

PRELIMINARY DOCKET: COMMISSION MEETING –THURSDAY – NOVEMBER 6, 2008

9:00 A.M. – Porter Hall
1220 South St. Francis
Santa Fe, New Mexico

Land Commissioner, Patrick H. Lyons, may designate Jami Bailey as his representative for this meeting, or may participate himself.

Notice: The minutes of the September 11 and September 12, 2008 Commission Meetings will be adopted.

Notice: During this meeting, the Commission may conduct a closed executive session during which it will deliberate in connection with an administrative adjudicatory proceeding pending before the Commission or consult with Commission counsel under the attorney-client privilege concerning threatened or pending litigation in which the Commission is or may become a participant.

Final action may be taken in the following:

CASE 14001: *(De Novo) Application of Chesapeake Exploration, LLC for statutory unitization of the Quail Queen Unit Area, Lea County, New Mexico.*

CASE 14002: *(De Novo) Application of Chesapeake Exploration, LLC for approval of a waterflood project and qualification of the project for the Recovered Oil Tax Rate pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico.*

CASE 14181: *Application of the New Mexico Oil Conservation Division for the repeal, adoption and amendment of rules issued pursuant to the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38.*

CASE 14047: *De Novo (Continued from the August 14, 2008 Commission Meeting.) (This case will be dismissed)*

Application of Celero Energy II, L.P. for expansion of a waterflood project, Chaves County, New Mexico. Applicant seeks approval to expand the Caprock-Queen Waterflood Project (Caprock-Queen Pool), originally approved by Oil Conservation Commission Order Nos. R-1456 and R-2470, by the injection of water into twenty wells located on a federal lease covering all of Section 4, the E/2 E/2 of Section 5, and all of Section 9, Township 14 South, Range 31 East, N.M.P.M. The project is located approximately 29 miles east of Hagerman, New Mexico. Upon application of Celero Energy II, L.P., this matter will be heard *De Novo* pursuant to the provisions of Division Rule 1221.

CASE 14238: *Pursuant to the provisions of Oil Conservation Division Rule 19.15.14.1218(B) NMAC, the Division Director sets for hearing before the Oil Conservation Commission the requests for approval of two Applications for Permit to Drill (APDs) in the Blanco-Mesaverde Pool filed by McElvain Oil & Gas Properties, Inc. in Rio Arriba County as follows:*

Badger 11 Well No. 1A, Unit Letter G, Section 11, Township 25 North, Range 2 West
Badger 11 Well No. 1B, Unit Letter G, Section 11, Township 25 North, Range 2 West

The wells are located approximately 2 miles NE of the settlement of Gavilan, New Mexico.

CASE 14122: *(De Novo) Application of Pecos Operating Company for approval of a non-commercial salt*

water disposal well, Lea County, New Mexico. Applicant seeks approval to deepen and utilize the State GA Well No. 7 (API No. 30-025-03688) located 660 feet from the North line and 2310 feet from the East line in Unit B of Section 16, Township 15 South, Range 36 East, NMPM, to dispose of up to 8,000 barrels of produced water per day, at a maximum pressure of 1,500 psi, into the Caudill Devonian Pool in the Devonian Formation, at an approximate depth of 13,495 feet to 13,900 feet. Applicant may be contacted through its representative, Steve Gray, 400 W. Illinois Ave., Suite 1210, Midland, TX 79701, Phone 432-620-8480. Said well is located approximately 3 miles north of Lovington and one-half mile off of Highway 206 (Tatum Hwy). Upon application of H & M Disposal Company, this case will be heard De Novo pursuant to the provisions of Rule 1221.

A Motion to Dismiss H & M Disposal's untimely application for hearing De Novo was filed by Pecos Operating Company, LLC. A Response to the Motion to Dismiss was filed by H & M Disposal Company. The Oil Conservation Commission will hear arguments for the above described Motions by counsel at its November 6, 2008 meeting.

