

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

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS
PRE-HEARING REPORT

BEFORE: DAVID K. BROOKS, Legal Examiner
 WILLIAM JONES, Technical Examiner

DATE: June 23, 2011
 Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Legal Examiner, and WILLIAM JONES, technical Examiner, on Thursday, June 23, 2011, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South St. Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Irene Delgado
 Paul Baca Professional Court Reporters
 500 Fourth Street, NW, Suite 105
 Albuquerque, NM 87103

1 EXAMINER JONES: Okay. If everyone is ready.
2 This morning we'll go on the record, and this is Docket
3 Number 16-11. This is Thursday, June 23, 2011. I'm
4 William D. Jones. This is David Brooks. He will be
5 the legal examiner. And we'll first call continuances
6 and dismissals, as I know them.

7 On the first page, Case 14663, continued to
8 July the 7th, and Case 14665 is dismissed.

9 And on Page 2, Cases 14651 and 14652 are
10 dismissed.

11 And on Page 3, Case 14667, Case 14668 are
12 both continued. And Case 14667 is continued to July
13 the 7th. Case 14668 is continued to July 21.
14 Case 14602 is dismissed. Case 14671, the bottom of the
15 page, is continued to July the 7th.

16 On Page 4, Case 14658 is continued to July
17 the 21st. And Case 14672 is continued to July the 7th.

18 And on Page 5, Case 14659 is continued to July
19 the 21st, and Case 14633 and Case 14634 are dismissed.

20 On Page 6, Case 14677 and Case 14551 are
21 dismissed. And Case 14627 is continued to July the
22 7th. Case 14628 is continued to July the 7th.

23 And on Page 7, Case 14629 is continued to
24 July the 7th.

25 Any other continuances or dismissals?

1 MR.. HALL: Mr. Examiner, on page -- Case
2 14563, Energen Resources case, please continue that to
3 July 7.

4 EXAMINER JONES: Case ~~14653~~ is continued to
5 July 7.

6 MR. BRUCE: Mr. Examiner, on Page 4 toward
7 the bottom, Case 14660, please continue that one to
8 July 7.

9 EXAMINER JONES: Case 14660 is continued to
10 July the 7th. Any others?

11 (No response.)

12 (Docket hearings held.)

13 EXAMINER JONES: Back on the record. Will
14 the record reflect that we are going to continue Cases
15 14673 and 14674 until July 23 -- 21.

16 MR. BRUCE: 21

17 EXAMINER JONES: 21.

18 EXAMINER BROOKS: I won't be here then.
19 That's the day of the Rocky Mountain Mineral Foundation
20 Institute, I believe.

21 MR. BRUCE: I will be attending absentia.

22 EXAMINER BROOKS: You will, of course,
23 certify that you listened to the tapes.

24 MR. BRUCE: Possibly.

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

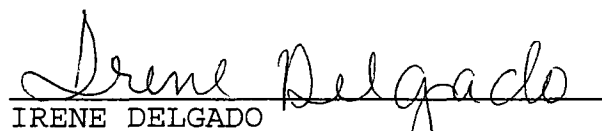
_____, Examiner
Oil Conservation Division

REPORTER'S CERTIFICATE

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I, IRENE DELGADO, NM CCR 253, DO HEREBY CERTIFY
that on June 23, 2011, I did, in stenographic shorthand
transcribe the proceedings set forth herein, and that
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 (unless excepted by
the rules) any of the parties or attorneys in this
matter, and that I have no interest whatsoever in the
final disposition of this matter.


IRENE DELGADO
New Mexico CCR 253
License Expires: 12-31-11

proration unit in the Glorieta-Yeso formation, Seven Rivers-Yeso pool (55670), for Applicant's horizontal drilling project area. Applicant further seeks the compulsory pooling of all interests in the Glorieta-Yeso formation underlying the E/2 E/2 of Section 26 to be dedicated to its Morris-Boyd 26 No. 1-H Well to be drilled horizontally from a standard surface location 330' from the South line and 660' from the East line to a standard bottom hole location 330' from the North line and 660' from the East line of Section 26, to a depth sufficient to test the Glorieta-Yeso formation. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as operator and a charge for risk involved in drilling the well. The proposed well and lands are located approximately 4 miles West of Lakewood, New Mexico.

