

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

Case No. 13,531
(Final Commission Action
No Evidence or Testimony Taken)

Continuation of
Case Nos. 13,492 and 13,493 (Consolidated);
13,893 *de novo*; and 13,920 *de novo*

Dismissal of
Case Nos. 13,858 *de novo* and 13,859 *de novo*
(Consolidated)

ORIGINAL

TRANSCRIPT OF PROCEEDINGS

BEFORE: MARK E. FESMIRE, CHAIRMAN
JAMI BAILEY, COMMISSIONER

September 13th, 2007
Santa Fe, New Mexico

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These matters came on for hearing before the Oil Conservation Commission, MARK E. FESMIRE, Chairman, on Thursday, September 13th, 2007, 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.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

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February 8th, 2007
Commission Hearing

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A P P E A R A N C E S

FOR THE COMMISSION:

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* * *

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1 WHEREUPON, the following proceedings were had at
2 9:04 a.m.:

3
4
5 CHAIRMAN FESMIRE: At this time we will convene
6 the Thursday, September 13th, 2007, meeting of the New
7 Mexico Oil Conservation Commission. Let the record reflect
8 that Commissioner Bailey is present, Commissioner Fesmire
9 is present, but Commissioner Olson is not present. We do
10 still have a quorum, however, and we'll proceed with the
11 meeting.

12 * * *

13
14 CHAIRMAN FESMIRE: The first item on the agenda
15 before the Commission is the adoption of the minutes.

16 Commissioner Bailey, have you had a chance to
17 review the minutes as presented by the secretary?

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

20 CHAIRMAN FESMIRE: I too have reviewed the
21 minutes, and I second the motion for adoption.

22 All those in favor?

23 COMMISSIONER BAILEY: Aye.

24 CHAIRMAN FESMIRE: Aye.

25 Let the record reflect that the minutes as

1 presented by the secretary have been adopted, will be
2 signed by the Chairman and conveyed to the secretary.

3 * * *

4
5 CHAIRMAN FESMIRE: The first case before the
6 Commission is Case Number 13,531. It was the Application
7 of Yates Petroleum Corporation for an order directing Pride
8 Energy to reimburse Yates for well costs incurred by Yates
9 in the attempt to re-enter the State "X" Well Number 1, API
10 Number 30-025-01838, located in Section 12, Township 12
11 South, Range 34 East, NMPM, prior to the time that Pride
12 Energy assumed operations of the well; and number two,
13 directing Pride Energy Company to account for and pay all
14 sums it is now improperly holding pursuant to an expired
15 order of the Division and Commission; and three, requiring
16 Pride Energy Company to plug and abandon the State "X" Well
17 Number 1, Lea County, New Mexico.

18 The Commission deliberated and reached a decision
19 in this case and directed the counsel, Cheryl Bada, to
20 draft an order to effect the Commission's decision.

21 Counsel Bada, did you get a chance to do that for
22 the Commission?

23 MS. BADA: Yes, the order has been drafted and it
24 reflects the Commission's decision to allow the costs that
25 Yates had submitted and that each party pay their

1 respective share of those costs.

2 CHAIRMAN FESMIRE: Commissioner Bailey, did you
3 get a chance to review the order?

4 COMMISSIONER BAILEY: Yes, I have, and I move
5 that we sign it.

6 CHAIRMAN FESMIRE: I too have reviewed the order
7 and I will second her motion.

8 All those in favor?

9 COMMISSIONER BAILEY: Aye.

10 CHAIRMAN FESMIRE: Aye. Let the record reflect
11 that the order as drafted represents the decision of the
12 Commission and will be signed by the two present members of
13 the Commission and conveyed to the secretary.

14 * * *

15
16 CHAIRMAN FESMIRE: The next case on the docket is
17 Case Number 13,492. It's the Application of Samson
18 Resources Company, Kaiser-Francis Oil Company and Mewbourne
19 Oil Company for cancellation of two drilling permits and
20 approval of a drilling permit in Lea County, New Mexico.

21 It has been functionally consolidated with Case
22 Number 13,493, the Application of Chesapeake Permian, L.P.,
23 for compulsory pooling in Lea County, New Mexico.

24 At present there are attorneys in the Commission
25 chambers who represent parties in the case. We will take

1 an entry of appearance from those attorneys.

2 MR. KELLAHIN: Mr. Chairman, I'm Tom Kellahin of
3 the Santa Fe law firm of Kellahin and Kellahin, appearing
4 this morning on behalf of Chesapeake.

5 MR. HALL: Mr. Chairman, Scott Hall of the Miller
6 Stratvert law firm in Santa Fe. I'm representing Kaiser-
7 Francis Oil Company.

8 CHAIRMAN FESMIRE: And Mr. Kellahin, did you have
9 an announcement to make to the Commission this morning?

10 MR. KELLAHIN: Yes, Mr. Chairman. Mr. Hall and I
11 are here to represent to the Commission that the parties
12 involved have reported to us that they've signed all the
13 appropriate settlement documents to reach a voluntary
14 solution on this issue. And we have prepared and were
15 hopeful that we could submit to the Division a suggested
16 order, along with a motion for consideration.

17 Late yesterday there was some language discussion
18 about two points in the proposed order, and Mr. Hall and I
19 have not yet been able to get Mr. Gallegos -- to contact
20 him to get his concurrence on how to handle that.

