22	team evaluate formations with the EMSU. So, you know,
23	my perspective, I think, okay, they've got internal
24	studies and they've got third-parties who are looking
25	at this. Goes on to say that Goodnight is contending

that Empire did not produce, they're holding back
documents and not disclosing those. Is that accurate?
He says it's not. You know, of course there are
proprietary trade secrets that are always at issue.
We want to get those reviewed before, you know, he
goes on to kind of say you want to make sure there's
nothing proprietary. But of course, I wouldn't hold
anything back from the court or from the commission.
That's great. Okay.
He goes on to say that Exxon did a lot
of review. They did a lot of review of the ROZ. So
I'm out here, that's when I think, okay, ExxonMobil
has done some substantive work. I expect to get a lot
of documents showing what ExxonMobil has done as the
prior operator of the unit. He goes on to say that
you know, responds to our question, "How do you view
the ROZ potential in this field?" "We view it as the
cornerstone of our strategy that we're going to praise
it at least." Okay?
So my understanding, based on this
discussion and testimony that goes on, is that one of
the reasons, the motivations for purchasing this unit
because they believe it has an ROZ potential. Okay?
He says, "Now a project starts at appraisal, goes to
select, define and execute." So you see during this

1	course of his testimony he says, "We're in the
2	appraisal stage right now." This is two years ago.
3	"We're appraising it. We feel comfortable that we're
4	going to be able to have a very large production from
5	across the full interval, including the bottom
6	interval. That would be the San Andres."
7	So he's telling me actually telling
8	Mr. Padilla in the course of his testimony that they
9	have the confidence that they have substantial
LO	hydrocarbons within the San Andres, that one of the
L1	reasons they purchased it was because of the ROZ
L2	potential down to the bottom of the San Andres. It's
L3	the cornerstone of their strategy.
L4	Now he goes on to say, in the course of
L5	this dialogue, "I have our own subsurface teams and
L6	I've had other reviews say that there's plenty of
L7	potential on the order of basically company maker type
L8	potential that you would defines as a residual oil
L9	zone." That's a substantial statement. I want to see
20	what their internal review say about the company maker
21	type potential and I want to see what these third
22	parties' review say about company maker potential.
23	Okay?
24	This is important to me because during
25	the course of this hearing, this is news to me. Okay?

1	Does the San Andres does that include the San
2	Andres formation? Does this company maker potential
3	include the San Andres? His response, "That includes
4	the whole formation that we have unitized, the whole
5	formation of the Grayburg San Andres was formation
6	has been unitized." Okay.
7	So I'm hearing to myself, boy, they
8	must have a lot of documents. They must have a lot of
9	stuff that's going to show that the San Andres has
10	potential, not only from them but from ExxonMobil, XTO
11	and from third parties that they've hired to review
12	it. So at that time, okay, I thought to myself, well,
13	we'll see what happens. The Division rules and the
14	Piazza case that they went ahead and demonstrated
15	sufficient evidence that there's at least potential
16	for hydrocarbon so they denied our application to
17	inject.
18	Then we filed these additional cases in
19	the unit, the four that are at issue here. And I
20	served them with discovery. Okay? No. 1, I want,
21	based on everything I heard from Mr. Sweeney, I want
22	documents, communications, correspond, emails,
23	analyses reports, summaries, whatever you've got,
24	okay, that shows whether you believe there's
25	hydrocarbons in the San Andres within the EMSU, but
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Т	also documents that show that they're not. Okay? I
2	don't want to just know what they're relying on to
3	show that there are. I want to know evidence that is
4	contrary, adverse to their position.
5	I mean, this is it. This is a pretty
6	simple straightforward request for documents. Okay?
7	I got seven documents in response. I got one document
8	that was prepared by Empire. The rest were prepared
9	by Dr. Trentham and Mr. Melzer or one involved
L O	Lithuania ROZ potential. Nothing related to anything
L1	that he said in his testimony about the internal
L2	reviews they did about the third parties they hired to
L3	evaluate the ROZ or anything that shows that this
L4	company maker type ROZ potential in the San Andres.
L5	I was a little disappointed that I
L6	didn't get what I asked for. Okay? What else did I
L 7	ask for? Now, in the course of that testimony, if you
L8	were to review it all, you'll see that he's talked
L 9	about that Empire's in the appraisal stage.
20	They're appraising the potential for ROZ. I had
21	substantial dialogue with Mr. Sweeney at the time
22	trying to confirm whether or not Empire had prepared a
23	written plan for how they're going to appraise ROZ.
24	He testified that, yes, we have a
25	written plan. So I came back in the initial subpoena
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where I'm asking for documents, I ask him, specifying
directly to the testimony, "Please produce your plan,
how you're going to assess and evaluate the ROZ in
this zone." Eventually, I was told, you know, that
they don't have a written plan. Okay? They said they
did, but they don't. And the written plan that
Mr. Sweeney was referring to was an XTO brochure that
was produced during the course of the hearing.
That's what he meant apparently. Okay.
So that is all I got was XTO's brochure that I
understand was provided as part of the data room
during the acquisition of the Empire ESMU unit when
Empire was buying. So in my mind, these three
requests also had covered everything that Mr. Sweeney
testified about at the hearing. I ought to have
gotten their internal documents, their reviews and
analyses showing that there is an ROZ potential, that
there's company maker type productivity within San
Andres, but I didn't get it. Okay?
So now, I did have an ongoing
discussion with Empire counsel from the time of
from about November until through, oh, man, March,
back and forth, back and forth. You know, I was
aggressive. I was pushing them. I wanted documents
'cause they're claiming that there's an ROZ in the