4. **CASE 14653:** (Continued from the May 26, 2011 Examiner Hearing.)

Application of Energen Resources Corporation for Compulsory Pooling and an Unorthodox Surface Location, Rio Arriba County, New Mexico. Applicant seeks an order pooling all mineral interests in the Fruitland Coal formation, (Basin-Fruitland Coal Gas Pool) underlying lots 5, 6, 7, 8 and the S/2 S/2 of irregular Section 8, Township 32 North, Range 4 West, NMPM, Rio Arriba County, New Mexico, forming a 274.08 acre \pm spacing and proration unit to be dedicated to the Carracas 8 B Well No. 16-H. Pursuant to the provisions of Order No. R-13119, the well will be directionally drilled from an unorthodox surface location 2095 feet from the South line and 119 feet from the West line in adjoining Section 9, penetrating the Fruitland Coal formation at a point 1400 feet from the South line and 400 feet from the East line of Section 8, with a standard bottom hole location 1400 feet from the South line and 760 feet from the West line of Section 8, Township 32 North, Range 4 West, NMPM, Rio Arriba County, New Mexico. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Energen Resources Corporation as operator of the well and a charge for risk involved in drilling said well. The proposed well location is approximately 6 miles South of Arboles, Colorado

5. **CASE 14666:** *Application of Basic Energy Services for Authorization to Inject, Eddy County, New Mexico.* Applicant seeks an order authorizing the injection of salt water into the Delaware, Bell Canyon and Cherry Canyon formations (40380) in the following proposed well:

Belco State No. 2 SWD
API No. 30-015-25433
2310' FNL & 1980' FWL (Unit F)
Section 20
T-23-S, R-28-E, NMPM
Eddy County, New Mexico

The subject well will be drilled to a proposed total depth of approximately 5,930' and will be utilized for injection of water through a closed system into the Delaware, Bell Canyon and Cherry Canyon formations (top: 2,454'; base: 5,865') with an injection interval within the approximate depths of 2,540' to 5,865' through perforations from 5,846' to 5,865'. Injection operations through the well will be conducted at an anticipated average daily injection pressure of 600 psi (surface) with a maximum surface injection pressure of 1,000 psi or as permitted by the Division. Applicant proposes injection of water at average daily rates of approximately 1,500 bbls and at maximum daily rates of approximately 3,400 bbls. The lands and well are located approximately 1 mile Northwest of Loving, New Mexico.

6. **CASE 14651:** (Continued from the June 9, 2011 Examiner Hearing.)

Application of Occidental Permian LP for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order: (1) creating a non-standard spacing unit comprised of the W/2 W/2 of Section, Township 19 South, Range 32 East, NMPM and (2) pooling all mineral interests in the Bone Spring formation in the non-standard spacing unit which will be the project area for the Fecta 33 Fed Com No. 1H to be drilled from a surface location 330 feet from the North line and 990 feet from the West line and a bottomhole location 330 feet from the South line and 660 feet from the West line of Section 33. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Occidental Permian LP as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 5 miles Northeast of US Highway 62/180 and State Highway 176, New Mexico.

7. **CASE 14652:** (Continued from the June 9, 2011 Examiner Hearing.)

Application of Occidental Permian LP for a non-standard spacing and proration unit, compulsory pooling and non-standard location, Lea County, New Mexico. Applicant in the above-styled cause seeks an order: (1) creating a non-standard spacing unit comprised of the E/2 W/2 of Section, Township 19 South, Range 32 East, NMPM and (2) pooling all mineral interests in the Bone Spring formation in the non-standard spacing unit which will be the project area for the Fecta 33 Fed Com No. 2H to be drilled from a surface location 141 feet from the North line and 2347 feet from the West line and a bottomhole location 330 feet from the South line and 1980 feet from the West line of Section 33. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Occidental Permian LP as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 5 miles northeast of US Highway 62/180 and State Highway 176, New Mexico.
and 1980 feet from the West line of Section 33. Also to be considered will be the cost of drilling and completing said well and the