

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

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

REOPENED APPLICATION OF WILLIAMS Case No. 14521  
PRODUCTION CO., LLC, FOR APPROVAL OF  
A CLOSED-LOOP SYSTEM FOR THE ROSA SALTWATER  
DISPOSAL WELL NO. 2 AND FOR IN-PLACE BURIAL  
OF DRILLING WASTES AT ANOTHER WELL LOCATION,  
RIO ARRIBA COUNTY, NEW MEXICO

DE NOVO APPLICATION OF CIMAREX ENERGY Case No. 14418  
COMPANY FOR A NONSTANDARD OIL SPACING AND  
PRORATION UNIT AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO

REOPENED APPLICATION OF CIMAREX ENERGY Case No. 14480  
COMPANY FOR A NONSTANDARD OIL SPACING AND  
PRORATION UNIT AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO

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

Case No. 10693; Case No. 11724; Case No. 11954; Case No.  
11987; and Case No. 13048: Dismissed

Case No. 12276 and Case No. 12277, continued to  
December 9, 2010

RECORDED  
2010 NOV 18 A 021

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
COMMISSIONER HEARING

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

November 4, 2010  
Santa Fe, New Mexico

1 This matter came on for hearing before the New  
Mexico Oil Conservation Commission, MARK E. FESMIRE,  
2 Chairman, on Thursday, November 4, 2010, at the New  
Mexico Energy, Minerals and Natural Resources Department,  
3 1220 South Saint Francis Drive, Room 102, Santa Fe, New  
Mexico.

4  
5 REPORTED BY: Jacqueline R. Lujan, CCR #91  
Paul Baca Professional Court Reporters  
6 500 Fourth Street, N.W., Suite 105  
Albuquerque, NM 87103 505-843-9241

7  
8 A P P E A R A N C E S

9 FOR THE OIL CONSERVATION COMMISSION:

10 MARK SMITH  
ASSISTANT GENERAL COUNSEL  
11 1220 South St. Francis Drive  
Santa Fe, New Mexico 87504

12 FOR THE APPLICANT CIMAREX ENERGY CO.:

13 HINKLE, HENSLEY, SHANOR & MARTIN, LLP  
14 GARY W. LARSON, ESQ.  
P.O. Box 2068  
15 Santa Fe, New Mexico 87504-2068

16 FOR LYNX PETROLEUM CONSULTANTS:

17 HOLLAND & HART, LLP  
OCEAN MUNDS-DRY, ESQ.  
18 P.O. Box 2208  
Santa Fe, New Mexico 87504

19 FOR THE APPLICANT AGUA SUCIA, LLC:

20 JAMES BRUCE, ATTORNEY AT LAW  
21 P.O. Box 1056  
Santa Fe, New Mexico 87504

22 FOR ARMSTRONG ENERGY CORPORATION:

23 HOLLAND & HART, LLP  
24 WILLIAM F. CARR, ESQ.  
P.O. Box 2208  
25 Santa Fe, New Mexico 87504

1 ALSO PRESENT:

2 Florene Davidson

3 CIMAREX WITNESSES: CASE 14481 PAGE

4  
5 Mark Compton:

6 Direct examination by Mr. Larson 9  
7 Cross-examination by Ms. Munds-Dry 23  
8 Examination by Commissioner Bailey 26  
9 Examination by Chairman Fesmire 27  
10 Redirect examination by Mr. Larson 29

11 Lee Catalano:

12 Direct examination by Mr. Larson 29  
13 Cross-examination by Ms. Munds-Dry 37  
14 Examination by Commissioner Bailey 40  
15 Examination by Chairman Fesmire 41  
16 Recross-examination by Ms. Munds-Dry 44  
17 Further examination by Chairman Fesmire 45

18 Michael Swain:

19 Direct examination by Mr. Larson 46  
20 Cross-examination by Ms. Munds-Dry 57  
21 Examination by Commissioner Bailey 61  
22 Examination by Chairman Fesmire 62  
23 Redirect examination by Mr. Larson 64

24 CIMAREX WITNESSES: CASE 14480 PAGE

25 Mark Compton:

26 Direct examination by Mr. Larson 67  
27 Examination by Commissioner Bailey 74  
28 Examination by Chairman Fesmire 77  
29 Redirect examination by Mr. Larson 82  
30 Cross-examination by Ms. Munds-Dry 83  
31 Further redirect examination by Mr. Larson 84

