

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 AGUA SUCIA, LLC Case No. 14411  
TO REINSTATE DIVISION ADMINISTRATIVE ORDER  
SWD-559 FOR A SALT WATER DISPOSAL WELL,  
LEA COUNTY, NEW MEXICO

APPLICATION OF BURLINGTON RESOURCES Case No. 12276  
OIL & GAS COMPANY FOR COMPULSORY POOLING,  
SECTION 36, TOWNSHIP 27 NORTH, RANGE 8 WEST,  
SAN JUAN COUNTY, NEW MEXICO

APPLICATION OF BURLINGTON RESOURCES Case No. ~~12277~~  
OIL & GAS COMPANY FOR COMPULSORY POOLING,  
SECTION 16, TOWNSHIP 31 NORTH, RANGE 11 WEST,  
SAN JUAN COUNTY, NEW MEXICO

APPLICATION OF COG OPERATING, LLC Case No. 14472  
FOR CANCELLATION OF OPERATOR'S AUTHORITY  
AND TERMINATION OF SPACING UNITS, YESO  
ENERGY, INC. DOW "B" FEDERAL WELL NO. 1,  
EDDY COUNTY, NEW MEXICO

APPLICATION OF NEW MEXICO OIL Case No. 14547  
CONSERVATION DIVISION. THE APPLICANT  
SEEKS AN ORDER AUTHORIZING THE OIL  
CONSERVATION DIVISION TO RECOGNIZE AN OPERATOR  
OF RECORD FOR WELLS CURRENTLY OPERATED  
BY YESO ENERGY, INC., OGRID 221710

APPLICATION OF TARGA MIDSTREAM Case No. 14575  
SERVICES LIMITED PARTNERSHIP AS OPERATOR  
FOR VERSADO GAS PROCESSORS, LLC FOR  
APPROVAL TO INJECT ACID GAS INTO TARGA'S  
EXISTING EUNICE GAS PLANT SALT WATER  
DISPOSAL (SWD) WELLS NO. 1, (API No. 30-025-21497),  
LEA COUNTY, NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
COMMISSIONER HEARING

BEFORE: MARK E. FESMIRE, Chairman  
JAMI BAILEY, Commissioner  
WILLIAM C. OLSON, Commissioner

December 9, 2010  
Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Commission, MARK E. FESMIRE, Chairman, on Thursday, December 9, 2010, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South St. Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jeannine K. Sims, RPR, NM CCR #12  
Paul Baca Court Reporters  
500 Fourth Street, NW, Suite 105  
Albuquerque, New Mexico 87102

A P P E A R A N C E S

FOR THE OIL CONSERVATION COMMISSION:

Ms. Gail MacQuesten  
ASSISTANT GENERAL COUNSEL  
1220 S. St. Francis Drive  
Santa Fe, New Mexico 87505

FOR THE APPLICANT, AGUA SUCIA:

Mr. James Bruce  
ATTORNEY AT LAW  
P.O. Box 1056  
Santa Fe, New Mexico 87504

FOR ARMSTRONG ENERGY CORPORATION:

Mr. William F. Carr  
HOLLAND & HART, LLP  
P.O. Box 2208  
Santa Fe, New Mexico 87504

1 FOR THE APPLICANT, TARGA MIDSTREAM SERVICES:

2 Mr. William Scott  
MODRALL, ROEHL, HARRIS & SISK  
3 500 Fourth St. NW, Suite 1000  
Albuquerque, New Mexico 87102

4 ALSO PRESENT:

5 Ms. Florene Davidson  
Ms. Cheryl Bada

7 TARGA WITNESSES: CASE 14575 PAGE

8 Clark White:

9 Direct Examination by Mr. Scott 14  
10 Cross-examination by Ms. MacQuesten 23

11 Alberto Gutierrez:

12 Direct Examination by Mr. Scott 33  
Cross-examination by Ms. MacQuesten 89  
13 Re-Direct Examination by Mr. Scott 136  
Recross-examination by Ms. MacQuesten 141

