

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

CASE NOS. 12,811, 13,041, 13,042 and 13,100

AWAITING FINAL COMMISSION ACTION

NO EVIDENCE OR TESTIMONY TAKEN

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSION HEARING

BEFORE: LORI WROTENBERY, CHAIRMAN
JAMI BAILEY, COMMISSIONER
ROBERT LEE, COMMISSIONER

November 14th, 2003

Santa Fe, New Mexico

These matters came on for hearing before the Oil Conservation Commission, LORI WROTENBERY, Chairman, on Friday, November 14th, 2003, 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.

* * *

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Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

I N D E X

October 16th, 2003
 Commission Hearing
 CASE NOS. 12,811, 13,041, 13,042 and 13,100
 (Awaiting final Commission Action -
 No evidence or testimony taken)

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A P P E A R A N C E S

FOR THE COMMISSION:

DAVID K. BROOKS, JR.
 Assistant General Counsel
 Energy, Minerals and Natural Resources Department
 1220 South St. Francis Drive
 Santa Fe, New Mexico 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 12:48 p.m.:

3 CHAIRMAN WROTENBERY: Commissioners, we've got
4 three other matters we need to dispose of. I think we can
5 handle them pretty quickly, although do we need to run up
6 and print out an order for one case?

7 We're going to take a short break here.

8 (Thereupon, a recess was taken at 12:48 p.m.)

9 (The following proceedings had at 1:10 p.m.)

10 CHAIRMAN WROTENBERY: We will then go back on the
11 record after our short break, and we've got just a few
12 items to address before we adjourn this meeting.

13 First of all, we have the minutes from the
14 Commission Hearing held on September 11th, 2003.
15 Commissioners, have you had a chance to review these
16 minutes?

17 COMMISSIONER BAILEY: Yes, I have, and I move
18 that we adopt them.

19 COMMISSIONER LEE: Second.

20 CHAIRMAN WROTENBERY: All in favor say aye.

21 COMMISSIONER BAILEY: Aye.

22 COMMISSIONER LEE: Aye.

23 CHAIRMAN WROTENBERY: Aye, and I'll sign on
24 behalf of the Commission.

25 * * *

1 CHAIRMAN WROTENBERY: And then we have still
2 pending Case 12,811, the Application of the New Mexico Oil
3 Conservation Division for an order requiring operators to
4 bring 388 wells into compliance with Rule 201.B and
5 assessing appropriate civil penalties in Eddy, Chaves and
6 Otero Counties, New Mexico.

7 We had received a request for review of this
8 Division Order from Kersey and Company and Kersey and
9 Donohue, and we took some additional testimony, and at this
10 point I'm forgetting what Commission meeting that was. It
11 was in August, on August 14th.

12 And after that testimony we asked for some
13 additional information from both the Division and the
14 operator, and we have determined, based on the additional
15 information submitted, that the wells at issue were in
16 compliance prior to the issuance of the Oil Conservation
17 Division's May 14th, 2003, Order.

18 So what we've got here today is an order vacating
19 the Division Order as it applied to Kersey and Company and
20 Kersey and Donohue, in order to make sure that we treat
21 Kersey and Company and Kersey and Donohue the same way we
22 treated other operators who brought their wells into
23 compliance before the issuance of the Division Order.

24 And if you'd like to take a quick look at it,
25 it's a very short one.

1 COMMISSIONER BAILEY: Those specific wells?

2 CHAIRMAN WROTENBERY: Yes.

3 COMMISSIONER BAILEY: Yes. Okay.

4 CHAIRMAN WROTENBERY: Okay, do I have a motion to
5 adopt this order?

6 COMMISSIONER BAILEY: I move that we adopt this
7 order.

8 COMMISSIONER LEE: Second.

9 CHAIRMAN WROTENBERY: All in favor say aye.

10 COMMISSIONER BAILEY: Aye.

11 COMMISSIONER LEE: Aye.

12 CHAIRMAN WROTENBERY: Aye.

13 * * *

14

15 CHAIRMAN WROTENBERY: And finally, we still have
16 pending Cases Number 13,041 and 13,042. These were the
17 Applications of EnerQuest Resources, L.L.C., for approval
18 of a waterflood project -- actually, I think it's a
19 pressure-maintenance project --

20 MR. BROOKS: Yes.

21 CHAIRMAN WROTENBERY: -- and qualification of the
22 project area for the recovered oil tax rate pursuant to the
23 Enhanced Recovery Act, and for statutory unitization, all
24 in Lea County, New Mexico.