32 Lee Catalano:

33 Direct examination by Mr. Larson 84  
34 Examination by Chairman Fesmire 88

1	Michael Swain:	
2	Direct examination by Mr. Larson	90
	Examination by Chairman Fesmire	95
3		
4	LYNX PETROLEUM WITNESSES: CASES 14481, 14480	PAGE
5		
	Larry Scott:	
6	Direct examination by Ms. Munds-Dry	98
7	Cross-examination by Mr. Larson on Exhibit 9	116
8	Examination by Commissioner Bailey on Exhibit 9	117
9	Examination by Chairman Fesmire on Exhibit 9	117
10	Continued direct examination by Ms. Munds-Dry	122
11	Cross-examination by Mr. Larson	137
	Examination by Commissioner Bailey	146
12	Examination by Commissioner Olson	147
	Examination by Chairman Fesmire	149
13		
14	AGUA SUCIA WITNESSES: CASE 14411	PAGE
15		
	Ben Stone:	
16	Direct Examination by Mr. Bruce	172
17	Cross-examination by Mr. Carr	206
	Examination by Commissioner Bailey	228
18	Examination by Commissioner Olson	232
	Examination by Chairman Fesmire	234
19	Redirect Examination by Mr. Bruce	239
	Recross-examination by Mr. Carr	240
20	Further Redirect Examination by Mr. Bruce	246
21	Robert Lee:	
22	Direct Examination by Mr. Bruce	247
	Cross-examination by Mr. Carr	272
23	Examination by Commissioner Bailey	279
	Examination by Commissioner Olson	280
24	Examination by Chairman Fesmire	281
25		

		PAGE
1	EXHIBITS ADMITTED	
2		
3	CIMAREX EXHIBITS 1 through 7	23
3	CIMAREX EXHIBITS 8 through 11	37
4	CIMAREX EXHIBITS 12 through 18	57
4		
5	CIMAREX EXHIBITS 1 through 7	74
5	CIMAREX EXHIBITS 8 through 11	87
6	CIMAREX EXHIBITS 12 through 14	94
6		
7	LYNX EXHIBITS 1 and 2	134
7	LYNX EXHIBITS 9 and 10	136
8		
8	AGUA SUCIA EXHIBITS 1 through 9 and 18	206
9	AGUA SUCIA EXHIBITS 10 through 16, 16A and 17	272
9		
10	REPORTER'S CERTIFICATE	285
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1 CHAIRMAN FESMIRE: At this time let's go  
2 on the record. The record should reflect that this is  
3 the Thursday, November 4th, 2010, regularly-scheduled  
4 meeting of the New Mexico Oil Conservation Commission.  
5 It's 9:00 a.m. We're meeting in Porter Hall.

6 The first order of business before the  
7 Commission today is the adoption of the minutes of the  
8 October 7th, 2010, meeting. Have the Commissioners had a  
9 chance to review the minutes as presented by the  
10 secretary?

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

13 COMMISSIONER OLSON: Second.

14 CHAIRMAN FESMIRE: All those in favor,  
15 signify by saying aye.

16 Let the record reflect that the minutes were  
17 unanimously adopted, signed by the Chairman, and conveyed  
18 to the secretary.

19 The second order of business before the  
20 Commission is reopening Case Number 14521. That was the  
21 Application of Williams Production Co., LLC, for approval  
22 of a closed-loop system for the Rosa Saltwater Disposal  
23 Well Number 2, and for in-place burial of drilling wastes  
24 at another well location, Rio Arriba County. At this  
25 time, the case is being reopened for the purpose of

1 adopting a substitute order.

2 Counsel Smith, would you convey to the  
3 Commission the conditions and the requirements for the  
4 order or why we're doing it? Surprised?

5 MR. SMITH: Yeah. It's been a while. Oh,  
6 yes. I remember. I don't have a red line in front of  
7 me, but we had some incorrect dates in here on  
8 applications, and it was more an administerial revision  
9 than anything else. We just corrected the dates to the  
10 applications. Everything else remained exactly the same.

11 CHAIRMAN FESMIRE: Given that, the order  
12 was circulated to the Commissioners. Have the  
13 Commissioners had a chance to review the amended order?

14 COMMISSIONER BAILEY: Yes, I have. I move  
15 that we adopt it.

16 COMMISSIONER OLSON: I'll second that.

17 CHAIRMAN FESMIRE: All those in favor,  
18 signify by saying aye.

19 Let the record reflect that the amended order  
20 was unanimously adopted by the Commission, signed by the  
21 Commissioners and conveyed to the secretary.

22 The next item on the docket is Case Number  
23 14418, the De Novo Application of Cimarex Energy Company  
24 for a nonstandard oil spacing and proration unit and  
25 compulsory pooling in Eddy County.

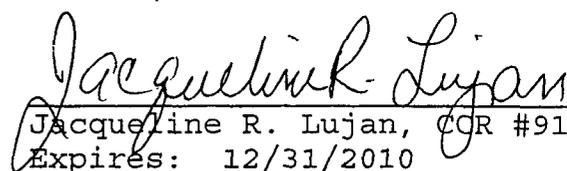
## REPORTER'S CERTIFICATE

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO  
HEREBY CERTIFY that on November 4, 2010, proceedings in  
the above captioned case were taken before me and that I  
did report in stenographic shorthand the proceedings set  
forth herein, and the foregoing pages are a true and  
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by  
nor related to nor contracted with any of the parties or  
attorneys in this case and that I have no interest  
whatsoever in the final disposition of this case in any  
court.

WITNESS MY HAND this 17th day of November,  
2010.

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