

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

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

APPLICATION OF THE NEW MEXICO OIL ) CASE NO. 14,015  
CONSERVATION DIVISION FOR REPEAL OF )  
EXISTING RULE 50 CONCERNING PITS AND )  
BELOW GRADE TANKS AND ADOPTION OF A )  
NEW RULE GOVERNING PITS, BELOW GRADE )  
TANKS, CLOSED LOOP SYSTEMS AND OTHER )  
ALTERNATIVE METHODS TO THE FOREGOING, )  
AND AMENDING OTHER RULES TO MAKE )  
CONFORMING CHANGES; STATEWIDE )

OFFICIAL EXHIBIT FILE  
COMMISSION HEARING

(13 of 15: IPANM Exhibits 1-37 and Rebuttal Exhibit A)

BEFORE: MARK E. FESMIRE, CHAIRMAN  
JAMI BAILEY, COMMISSIONER  
WILLIAM OLSON, COMMISSIONER

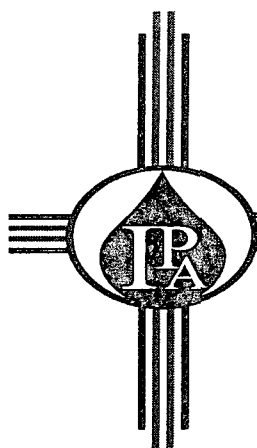
November 5, 6, 7, 8, 9, 13, 14, 15, 16, 26, 27, 30, 2007;  
December 3, 4, 6, 7, 10, 14, 2007; February 14, 2008;  
March 12, 13, 2008

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Commission, MARK E. FESMIRE, Chairman, on November 5, 6, 7, 8, 9, 13, 14, 15, 16, 26, 27, 30, 2007; December 3, 4, 6, 7, 10, 14, 2007; February 14, 2008; and March 12, 13, 2008, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*

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



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INDEPENDENT PETROLEUM

ASSOCIATION OF NEW MEXICO

Case No. 14015  
hearing submissions

**IPANM**

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October 29, 2007

Ms. Florene Davidson  
Commission Clerk  
New Mexico Oil Conservation Commission  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

RE: CASE NO. 14015 THE MATTER OF THE APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION FOR REPEAL OF EXISTING RULE 50 CONCERNING PITS AND BELOW GRADE TANKS AND ADOPTION OF A NEW RULE GOVERNING PITS, BELOW GRADE TANKS, CLOSED LOOP SYSTEMS AND OTHER ALTERNATIVE METHODS TO THE FOREGOING, AND AMENDING OTHER RULES TO CONFORMING CHANGES STATEWIDE.

Dear members of the Oil Conservation Commission:

Please find following IPANM's witness list, prehearing statements and exhibits.

Sincerely,

Karin V. Foster  
Director of Government Affairs  
IPANM

**I. Witness list – note that order of presentation will vary depending on NMOCD presentation and availability of witnesses**

- A. Pilar Ritcherson – Yates Petroleum - to discuss the geology of drilling and variable impact on costs and operations needs.
- B. Al Springer - Yates Petroleum - to discuss closed loop drilling in general comparing the technology to current methods of drilling.
- C. Leroy Peterson - Patriot Drilling - to discuss hardware on drilling rig and equipment needed on site. Leroy will also discuss the safety requirements and personnel needs for operation of closed loop drilling systems.
- D. Jean Lee - small operator and consultant - to discuss additional sampling requirements and costs of dig and haul - perspective from small operator in SE
- E. Sam Smalls - consultant - operational cost increases with methods proposed. To discuss additional labor needed, cost of dig and haul.
- F. Tom Mullins is the Managing Engineer at Synergy Operating, LLC which is a small operator in NW; Tom is currently the NW Vice President of the Independent Petroleum Association of New Mexico. Tom's testimony will review closed loop impacts on this company; summary of NW NM pit samples; MSDS sheets review; discussion of TDS salinity profiles; API research bulletins; specific sample discussions.
- G. John Byrom is the President of DJ Simmons, Inc. a small operator in Northwest New Mexico. John is the current President of the Independent Petroleum Association of New Mexico and Chair of the Regulatory Practices Committee of the New Mexico Oil and Gas Association. John will review the economic development and safety impacts on operators.
- H. Tyson Foutz is a Petroleum Engineer with Merrion Oil & Gas Corporation in Farmington, NM. He has been involved in drilling operations in nearly every oil and gas producing basin in the lower 48 states, Gulf of Mexico, and Canada.