CASE 13859: (De Novo) Application of the New Mexico Oil Conservation Division for a Compliance Order against Pronghorn Management Corp. The Applicant seeks an order requiring finding operator to be in knowing and willful violation of NMSA 1978, Section 70-2-31(B)(2), 19.15.13.1115.A NMAC, and 19.15.4.201 NMAC as to eleven wells; assessing penalties for the violations; requiring operator to file corrected production reports by a date certain; requiring operator to bring the wells into compliance with 19.15.4.201 NMAC by a date certain and authorizing the Division to plug said wells and forfeit the applicable financial assurance in the event of non-compliance; and requiring operator to provide contact information for private lessors affected by the violations. The wells at issue are: Fields #004, 30-025-25348, A-25-23S-32E; JF Black #001, 30-025-11178, G-21-24S-37E; Marshall #007, 30-025-25201, C-19-23S-33E; New Mexico BZ State NCT 5 #001, 30-025-03521, D-29-21S-35E; New Mexico BZ State NCT 5 #002, 30-025-03522, C-29-21S-35E; New Mexico BZ State NCT 5 #003, 30-025-03523, E-29-21S-35E; New Mexico DL State #001, 30-025-28223, I-18-23S-33E; New Mexico DL State #002, 30-025-28607, O-18-23S-33E; New Mexico EF State #001, 30-025-28680, L-17-23S-33E; State C #001, 30-025-03485, M-20-21S-35E; State HL #001, 30-025-26492, L-2-23S-33E. The wells are located in southern Lea County, New Mexico. Upon application of Pronghorn Management Corporation, this case will be heard De Novo pursuant to the Provisions of Rule 1221.

CASE 14052: (De Novo) Application of the New Mexico Oil Conservation Division for a Compliance Order against Pronghorn Management Corp. The Applicant seeks an order pursuant to NMSA 1978, Section 70-2-14(B) requiring operator to plug and abandon all its wells in New Mexico by a date certain and authorizing the Division to plug said wells and forfeit the applicable financial assurance in the event of non-compliance. The wells at issue are:

ATLANTIC STATE #001, N-4 -17S-28E, 30-015-10266; EDDY STATE #001, G-6 -19S-25E, 30-015-23248; FIELDS #004, A-25-23S-32E, 30-025-25348; FOWLER B #001, K-6 -19S-38E, 30-025-28197; GILA 4 DEEP #001, G-4 -25S-33E, 30-025-30872; HANNAFIN STATE #001, L-17-19S-29E, 30-015-26727; HASTIE #005, F-18-17S-28E, 30-015-01417; HOWSE C #001, H-11-20S-38E, 30-025-22165; JF BLACK #001, G-21-24S-37E, 30-025-11178; JF BLACK #003, B-21-24S-37E, 30-025-11182; JF BLACK #004, F-21-24S-37E, 30-025-11183; JF BLACK #005, K-21-24S-37E, 30-025-21401; JF BLACK #006, F-21-24S-37E, 30-025-21478; JF BLACK #007, C-21-24S-37E, 30-025-21479; LONG BOX COM #001, H-30-20S-24E, 30-015-22624; MARSHALL #001, 4-19-23S-33E, 30-025-08358; MARSHALL #002, K-19-23S-33E, 30-025-08359; MARSHALL #005, F-19-23S-33E, 30-025-25000; MARSHALL #006, B-19-23S-33E, 30-025-25151; MARSHALL #007, C-19-23S-33E, 30-025-25201; MARSHALL #008, 3-19-23S-33E, 30-025-25642; NEW MEXICO BZ STATE NCT 5 #001, D-29-21S-35E, 30-025-03521; NEW MEXICO BZ STATE NCT 5 #002, C-29-21S-35E, 30-025-03522; NEW MEXICO BZ STATE NCT 5 #003, E-29-21S-35E, 30-025-03523; NEW MEXICO BZ STATE NCT 5 #004, F-29-21S-35E, 30-025-03524; NEW MEXICO BZ STATE NCT 5 #005, D-29-21S-35E, 30-025-32362; NEW MEXICO DL STATE #001, I-18-23S-33E, 30-025-28223; NEW MEXICO DL STATE #002, O-18-23S-33E, 30-025-28607; NEW