zone and they're seeking to completely extinguish
Goodnight's operations. They've got 11 injection
wells that they're disposing of that they've
authorized and approved within the area and everyone
but one Empire seeking to revoke.

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Empire -- Goodnight has spent over several hundred million dollars developing a pipeline system that brings in produced water and of course they take this very seriously. We have a right to this information and a right to see it and apparently, whether they have it or not, we didn't get it. Okay. So that's the first round of discovery and so, you know, I'm not blaming, you know, counsel for anything.

I believe, you know, whether Empire has this information, Mr. Sweeney was puffing about what they have or not, I don't know. But, you know, Empire has not produced what I understood them to have as far as development plans. Now, fast forward to today, okay, I thought to myself, well, they don't have any internal plans or development, maybe they've done reserve reports. Maybe when they went to buy this cornerstone of their strategy in New Mexico, they would have gone and gotten a reserve report for their potential ROZ, maybe it's not proved reserves. Maybe it's probable or possible reserves, but I didn't get

Т	what I thought I would get with my first round so
2	maybe I'll try reserve reports.
3	It has nothing to do with the financing
4	of the unit. It's actually it's all to do with
5	what data or information Empire provided to its
6	third-party consultants who conducted or audited and
7	gave their sign-off on whether or not their
8	hydrocarbon reserves in the San Andres within the
9	unit. So we served the current discovery that we're
10	at I'm discussing here today which are the seven.
11	And whether or not they have reserve reports or
12	whether or not the communications around them is
13	burdensome, I mean, I disagree.
14	I think, you know, we're at a point
15	here where the issue, as we just has laid out, is
16	whether or not there's hydrocarbons in San Andres.
	whether or not there is hydrocarbons in ban andres.
17	And now one other point I wanted to make is when this
17 18	
	And now one other point I wanted to make is when this
18	And now one other point I wanted to make is when this discovery issue came up, Empire had already filed its
18 19	And now one other point I wanted to make is when this discovery issue came up, Empire had already filed its exhibits and testimony in the Division cases. And
18 19 20	And now one other point I wanted to make is when this discovery issue came up, Empire had already filed its exhibits and testimony in the Division cases. And that's when it became apparent to me that they had
18 19 20 21	And now one other point I wanted to make is when this discovery issue came up, Empire had already filed its exhibits and testimony in the Division cases. And that's when it became apparent to me that they had information potentially that went to our discovery
18 19 20 21 22	And now one other point I wanted to make is when this discovery issue came up, Empire had already filed its exhibits and testimony in the Division cases. And that's when it became apparent to me that they had information potentially that went to our discovery requests in the first subpoena that was not that I
18 19 20 21 22 23	And now one other point I wanted to make is when this discovery issue came up, Empire had already filed its exhibits and testimony in the Division cases. And that's when it became apparent to me that they had information potentially that went to our discovery requests in the first subpoena that was not that I believe was not provided to us. Okay?