1. Exhibits – all exhibits will be numbered as followed Due to format considerations, they will be available on CD.
2. OCD Well list – October 2007 1 page
3. Small Business Administration Industry reports – 3 pages
4. Exemptions of Oil Field Wastes under RCRA – 37 pages
5. Synergy Closed Loop Impact Spreadsheet – 1 page
6. Synergy Summary of NW NM Public Pit Samples – 1 page
7. M-1 Drilling Fluid MSDS Sheet – Bentonite – 6 pages
8. M-1 Drilling Fluid MSDS Sheet (Poly-Plus) – 3 pages
9. San Juan River, bluff Utah Salinity – 1 page
10. USGS Fact Sheet p 179-195 – 4 pages
11. API Soil and groundwater research Bulletin No. 9 – 9 pages
12. Specific Sample BHGR Many Canyons 29-4-11 #34H – 5 pages
13. Specific Sample COPC –Hare #14M – 5 pages
14. IPANM Pit Rule report, Sam Small
15. Arsenic in the Water, Earthmatters
16. Valle Vidal – Tom Powers economic analysis
17. ~~First Product results – 2006~~ *withdrawn*
18. 2007 Revenue forecast
19. LFC report – 2007 revenue forecast
20. Economic impact of oil and gas drilling in NM – Laird Greser
21. Small Business Regulatory Relief Act of 2005
22. Governmental Alternate Dispute Resolution Act of 2007
23. Powerpoint presentation – Basic Surface Circulating systems – 6 slides
24. 2007 NM/CO Rig counts – 1 slide
25. Independents out produce majors – 1 slide
26. US Rotary Rig count – 1 slide
27. NM Gas Production and price – 1 slide
28. NM Oil Production and price – 1 slide
29. NM Gas Production – 2006 & 2007 – 1 slide
30. NM Oil production – 2006-2007 – 1 slide
31. Generic location – 1 slide
32. San Juan Geology – 1 slide
33. Powerpoint presentation - Affect of Proposed Rule 50 on New Mexico well economics – 15 slides
34. 1088 Dakota Wells
35. Closed loop Costs Fall 2007
36. Closed Loop economics
37. Dakota Reserve Stats
38. Powerpoint presentation - Incremental cost results of closed loop – 13 slides

In light of the fact that we have not received and therefore not reviewed the NMOCD hearing exhibits, IPANM will also reserve its right to add additional

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exhibits if needed to rebut testimony of the NMOCD, OGAP or the New Mexico  
Citizens for Clean Air and Water.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Karin V. Foster", with a long horizontal line extending to the right.

