

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

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

**ORIGINAL**

APPLICATION OF CHESAPEAKE OPERATING, CASE NO. 14325  
INC., FOR APPROVAL OF A PILOT PROJECT IN  
THE SEVEN RIVERS FORMATION TO STUDY THE  
FEASIBILITY OF IMPLEMENTING ENHANCED RECOVERY  
OPERATIONS IN THIS POOL, LEA COUNTY, NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
EXAMINER HEARING

2009 JUL -9 A 8:05  
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BEFORE: TERRY G. WARNELL, Presiding Examiner  
RICHARD EZEANYIM, Technical Examiner  
DAVID K. BROOKS, Legal Examiner

June 25, 2009

Santa Fe, New Mexico

This matter came on for hearing before the New  
Mexico Oil Conservation Division, TERRY G. WARNELL,  
Presiding Examiner, DAVID K. BROOKS, Legal Examiner, and  
RICHARD EZEANYIM, Technical Examiner, on Thursday, June  
25, 2009, at the New Mexico Energy, Minerals and Natural  
Resources Department, 1220 South Saint Francis Drive,  
Room 102, Santa Fe, New Mexico.

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

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A P P E A R A N C E S

FOR THE APPLICANT:

HOLLAND & HART  
William F. Carr, Esq.  
110 North Guadalupe, Suite 1  
Santa Fe, New Mexico 87501

INDEX	PAGE
EXHIBITS A, B AND C ADMITTED INTO EVIDENCE	6
REPORTER'S CERTIFICATE	7

1 MR. WARNELL: That brings us to the last  
2 and final case, Case Number 14325, application of  
3 Chesapeake Operating, Inc., for approval of a pilot  
4 project in the Seven Rivers formation to study the  
5 feasibility of implementing enhanced recovery operations  
6 in this pool, Lea County, New Mexico. Call for  
7 appearances.

8 MR. CARR: May it please the Examiner, my  
9 name is William F. Carr with the Santa Fe office of  
10 Holland & Hart, LLP. We represent Chesapeake Operating,  
11 Inc., in this matter.

12 Mr. Examiner, this case was heard on June the  
13 2nd. It was presented to Examiners Jones and Brooks. At  
14 that time we had a notice issue. The application is for  
15 a pilot project for a waterflood well in the Tonto-Seven  
16 Rivers Pool.

17 Chesapeake had originally proposed unitizing a  
18 larger portion of the reservoir and coming forward with a  
19 full-scale waterflood, and after discussions with  
20 Nearburg and others, decided to pull back to a pilot  
21 project on one -- I believe it's a 580-acre single  
22 federal lease. Chesapeake had been in discussions with  
23 the BLM concerning the larger unit and understood they  
24 had the BLM's support.

25 However, when they changed the project to a

1 smaller unit, they did not go back and re-notify the BLM,  
2 so we were before you with an application where what we  
3 had was the BLM having not been notified of what was  
4 before you and an assumption that it was all right  
5 because a different project was agreeable to the BLM, so  
6 we requested that the case be continued.

7           Since that time I have met with the BLM in  
8 Carlsbad, and I have a letter to present today from them,  
9 and in the letter they have no objection to going forward  
10 at the OCD. They have raised concerns about the Texaco  
11 Federal No. 3 Well, which is -- which needs remedial work  
12 before they can go forward with the waterflood.

13           Our engineering witness, Mr. Greg Adams,  
14 pointed that out at the time of the hearing, and  
15 Chesapeake is prepared to do whatever is required with  
16 that well prior to commencing their pilot effort. And  
17 so, anyway, the BLM letter also references that.

18           I might hand these out since I'm discussing  
19 them with you. But Exhibit -- I marked these A, B and C  
20 so they're not confused with what we presented on June  
21 2nd. Exhibit A is the letter from the BLM and it was  
22 also, according to Mr. Wesley Ingram= at the BLM, sent to  
23 Mr. Fesmire. But as you'll see, in the second -- the  
24 first real paragraph notes that they reviewed it, and it  
25 identifies the Texaco Federal 3 Well. And then the last

1 paragraph says they have no objection to the hearing  
2 moving forward. So we think we have corrected the notice  
3 issue.

4 I've also attached as Exhibit B a proposed  
5 order, and the reason I have done this is, like  
6 everything else, they're ready to go immediately and have  
7 asked that the order be expedited. And I was planning to  
8 tell you that I had checked and double checked this order  
9 and that it was absolutely correct, and about 30 seconds  
10 ago my secretary handed me a message from Chesapeake  
11 which advised me that Paragraph 8, Finding 8, I have  
12 referred to this as the Chesapeake Federal Well No. 3,  
13 and it should be the Texaco Federal Well No. 3. I will  
14 correct that with your permission and submit that to you  
15 by email.

16 I also, from the records that I had, could not  
17 tell whether or not we had admitted into evidence the  
18 original notice of affidavit. Since we had a notice  
19 issue, I have re-attached our notice affidavit and it is  
20 marked as Exhibit Number C. And I believe that the  
21 notice list is correct. Attached to it is our letter,  
22 the notice of publication and the return receipts. And  
23 so at this time I would request that the Examiner admit  
24 Exhibits A, B and C and that the case be taken under  
25 advisement.

1 MR. WARNELL: Okay. Exhibits A, B and C  
2 will be admitted.

3 (Exhibits A, B and C were admitted.)

4 MR. BROOKS: Is Chesapeake in compliance  
5 with Rule 5.9?

6 MR. CARR: Yes. They are now. Yes, sir,  
7 they are. They are now. Because we did have a  
8 discussion the end of May, Ocean did, and they were  
9 close. And Brian Orant advised us that they were in  
10 compliance, because we were concerned about presenting  
11 the case on June 2nd, and they were.

12 MR. BROOKS: Very good.

13 MR. CARR: So that's all I have to present  
14 in this matter.

15 MR. WARNER: I'll pass that on to Will and  
16 you will email --

17 MR. CARR: I will. I'll email this to  
18 Will. I guess he would be the appropriate examiner.

19 MR. WARNELL: So we'll take Case Number  
20 14325 under advisement. And if there's nothing else,  
21 that concludes Docket 23-09.

22 \* \* \*

23 I do hereby certify that the foregoing is  
24 a complete record of the proceedings in  
25 the Examiner hearing of Case No. \_\_\_\_\_  
heard by me on \_\_\_\_\_, Examiner

Oil Conservation Division

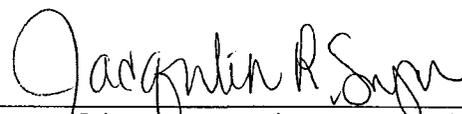
## REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO  
HEREBY CERTIFY that on June 25, 2009, 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 8th day of July, 2009.



Jacqueline R. Lujan, CCR #91  
Expires: 12/31/2009