Т	that Empire was relying on in support of their claim
2	that there is ROZ. So, again, we went through a
3	process to get that information and I believe we now
4	have all the information that at least Empire is
5	relying on in support of its claims.
6	But what I don't have is documents and
7	information that show the non-existence of
8	hydrocarbons, okay, for I mean actually do. I
9	think they actually provide it to us, but I also
10	believe that there is a lot more information out there
11	that they have that shows that there are no
12	hydrocarbons in the San Andres and I that's one of
13	the reasons I'm now trying to get the reserve reports.
14	I want to see what data and information Empire
15	provided to its third-party consultants to assess and
16	evaluate the total reserves in San Andres, whether
17	it's proved reserves, probable reserves or possible
18	reserves or even internal estimates of reserves.
19	Whatever it may be, I think we have a
20	right to that information. I think The Division would
21	like to see the information. I think The Commission
22	would like to understand what is out there. And
23	that's why I think these three requests are so
24	important and why I'm asking The Commission to
25	reconsider these three requests because I think, you
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1	know, we haven't been able to get to date what I think
2	we are owed, what The Division is owed and what The
3	Commission would want to see, which is, you know, what
4	is out there, what is the evidence you actually show.
5	And so I just, you know, I think maybe
6	my point was made and I want to tell that story a
7	little bit because when you actually review the
8	testimony, what Mr. Sweeney said, you know, it was a
9	very clear statement that they have these reviews,
LO	they have these assessments, they've gone to these
L1	third parties. And so I haven't gotten anything yet
L2	that shows that at all. Nothing.
L3	I have no internal reviews or
L4	assessments, plans, showing what they've done. Now
L5	they're taking evaluation studies of San Andres. I've
L6	gotten slides and documents from Dr. Trentham and
L7	Mr. Melzer that are, you know, public slideshows
L8	about, you know, ROZ potential in carbonite, you know,
L9	place, but I haven't gotten anything internal that
20	shows now, two years since Mr. Sweeney has said
21	that they're undertaking an appraisal of the zone.
22	And, you know, Empires and the they
23	are the operator of this unit. It's been there since
24	1984. They have hundreds of wells, lots of data. And
25	maybe there's zero data that shows there's

1	hydrocarbons in San Andres, fine, but I also want all
2	the data and information that shows there's not.
3	So with that, Mr. Chair and
4	commissioners, I respectfully ask that the
5	Commissioner reconsider the denial of these three
6	requests and move the Empire should be required to
7	produce documents that are responsive to them as well
8	as the data and information underlying them. The data
9	information underlying them is at least responsive to
LO	the first request that we asked for back last year.
L1	It's at least responsive to that and we didn't get it
L2	and we should get it here.
L3	And when you look at what, you know,
L4	for example, the SEC filings and submissions, you
L5	know, they took at they review what was provided to
L6	them by Empire. Okay? And while the SEC reserve
L7	report doesn't break down on the location that's
L8	between their North Dakotas asserts or New Mexico
L9	assets or any place else, the reserve estimates were
20	based on interpretations and factual data provided for
21	the Empire petroleum corporation.
22	So that information is going to show,
23	you know, whether there are hydrocarbons or not
24	hydrocarbons. And this third party did an assessment
25	to determine in their view how many hydrocarbons there