Karin V. Foster  
Dir. Government Affairs  
IPANM

## Run: October 01, 2007

# TRAN

## Run: October 01, 2007

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## Run: October 01, 2007

Run: October 01, 2007

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# Production Summary Report

Run: October 01, 2007

| Year | Month  | Gas SE Oil Wells | Gas SE Gas Wells | Gas NW Oil Wells | Gas NW Gas Wells | Wells      | Gas Conflux Gas | Total Gas   | Coalseam Gas (Included) | Oil SE Oil Wells | Oil SE Gas Wells | Oil NW Oil Wells | Oil NW Gas Wells | Total Oil |
|------|--------|------------------|------------------|------------------|------------------|------------|-----------------|-------------|-------------------------|------------------|------------------|------------------|------------------|-----------|
| 2004 | 1      | 18,592,172       | 30,549,843       | 1,155,708        | 84,595,050       | 1,447,270  | 136,642,046     | 41,678,284  | 4,969,913               | 655,538          | 86,750           | 141,265          | 3,753,456        |           |
| 2004 | 2      | 18,592,172       | 30,549,843       | 1,155,708        | 84,595,050       | 1,447,270  | 136,642,046     | 41,678,284  | 4,969,913               | 655,538          | 86,750           | 141,265          | 3,753,456        |           |
| 2004 | 3      | 18,592,172       | 30,549,843       | 1,155,708        | 84,595,050       | 1,447,270  | 136,642,046     | 41,678,284  | 4,969,913               | 655,538          | 86,750           | 141,265          | 3,753,456        |           |
| 2004 | 4      | 18,592,172       | 30,549,843       | 1,155,708        | 84,595,050       | 1,447,270  | 136,642,046     | 41,678,284  | 4,969,913               | 655,538          | 86,750           | 141,265          | 3,753,456        |           |
| 2004 | 5      | 18,592,172       | 30,549,843       | 1,155,708        | 84,595,050       | 1,447,270  | 136,642,046     | 41,678,284  | 4,969,913               | 655,538          | 86,750           | 141,265          | 3,753,456        |           |
| 2004 | 6      | 18,592,172       | 30,549,843       | 1,155,708        | 84,595,050       | 1,447,270  | 136,642,046     | 41,678,284  | 4,969,913               | 655,538          | 86,750           | 141,265          | 3,753,456        |           |
| 2004 | 7      | 18,592,172       | 30,549,843       | 1,155,708        | 84,595,050       | 1,447,270  | 136,642,046     | 41,678,284  | 4,969,913               | 655,538          | 86,750           | 141,265          | 3,753,456        |           |
| 2004 | 8      | 18,592,172       | 30,549,843       | 1,155,708        | 84,595,050       | 1,447,270  | 136,642,046     | 41,678,284  | 4,969,913               | 655,538          | 86,750           | 141,265          | 3,753,456        |           |
| 2004 | 9      | 18,592,172       | 30,549,843       | 1,155,708        | 84,595,050       | 1,447,270  | 136,642,046     | 41,678,284  | 4,969,913               | 655,538          | 86,750           | 141,265          | 3,753,456        |           |
| 2004 | 10     | 18,592,172       | 30,549,843       | 1,155,708        | 84,595,050       | 1,447,270  | 136,642,046     | 41,678,284  | 4,969,913               | 655,538          | 86,750           | 141,265          | 3,753,456        |           |
| 2004 | 11     | 18,592,172       | 30,549,843       | 1,155,708        | 84,595,050       | 1,447,270  | 136,642,046     | 41,678,284  | 4,969,913               | 655,538          | 86,750           | 141,265          | 3,753,456        |           |
| 2004 | 12     | 18,592,172       | 30,549,843       | 1,155,708        | 84,595,050       | 1,447,270  | 136,642,046     | 41,678,284  | 4,969,913               | 655,538          | 86,750           | 141,265          | 3,753,456        |           |
| 2004 | Total: | 227,572,387      | 340,434,720      | 13,320,430       | 1,011,229,222    | 19,510,108 | 1,612,066,867   | 504,852,369 | 55,342,437              | 1,069,624        | 1,620,209        | 64,517,078       | 6,457,516        |           |
| 2005 | 1      | 19,438,784       | 28,840,249       | 1,079,152        | 86,306,060       | 1,867,933  | 138,132,178     | 44,836,628  | 4,624,957               | 478,815          | 97,309           | 152,821          | 5,353,902        |           |