25 And Commissioners, David Brooks has circulated, I

1 believe, a draft of this Order before the Commission --

2 MR. BROOKS: -- meeting --

3 CHAIRMAN WROTENBERY: -- hearing in -- that was
4 scheduled for October --

5 MR. BROOKS: -- for October 14th hearing, and the
6 Order is substantially unchanged. We withheld action in
7 order to permit the engineering staff to review the
8 adequacy of the area of review and remedial action
9 provisions, and they did not end up recommending any
10 changes, but we did make a few linguistic changes this
11 morning. But other than that, it's the same as the order
12 that was circulated two days before the prior Commission
13 hearing.

14 CHAIRMAN WROTENBERY: And could you just briefly
15 refresh our memories?

16 MR. BROOKS: Okay, the Division had refused the
17 Application for a secondary recovery unit because the
18 Examiner concluded on the basis of the evidence heard at
19 the Division Hearing that neither the formula for unit
20 allocation of production that was proposed by the operator
21 nor the formula that was proposed by the respondent was
22 fair and reasonable and that there was not sufficient
23 evidence in the record to arrive at a formula that would be
24 fair and reasonable.

25 The Commission concluded after hearing the

1 evidence that was presented to the Commission that the
2 operator's formula was fair and reasonable, based on the
3 Commission record, and that it should be accepted. And the
4 Order was drafted accordingly and the provisions necessary
5 for a permit for secondary recovery unit were included in
6 the order, proposed order.

7 CHAIRMAN WROTENBERY: If the Commission is ready,
8 I'll entertain a motion to adopt the proposed Order in
9 Cases Number 13,041 and 13,042.

10 COMMISSIONER BAILEY: I so move.

11 COMMISSIONER LEE: Second.

12 CHAIRMAN WROTENBERY: All in favor say aye.

13 COMMISSIONER BAILEY: Aye.

14 COMMISSIONER LEE: Aye.

15 CHAIRMAN WROTENBERY: Thank you.

16 * * *

17
18 CHAIRMAN WROTENBERY: And I believe I have
19 covered everything that was on our agenda for today. Or
20 did you see something else --

21 MR. BROOKS: Case Number 13,100, the Application
22 of Fruitland Coalbed Methane Study Committee to amend Rules
23 4 and 7 of the Special Rules and Regulations for the Basin-
24 Fruitland Coal (Gas) Pool in Sections 17 and 18, et cetera.

25 I have spoken with counsel for both parties,

1 being Mr. Kendrick the attorney for Dugan Production
2 Company, and Mr. Bruce the attorney for San Juan Coal
3 Company, and they have advised me that they are in
4 continuing negotiations and they request the Commission
5 take no action on that matter at this time.

6 CHAIRMAN WROTENBERY: Okay, thank you, Mr.
7 Brooks.

8 At this point I'll entertain a motion to adjourn.

9 COMMISSIONER BAILEY: I move we adjourn.

10 COMMISSIONER LEE: Second.

11 CHAIRMAN WROTENBERY: All in favor say aye.

12 COMMISSIONER BAILEY: Aye.

13 COMMISSIONER LEE: Aye.

14 CHAIRMAN WROTENBERY: Aye. Thank you, everybody.

15 (Thereupon, these proceedings were concluded at

16 1:18 p.m.)

17 * * *

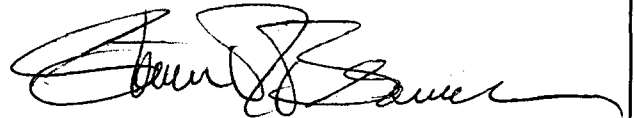
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Commission was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL November 23rd, 2003.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006