1	are and what the value of them is. Now, you know, my
2	point simply is that this is responsive. Like what
3	was provided to them is responsive. We didn't get it
4	as far as I know.
5	So that's the reason for this request
6	and the reason for this request for reconsideration.
7	With that, I ask that our motion be granted and we be
8	given the responsive documents both to those three
9	that were initially quashed and to the original
10	request that we filed back last year. Sorry.
11	MS. HARDY: Thank you, Mr. Chair. The
12	three requests that Mr. Rankin is discussing are
13	specific to reserve reports. Reports are, by nature,
14	documents that are reported somewhere. They're not
15	internal analysis. They're reports. And I've stated
16	very clearly in our response to the motion that I
17	filed late yesterday that we do not have reserve
18	reports regarding hydrocarbons in San Andres. We
19	don't have them.
20	The SEC requires reporting of proved
21	reserves only, not possible reserves and not potential
22	reserves. So for that reason, we do not have reserve
23	reports that address whether there are hydrocarbons in
24	the San Andres. Mr. Rankin's request really, it seems
25	to me, is for the data underlying Empire's testimony

1	and position that there are hydrocarbons with San
2	Andres more generally. And he is incorrect that we
3	have not provided that information. I think
4	Mr. Rankin is ignoring our first supplemental response
5	to the subpoena and our second supplemental response
6	to subpoena.
7	If The Commission looks at our reply on
8	our motion to quash at page 21 of the PDF, we provided
9	a copy of our second supplemental response to the
LO	subpoena. And Goodnight asked for all documents
L1	concerning the existence or non-existence of
L2	hydrocarbons in the San Andres. We've supplemented
L3	that response. We've provided initial response.
L4	We've supplemented it twice. We've provided
L5	publications, a fracture study, register logs, another
L6	fracture study. We provided communications with our
L7	expert witnesses. We've provided a resistivity log, a
L8	core analysis, core description, routine core
L9	analysis. A 1987 water flood report. A 1988 water
20	flood plan report.
21	So we have provided all of this
22	information and we've provided it again and again.
23	And we are here again listening to the same demands
24	from Goodnight that we've been dealing with for
25	months. And we have fully responded. Whether

1	Mr. Rankin thinks our information is sufficient is his
2	own issue, but we've provided all of the responsive
3	information that we have to their request.
4	So I just respectfully disagree. I
5	don't think there is anything else that they're
6	entitled to get. And I don't think The Commission
7	needs to reconsider its order. And Mr. Rankin
8	previously asked specifically for the reports that
9	Mr. Sweeney was referring to. We responded and said
10	he's no longer an employee. We don't know exactly
11	what reports he was referring to, but anyway, here are
12	all the documents that we have.
13	So that's where we are. We don't have
14	anything else at this point in response to these
15	requests. And I think The Commission's order was
16	appropriate and should be maintained, quashing the
17	subpoena. We've provided all of the information that
18	has been previously requested. And we are providing
19	supplemental information in response to the request
20	that The Commission didn't quash. So I would ask that
21	the motion be denied. And I'm sorry if I was speaking
22	too fast.
23	THE COMMISSIONER: No. I'll offer
24	maybe a little insight 'cause I was authorized by The
25	Commission at our last hearing to act on the subpoenas

and the motion to quash. You know, as explained in our motion or in our order -- well, let's stop. Bear with me one second.

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We had basically decided to quash those because we felt like it was pursuing, yes, that. Do not appear reasonably calculated to provide relevant discovery on the technical issues in this case, but on Empire's financial consideration for acquiring its working interest in the EMSU. You know, looking at the briefing on this question, and again, going back to the breadth of the request, I still see some facets of that conclusion.

However, the couple of hours of discussions we had is one of the key issues for resolution at the hearing in September is the question of prove, probable or possible reserves, which is in question eight and it leads the technical basis. It is in a request certainly seven and eight, nine still continues to me going to more financial questions as opposed to necessarily technical ones.