| 2005 | 2      | 19,438,784       | 28,840,249       | 1,079,152        | 86,306,060       | 1,867,933  | 138,132,178     | 44,836,628  | 4,624,957               | 478,815          | 97,309           | 152,821          | 5,353,902        |           |
| 2005 | 3      | 19,438,784       | 28,840,249       | 1,079,152        | 86,306,060       | 1,867,933  | 138,132,178     | 44,836,628  | 4,624,957               | 478,815          | 97,309           | 152,821          | 5,353,902        |           |
| 2005 | 4      | 19,438,784       | 28,840,249       | 1,079,152        | 86,306,060       | 1,867,933  | 138,132,178     | 44,836,628  | 4,624,957               | 478,815          | 97,309           | 152,821          | 5,353,902        |           |
| 2005 | 5      | 19,438,784       | 28,840,249       | 1,079,152        | 86,306,060       | 1,867,933  | 138,132,178     | 44,836,628  | 4,624,957               | 478,815          | 97,309           | 152,821          | 5,353,902        |           |
| 2005 | 6      | 19,438,784       | 28,840,249       | 1,079,152        | 86,306,060       | 1,867,933  | 138,132,178     | 44,836,628  | 4,624,957               | 478,815          | 97,309           | 152,821          | 5,353,902        |           |
| 2005 | 7      | 19,438,784       | 28,840,249       | 1,079,152        | 86,306,060       | 1,867,933  | 138,132,178     | 44,836,628  | 4,624,957               | 478,815          | 97,309           | 152,821          | 5,353,902        |           |
| 2005 | 8      | 19,438,784       | 28,840,249       | 1,079,152        | 86,306,060       | 1,867,933  | 138,132,178     | 44,836,628  | 4,624,957               | 478,815          | 97,309           | 152,821          | 5,353,902        |           |
| 2005 | 9      | 19,438,784       | 28,840,249       | 1,079,152        | 86,306,060       | 1,867,933  | 138,132,178     | 44,836,628  | 4,624,957               | 478,815          | 97,309           | 152,821          | 5,353,902        |           |
| 2005 | 10     | 19,438,784       | 28,840,249       | 1,079,152        | 86,306,060       | 1,867,933  | 138,132,178     | 44,836,628  | 4,624,957               | 478,815          | 97,309           | 152,821          | 5,353,902        |           |
| 2005 | 11     | 19,438,784       | 28,840,249       | 1,079,152        | 86,306,060       | 1,867,933  | 138,132,178     | 44,836,628  | 4,624,957               | 478,815          | 97,309           | 152,821          | 5,353,902        |           |
| 2005 | 12     | 19,438,784       | 28,840,249       | 1,079,152        | 86,306,060       | 1,867,933  | 138,132,178     | 44,836,628  | 4,624,957               | 478,815          | 97,309           | 152,821          | 5,353,902        |           |
| 2005 | Total: | 225,616,434      | 326,523,443      | 12,773,471       | 1,003,380,475    | 24,753,457 | 1,592,847,280   | 520,147,628 | 53,106,729              | 1,046,335        | 1,559,897        | 60,895,563       | 6,082,029        |           |
| 2006 | 1      | 18,974,245       | 27,395,047       | 1,071,906        | 84,610,426       | 2,246,155  | 134,297,779     | 44,635,337  | 4,511,021               | 487,824          | 83,681           | 143,386          | 5,167,815        |           |
| 2006 | 2      | 18,974,245       | 27,395,047       | 1,071,906        | 84,610,426       | 2,246,155  | 134,297,779     | 44,635,337  | 4,511,021               | 487,824          | 83,681           | 143,386          | 5,167,815        |           |
| 2006 | 3      | 18,974,245       | 27,395,047       | 1,071,906        | 84,610,426       | 2,246,155  | 134,297,779     | 44,635,337  | 4,511,021               | 487,824          | 83,681           | 143,386          | 5,167,815        |           |
| 2006 | 4      | 18,974,245       | 27,395,047       | 1,071,906        | 84,610,426       | 2,246,155  | 134,297,779     | 44,635,337  | 4,511,021               | 487,824          | 83,681           | 143,386          | 5,167,815        |           |
| 2006 | 5      | 18,974,245       | 27,395,047       | 1,071,906        | 84,610,426       | 2,246,155  | 134,297,779     | 44,635,337  | 4,511,021               | 487,824          | 83,681           | 143,386          | 5,167,815        |           |
