

3 IN THE MATTER OF THE HEARING CALLED
4 BY THE OIL CONSERVATION DIVISION FOR
5 THE PURPOSE OF CONSIDERING:

6 APPLICATION OF CHI OPERATING, INC.
7 TO AMEND ORDER NUMBER R-13262,
8 EDDY COUNTY, NEW MEXICO.

CASE NO. 15019

ORIGINAL

9 REPORTER'S TRANSCRIPT OF PROCEEDINGS

10 EXAMINER HEARING

11 July 12, 2013

12 Santa Fe, New Mexico

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14 BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER
15 DAVID K. BROOKS, LEGAL EXAMINER
16 PHILLIP GOETZE, TECHNICAL EXAMINER

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18 This matter came on for hearing before the
19 New Mexico Oil Conservation Division, Richard Ezeanyim,
20 Chief Examiner, David K. Brooks, Legal Examiner, and
21 Phillip Goetze, Technical Examiner, on Friday, July 12,
22 2013, at the New Mexico Energy, Minerals and Natural
23 Resources Department, 1220 South St. Francis Drive,
24 Porter Hall, Room 102, Santa Fe, New Mexico.

25 REPORTED BY: Mary C. Hankins, CCR, RPR
New Mexico CCR #20
Paul Baca Professional Court Reporters
500 4th Street, Northwest, Suite 105
Albuquerque, New Mexico 87102

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APPEARANCES

FOR APPLICANT CHI OPERATING, INC.:

JAMES G. BRUCE, ESQ.
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Santa Fe, New Mexico 87504
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EXHIBITS OFFERED AND ADMITTED

Chi Operating, Inc. Exhibit Numbers 1 and 2	5
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1 (9:06 a.m.)

2 EXAMINER EZEANYIM: Morning, gentlemen. We
3 are going to continue the docket we started yesterday,
4 Docket Number 23-13.

5 At this point, I call Case Number 15019,
6 application of Chi Operating, Inc. to amend Order Number
7 R-13262, Eddy County, New Mexico.

8 Call for appearances.

9 MR. BRUCE: Mr. Examiner, Jim Bruce of
10 Santa Fe representing the Applicant. And since this is
11 about as simple as they come, I'm just submitting it by
12 affidavit.

13 I'm handing you, as Exhibit 1, the
14 affidavit of John Qualls who is the landman for and an
15 officer of Chi Operating, Inc. who operates the Benson
16 Delaware Unit in Eddy County, which contains 560 acres
17 of federal land.

18 EXAMINER EZEANYIM: Are there any other
19 appearances here?

20 No other appearances. Go ahead.

21 MR. BRUCE: Order R-13262 approved
22 unitization -- statutory unitization and enhanced
23 recovery project for the unit area in the Brushy Canyon
24 Formation. And as set forth in paragraph five of the
25 affidavit, the order approved, among other wells, six

1 wells for injection, and they were either going to be
2 new wells or wells converted from production.

3 Four of these wells have not been drilled,
4 and then two of them, the Benson Delaware Units 14 and
5 19 are still producing.

6 Now, attached at the end is, for example --
7 in the interim, Chi has filed applications for two new
8 wells in the Benson Delaware Unit, the Unit Number 23
9 and Unit Number 24 wells. The only reason I attached
10 the final two pages of this is to show that these
11 APDs -- that this is the APD for the Number 23 well.
12 They've been pending for over 15 months at this point,
13 and they couldn't get them approved. Chi didn't know
14 why. But when they finally got to meet with the BLM,
15 the BLM said they wanted the order amended to remove
16 from the order, as approved injection wells, the wells
17 identified in paragraph five of the affidavit

18 And so this application is merely to
19 request that those six wells be eliminated from the
20 order, although under Division rules, additional
21 injection wells can be approved administratively, which
22 Chi will do at that point. But the BLM wanted it done,
23 so that's what we did. That's why we're here today.

24 And when it came to notice, I really
25 couldn't think of anybody to notify other than the BLM,

1 and so we gave notice of this application to the BLM.
2 And that is submitted as my Affidavit of Notice, marked
3 Exhibit 2.

4 With that, I'd move the admission of
5 Exhibits 1 and 2 and ask that the case be taken under
6 advisement

7 EXAMINER EZEANYIM: Exhibits 1 and 2 will
8 be admitted.

9 (Chi Exhibit Numbers 1 and 2 were offered
10 and admitted into evidence.)

11 EXAMINER EZEANYIM: Do you have any
12 questions?

13 EXAMINER BROOKS: No.

14 EXAMINER EZEANYIM: Any questions?

15 EXAMINER GOETZE: No questions.

16 EXAMINER EZEANYIM: Why did the BLM want
17 you to remove these wells as approved?

18 MR. BRUCE: They never said. They just
19 said, You haven't either drilled the wells or converted
20 them from production to injection, so we want them
21 removed as approved injection wells. And that's all
22 they said. It's a condition to the granting of those
23 two new APDs, so that's why they're doing it.

24 EXAMINER EZEANYIM: I'm just curious why
25 that is.

1 MR. BRUCE: They've never really explained.

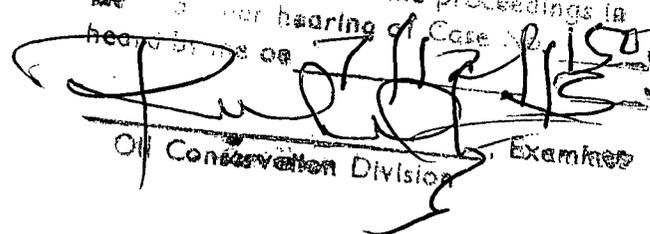
2 MR. EZEANYIM: Are you not curious why they
3 want --

4 MR. BRUCE: No, and neither is my client.
5 It took them a year just to get it to a meeting, get the
6 BLM to meet with them in the first place, so they're
7 doing whatever they can to get the APDs approved.

8 EXAMINER EZEANYIM: At this point, Case
9 Number 15019 will be taken under advisement.

10 (Case Number 15019 concludes, 9:10 a.m.)

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I do hereby certify that the foregoing is
a true and correct record of the proceedings in
the public hearing of Case No. 15019
heard by me on

Oil Conservation Division, Examiner

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3 CERTIFICATE OF COURT REPORTER

4 I, MARY C. HANKINS, New Mexico Certified
5 Court Reporter No. 20, and Registered Professional
6 Reporter, do hereby certify that I reported the
7 foregoing proceedings in stenographic shorthand and that
8 the foregoing pages are a true and correct transcript of
9 those proceedings that were reduced to printed form by
10 me to the best of my ability.

11 I FURTHER CERTIFY that the Reporter's
12 Record of the proceedings truly and accurately reflects
13 the exhibits, if any, offered by the respective parties.

14 I FURTHER CERTIFY that I am neither
15 employed by nor related to any of the parties or
16 attorneys in this case and that I have no interest in
17 the final disposition of this case.

18 

19 MARY C. HANKINS, CCR, RPR
20 Paul Baca Court Reporters, Inc.
21 New Mexico CCR No. 20
22 Date of CCR Expiration: 12/31/2013

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