But either reserve reports that might be filed or internal reserve estimates prove, probable or possible and Goodnight's subpoena at least into eight did go beyond reserve reports. You know, on reconsideration at least discussing it now does seem

1	to relate to a technical issue squarely up for
2	decision in September. And so I guess I'd welcome a
3	little bit more discussion on that observation after
4	leading both Goodnight's filing and Empire's response.
5	MR. BLOOM: Mr. Chair, a question to
6	you. Have I got this right? No, it slipped my mind.
7	Never mind. I'll come back to it.
8	THE COMMISSIONER: And I guess maybe
9	I'd offer it up first to Empire because it would seem
10	to me that at least, you know, internal or external
11	documents or estimates, I mean, you know, there are
12	reports prepared for public consumption and there are
13	also reports prepared for internal consumption for
14	different reasons relevant to prove, probable or
15	possible reserves seem to be squarely relevant to the
16	issues we're going to be deciding in September.
17	MS. HARDY: And Mr. Chair, I think the
18	issue, right, is whether there are hydrocarbons in the
19	San Andres within the EMSU.
20	THE COMMISSIONER: Uh-huh.
21	MS. HARDY: Right? So if the request
22	pertain to reserve reports prepared regarding or
23	supporting documents for those reports regarding the
24	existence of hydrocarbons in the San Andres within the
25	EMSU, we don't have them because those are not

Т.	chose are not report. I mean, if you rook at the sic
2	reports that Mr. Rankin is showing, they are combined
3	geographic areas, combined formations. They don't
4	relate to those issues. So I think that's the
5	problem.
6	And the other issue is that reserve
7	reports that are publicly filed with the SEC are for
8	of course a different purpose. Right? I mean, The
9	Commission and Division's obligation is to protect
10	correlative rights in different ways. The SEC has
11	very strict parameters on what they require reporting
12	on 'cause they're looking at it for a different
13	purpose. They're looking at it for whether people
14	should invest in companies or not. Right? So it's
15	just a different purpose. But I think the bottom
16	line, I've said this in our response that I filed
17	yesterday, is that we don't have reserve reports that
18	relate to the existence of hydrocarbons within the
19	EMSU in the San Andres.
20	THE COMMISSIONER: What about under
21	eight which asks for any internal or external
22	estimates not reserve reports of hydrocarbons within
23	the EMSU?
24	MS. HARDY: I think those were covered
25	by Goodnight's other request for production which

1	relate to or even broader than that. Right? Their
2	request that we have provided responses to multiple
3	times is for all documents that relate to whether the
4	existence or non-existence of hydrocarbons in the San
5	Andres. I mean, that's an extremely broad request,
6	which is part of why we objected to it to begin with,
7	but then we negotiated extensively over several months
8	and ended up provided the information that we have so
9	
10	THE COMMISSIONER: Well, where I am
11	today is that in looking at the arguments and the
12	technical discussion we had today about sort of scope
13	of the hearing and the issues that at least as it
14	relates to request no. 8 in the subpoena that we
15	squashed that that was inappropriate and that should
16	be restored because that goes to all internal and
17	external estimates of prove, probable or possible
18	reserves of oil and gas hydrocarbons within the EMSU
19	and, you know, possibly also seven, but I appreciate

But some restoration of those requests is proper because they do go squarely to technical issues that are before us. And I guess I would look

that those reserve reports or maybe Empire's position

that those are what are submitted, you know,

referencing reports submitted to the SEC.