| 2006 | 6      | 18,974,245       | 27,395,047       | 1,071,906        | 84,610,426       | 2,246,155  | 134,297,779     | 44,635,337  | 4,511,021               | 487,824          | 83,681           | 143,386          | 5,167,815        |           |
| 2006 | 7      | 18,974,245       | 27,395,047       | 1,071,906        | 84,610,426       | 2,246,155  | 134,297,779     | 44,635,337  | 4,511,021               | 487,824          | 83,681           | 143,386          | 5,167,815        |           |
| 2006 | 8      | 18,974,245       | 27,395,047       | 1,071,906        | 84,610,426       | 2,246,155  | 134,297,779     | 44,635,337  | 4,511,021               | 487,824          | 83,681           | 143,386          | 5,167,815        |           |
| 2006 | 9      | 18,974,245       | 27,395,047       | 1,071,906        | 84,610,426       | 2,246,155  | 134,297,779     | 44,635,337  | 4,511,021               | 487,824          | 83,681           | 143,386          | 5,167,815        |           |
| 2006 | 10     | 18,974,245       | 27,395,047       | 1,071,906        | 84,610,426       | 2,246,155  | 134,297,779     | 44,635,337  | 4,511,021               | 487,824          | 83,681           | 143,386          | 5,167,815        |           |
| 2006 | 11     | 18,974,245       | 27,395,047       | 1,071,906        | 84,610,426       | 2,246,155  | 134,297,779     | 44,635,337  | 4,511,021               | 487,824          | 83,681           | 143,386          | 5,167,815        |           |
| 2006 | 12     | 18,974,245       | 27,395,047       | 1,071,906        | 84,610,426       | 2,246,155  | 134,297,779     | 44,635,337  | 4,511,021               | 487,824          | 83,681           | 143,386          | 5,167,815        |           |
| 2006 | Total: | 227,981,841      | 317,626,291      | 12,891,097       | 1,006,711,102    | 26,388,974 | 1,591,609,305   | 524,844,826 | 52,495,810              | 4,766,995        | 1,011,052        | 1,620,466        | 59,894,324       |           |
| 2007 | 1      | 18,285,292       | 25,107,793       | 965,841          | 80,576,731       | 2,187,715  | 127,163,373     | 42,211,380  | 4,362,816               | 370,569          | 108,338          | 135,987          | 4,977,710        |           |
| 2007 | 2      | 18,285,292       | 25,107,793       | 965,841          | 80,576,731       | 2,187,715  | 127,163,373     | 42,211,380  | 4,362,816               | 370,569          | 108,338          | 135,987          | 4,977,710        |           |
| 2007 | 3      | 18,285,292       | 25,107,793       | 965,841          | 80,576,731       | 2,187,715  | 127,163,373     | 42,211,380  | 4,362,816               | 370,569          | 108,338          | 135,987          | 4,977,710        |           |
| 2007 | 4      | 18,285,292       | 25,107,793       | 965,841          | 80,576,731       | 2,187,715  | 127,163,373     | 42,211,380  | 4,362,816               | 370,569          | 108,338          | 135,987          | 4,977,710        |           |
| 2007 | 5      | 18,285,292       | 25,107,793       | 965,841          | 80,576,731       | 2,187,715  | 127,163,373     | 42,211,380  | 4,362,816               | 370,569          | 108,338          | 135,987          | 4,977,710        |           |
| 2007 | 6      | 18,285,292       | 25,107,793       | 965,841          | 80,576,731       | 2,187,715  | 127,163,373     | 42,211,380  | 4,362,816               | 370,569          | 108,338          | 135,987          | 4,977,710        |           |
| 2007 | 7      | 18,285,292       | 25,107,793       | 965,841          | 80,576,731       | 2,187,715  | 127,163,373     | 42,211,380  | 4,362,816               | 370,569          | 108,338          | 135,987          | 4,977,710        |           |
| 2007 | 8      | 18,285,292       | 25,107,793       | 965,841          | 80,576,731       | 2,187,715  | 127,163,373     | 42,211,380  | 4,362,816               | 370,569          | 108,338          | 135,987          | 4,977,710        |           |
| 2007 | Total: | 128,339,314      | 173,012,269      | 7,142,801        | 56,118,673       | 15,049,058 | 884,729,113     | 290,096,883 | 29,716,113              | 2,556,766        | 611,976          | 913,101          | 33,796,955       |           |