14 William Jones:

15 Direct Examination by Ms. MacQuesten 166  
16 Cross-examination by Mr. Scott 185  
Re-Direct Examination by Ms. MacQuesten 212  
17 Recross-examination by Mr. Scott 215

18 EXHIBITS ADMITTED PAGE

19 Targa Exhibits 1 through 2 38  
Targa Exhibit 3 88  
20 Targa Exhibit 4 89

21 Oil Conservation Division Exhibits A-L 218

22 REPORTER'S CERTIFICATE 228

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1 well was operated by a prior operator, now it's a new  
2 operator. And as we move forward and you will recall  
3 half of the case was presented to you a month ago. Since  
4 that time we have reviewed the bond log, but more than  
5 that we have looked at the entire well boring, how it is  
6 completed with the liner cemented and the order provides  
7 that there will be an MIT test to confirm its integrity.  
8 And at this point in time we believe it's appropriate to  
9 go ahead and reinstate that permit.

10 CHAIRMAN FESMIRE: Thank you very much. At  
11 this time we'll go ahead and continue this case until  
12 later in this meeting today in this room.

13 MR. BRUCE: I will forward an order. I'm  
14 sure you will be busy, but you will have it before you  
15 break for lunch.

16 CHAIRMAN FESMIRE: Thank you very much, sir.  
17 The next case before the Commission is Case No. 12276,  
18 it's the De Novo application of Burlington Resources Oil  
19 and Gas Company for compulsory pooling, Section 36,  
20 Township 27 North, Range 8 West, in San Juan County. It  
21 has a related case which is also before the Commission,  
22 Case No. 12277, the application of Burlington Resources  
23 Oil and Gas Company for compulsory pooling in Section 16,  
24 Township 31 North, Range 11 West in San Juan County. I  
25 understand from the Secretary that the counsel in both of

1 these cases has requested that they be continued to the  
2 next regularly scheduled commission meeting; is that  
3 correct?

4 MS. DAVIDSON: That is correct.

5 CHAIRMAN FESMIRE: Okay. We will at this  
6 time continue both No. 12276 and 12277 to the next  
7 regularly scheduled commission meeting. Which is --

8 MS. DAVIDSON: January 13.

9 CHAIRMAN FESMIRE: January 13th of 2011.  
10 The next item before the Commission is the application of  
11 COG Operating, LLC for cancellation of an order -- of an  
12 operator's authority and termination of spacing units it  
13 Yeso Energy Dow "B" 28 Federal No. 1, Eddy County, New  
14 Mexico. This case because of the lack of time available  
15 to the Commission will be continued to the January 13th,  
16 2011 regularly scheduled Commission meeting.

17 The next case before the Commission is Case  
18 No. 14547, the application of the New Mexico Oil  
19 Conservation Division seeking an order authorizing the  
20 Oil Conservation Division to recognize an operator of  
21 record for wells currently operated by Yeso Energy, Inc.  
22 It's related to the prior case. This too will be  
23 continued to the January 11th, 2011 commission meeting.  
24 I'm sorry, January 13th, 2011 meeting.

25 The last item before the Commission is Case

1 THE STATE OF NEW MEXICO :  
COUNTY OF BERNALILLO :

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3 BE IT KNOWN that the foregoing transcript of  
4 proceedings was taken by me; that I was then and there a  
5 Certified Court Reporter and Notary Public in and for the  
6 County of Bernalillo, State of New Mexico, and by virtue  
7 thereof, authorized to administer an oath; that the  
8 witness before testifying was duly sworn by me; that the  
9 foregoing 228 pages contain a true and accurate  
10 transcript of the proceedings, all to the best of my  
11 skill and ability.

12

13 I FURTHER CERTIFY that I am neither employed by  
14 nor related to nor contracted with (unless excepted by  
15 the Rules) any of the parties or attorneys in this case,  
16 and that I have no interest whatsoever in the final  
17 disposition of this case in any court.

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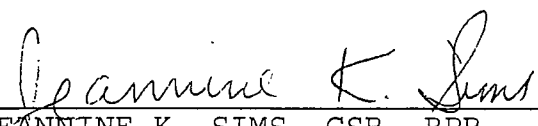
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