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1	to Commission counsel. Obviously I was authorized by
2	The Commission to act on the discovery motions. Do I
3	act as chair on reviewing it or would you recommend
4	action by the full commission?
5	MR. RUBIN: Thank you, Mr. Chairman,
6	members of The Commission. It's perfectly fine for
7	The Commission as it is before The Commission at this
8	point to rule on this if it wishes to. It's certainly
9	on the agenda. It's an interesting argument by
10	Mr. Rankin that these seven, eight, nine were
11	propounded in response to what he suspected were the
12	failure to provide documents in response to previous
13	requests.
14	So I understand it more now. But
15	nonetheless, I think no. 8, as you say here and
16	certainly is certainly relevant and especially at
17	today's discussion. If there was some abuse of the
18	coda, s disoussion. If onere was some dade of one
ro	discovery system that Mr. Rankin is alluding to, that
19	
19	discovery system that Mr. Rankin is alluding to, that
19 20	discovery system that Mr. Rankin is alluding to, that would be a separate motion if they had not if he
	discovery system that Mr. Rankin is alluding to, that would be a separate motion if they had not if he contends based upon what Mr. Sweeney testified to many
19 20 21	discovery system that Mr. Rankin is alluding to, that would be a separate motion if they had not if he contends based upon what Mr. Sweeney testified to many years ago that they're withholding something that they

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lie again anyway.

1	And certainly I would not want to not
2	amend the motion the order with respect to rights
3	simply because there are no more responsive documents.
4	They can if the result of this is that Empire
5	submits, says, "Yes, okay. Here's your answer to no.
6	8, we have no additional documents," then so be it.
7	It does not mean we should not amend to allow them to
8	no. 8.
9	So I think it is fine for the Chair to
10	call for a motion by The Commission. And I believe
11	the motion, if I understand it correctly, is to amend
12	the previous order, partially quashing to restore the
13	obligation of Empire to respond fully to no. 8.
14	THE COMMISSIONER: Yes. That's the
15	most so I move to amend the prior order of The
16	Commission, partially quashing the subpoena to restore
17	no. 8 as part of the subpoena. So I'm amending the
18	motion to partially quash accordingly.
19	MR. BLOOM: And I will second.
20	THE COMMISSIONER: Dr. Ampomah.
21	DR. AMPOMAH: Approved.
22	THE COMMISSIONER: Commissioner Bloom.
23	MR. BLOOM: Approved.
24	THE COMMISSIONER: Let the record
25	reflect the motion was unanimously approved and we
	Page 119

1	will issue an order amending the motion accordingly.
2	That covers the last items on the matter for these
3	cases.
4	Do we have anything to discuss or flag
5	under pending this litigation, Mr. Rubin?
6	MR. RUBIN: Unfortunately, we do,
7	Mr. Chair, members of The Commission. About a week
8	and a half ago we received an order from the District
9	Court which I've forwarded to you separately. In the
LO	Atencio lawsuit in which the District Court, Judge
L1	Matthew Wilson, denied the defendant's motions to
L2	dismiss except with respect to the legislature's
L3	motion on which asserted immunity.
L4	So the District Court judge did give us
L5	language that would allow for interlocutory appeal.
L6	We are in the process of working with the other
L6 L7	We are in the process of working with the other executive defendants which would be under EMNRD and
L7	executive defendants which would be under EMNRD and
L7 L8	executive defendants which would be under EMNRD and their respective cabinet secretaries to put forth a
L7 L8 L9	executive defendants which would be under EMNRD and their respective cabinet secretaries to put forth a product that hopefully the Court of Appeals will take
L7 L8 L9	executive defendants which would be under EMNRD and their respective cabinet secretaries to put forth a product that hopefully the Court of Appeals will take up.
L7 L8 L9 20	executive defendants which would be under EMNRD and their respective cabinet secretaries to put forth a product that hopefully the Court of Appeals will take up. We're going to make part of that motion
L7 L8 L9 20 21	executive defendants which would be under EMNRD and their respective cabinet secretaries to put forth a product that hopefully the Court of Appeals will take up. We're going to make part of that motion to be a request for a stay the District Court
17 18 19 20 21 22 23	executive defendants which would be under EMNRD and their respective cabinet secretaries to put forth a product that hopefully the Court of Appeals will take up. We're going to make part of that motion to be a request for a stay the District Court decision. Otherwise, discovery and an answer will

1	pretty short notice because the interlocutory
2	application is due in the middle of next week so the
3	clock is ticking.
4	So as to the second moving part, again,
5	we need we're not going to assume that somehow the
6	Court of Appeals will save us from filing an answer.
7	I did. It was pulling teeth, but I received a 30-day
8	extension on the plaintiffs to file the answer. And
9	that is a good thing because it is a 440-something
10	progress complaint. I am almost complete with my
11	initial take through it.
12	We, of course, will coordinate with the
13	executive or co-defendants in the executive branch and
14	we are all positioned roughly similar as needs to be I
15	guess the legislature. However, this is still a
16	significant task for this Commission and I may if
17	our next meeting is July 18th, that is cutting it very
18	close to when our deadline is to file the answer. So
19	I may ask to our staff to schedule a special meeting
20	where we will go into closed session. Okay?
21	THE COMMISSIONER: Okay.
22	MR. RUBIN: To go through a draft
23	answer. It is a we are responding as a public
24	entity and there are certainly some significant issues
25	that I need to have my client, you three, agree to

1	before I file something. And we're not going to do
2	that today obviously. That's not what we have today.
3	So look for a request for a special meeting.
4	THE COMMISSIONER: Maybe sometime the
5	week prior.
6	MR. RUBIN: Yes. And I understand
7	Dr. Ampomah has some travel plans which we need to
8	work around as well.
9	THE COMMISSIONER: Okay.
10	MR. RUBIN: But we'll need to do that.
11	And again, it's a what I will do is I will forward
12	to you all, before that, the privileged matter of
13	course what I am highlighting as what we should deny,
14	what we should admit, what we have no knowledge of.
15	And I encourage we are encouraging, especially The
16	Chair because you work with ARCO [ph] defendants that
17	you could start that process collaboratively with them
18	as opposed to just always me going to their attorneys
19	which, you know, the less attorneys involved, the more
20	efficient it is.
21	THE COMMISSIONER: Yeah.
22	MR. RUBIN: So with that, I will keep
23	you posted and stand for any questions.
24	THE COMMISSIONER: That makes sense.
25	We'll work with The Commission clerk to get that

1	special meeting noticed and set.
2	And with that, I would note that our
3	next scheduled public open session meeting is July 18,
4	2024.
5	Mr. Rankin.
6	MR. RANKIN: Thank you. Sorry,
7	Mr. Chair. Just a quick housekeeping questions on the
8	reinstatement of that request no. 8. Wil the order
9	provide for a timeframe for production of those
10	responsive documents?
11	THE COMMISSIONER: Yeah.
12	MR. RUBIN: Yes.
13	MR. RANKIN: Okay. And I mean I'm fine
14	with 30 days I guess from the order if it's going to
15	be quickly issued.
16	THE COMMISSIONER: Yeah.
17	MR. RANKIN: Okay. And that's fine
18	with me. Thirty days is fine. We are running out of
19	time, but 30 days should be fine.
20	MR. RUBIN: And it'll also be sending
21	together general rulings in the previous order too.
22	MR. RANKIN: Thank you.
23	MR. RUBIN: Okay.
24	THE COMMISSIONER: And with that, I'll
25	adjourn the July 20th meeting of the Oil Conservation
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1	Commission.	Thanks all.
2		(Whereupon, the meeting concluded at
3		12:10 p.m)
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1 CERTIFICATE 2 I, JAMES COGSWELL, the officer before whom 3 the foregoing proceedings were taken, do hereby certify that any witness(es) in the foregoing 4 5 proceedings, prior to testifying, were duly sworn; 6 that the proceedings were recorded by me and thereafter reduced to typewriting by a qualified 8 transcriptionist; that said digital audio recording of 9 said proceedings are a true and accurate record to the best of my knowledge, skills, and ability; that I am 10 11 neither counsel for, related to, nor employed by any 12 of the parties to the action in which this was taken; 13 and, further, that I am not a relative or employee of any counsel or attorney employed by the parties 14 15 hereto, nor financially or otherwise interested in the 16 outcome of this action. 17 July 9, 2024 18 19 JAMES COGSWELL 20 Notary Public in and for the 2.1 State of New Mexico 22 2.3 2.4 25

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