21 Our dilemma in the complexity of this is, we were
22 taking the basics of the decision the Commission made,
23 which was to form a 640-acre spacing unit for wells
24 associated with this KF State 4 problem, to assign
25 operations to Samson and to resolve all disputes about well

1 costs and all the rest.

2 So in integrating the settlement to the order,
3 there are portions of the settlement that totally replace
4 the order. But we need to take those portions of the order
5 that created the nonstandard 640-acre spacing unit as the
6 predicate to then have a voluntary agreement for that
7 solution.

8 And so we're almost there, short of finding Mr.
9 Gallegos and agreeing on the last few lines of the proposed
10 order to submit to you.

11 What we're trying to do is give you an order that
12 all the lawyers agree does what we think it does and so
13 there's no dispute as to language or what we think the
14 words say. If approved by you, then it will be fully
15 consistent with the provisions of the settlement and
16 acknowledge the consent of the parties to go forward with
17 the basics of the order.

18 CHAIRMAN FESMIRE: Okay. And Mr. Gallegos
19 agrees, at least in principle, with the agreement that
20 you've proposed, and he's working on it also?

21 MR. KELLAHIN: And we've been doing this for
22 months, and the original draft was prepared by me and
23 submitted to Mr. Gallegos recently. He gave me some small
24 changes. We all thought we were in agreement to those
25 changes, but at the last minute there's some question about

1 whether the changes were exactly what ought to be done.

2 CHAIRMAN FESMIRE: Okay.

3 MR. KELLAHIN: And it was that last glitch
4 yesterday for which we can't find Mr. Gallegos and his
5 counterpart at Samson, Mark Lauer. He's in Houston, and
6 there's problems in Houston with weather and I guess he ran
7 away.

8 CHAIRMAN FESMIRE: Mr. Hall, is that your
9 understanding also?

10 MR. HALL: Mr. Chairman, I agree with what Mr.
11 Kellahin has told you. I think the parties are very close
12 on a stipulated form of the order. The problem has been
13 one of communications rather than with the substance of
14 what the order provides you.

15 It's our expectation that we'll be able to
16 provide you with a stipulated order in the next few days,
17 in fact.

18 CHAIRMAN FESMIRE: Okay. Mr. Hall, Mr. Kellahin,
19 would you all have any objection to us continuing this to
20 the next regularly scheduled Commission meeting?

21 MR. KELLAHIN: Mr. Chairman, Mr. Hall and I have
22 discussed that, and we believe that's probably the
23 appropriate thing to do.

24 CHAIRMAN FESMIRE: Commissioner Bailey, would you
25 have any objection?

1 COMMISSIONER BAILEY: I have no objection.

2 CHAIRMAN FESMIRE: With that, the Commission will
3 continue Cases Number 13,492 and 13,493 to the next
4 regularly scheduled Commission meeting, which is October --

5 MS. DAVIDSON: -- 11th.

6 CHAIRMAN FESMIRE: -- 11th, at nine o'clock here
7 in Porter Hall.

8 * * *

9

10 CHAIRMAN FESMIRE: The next cause before the
11 Commission is Case Number 13,858, the Application of the
12 New Mexico Oil Conservation Division for a compliance order
13 against Pronghorn Management Corporation, and Case Number
14 13,859, the Application of the New Mexico Oil Conservation
15 Division for a compliance order against Pronghorn
16 Management Corporation.

17 It's my understanding that these cases have been
18 settled and are to be dismissed; is that correct?

19 MS. DAVIDSON: Right.

20 CHAIRMAN FESMIRE: Okay. So -- and there is an
21 order to that effect for each one of the cases, that has
22 been presented by the Commission secretary. And the orders
23 dismiss both cases; is that correct?

24 MS. DAVIDSON: Correct.

25 CHAIRMAN FESMIRE: Commissioner Bailey, have you

1 had a chance to review these orders?

2 COMMISSIONER BAILEY: Yes, I have, and I move
3 that we sign them.

4 CHAIRMAN FESMIRE: Okay, I second that motion.
5 All those in favor?

6 COMMISSIONER BAILEY: Aye.

7 CHAIRMAN FESMIRE: Aye.

8 Let the record reflect that the motion to dismiss
9 Case Number 13,858 and Case Number 13,859 has passed, that
10 an order to that effect has been drafted by the secretary
11 and presented to the Commission and will be signed by the
12 two members of the Commission present and conveyed to the
13 secretary.

14 * * *

15
16 CHAIRMAN FESMIRE: The next case on the docket is
17 Case Number 13,893. It's the Application of Yates
18 Petroleum Corporation for approval of a pilot project in
19 the North Dagger Draw-Upper Pennsylvanian Unit for the
20 purposes of establishing proper waterflood injection
21 patterns and for a temporary exemption from the provisions
22 of Division Rule 203 concerning approved temporary
23 abandonment of wells.

24 Attorneys for the Applicant have requested a
25 continuance in this case, again until the October 11th,

1 2007, meeting.

2 Commissioner Bailey, do you see any reason not to
3 grant that continuance?

4 COMMISSIONER BAILEY: No, I don't.

5 CHAIRMAN FESMIRE: Okay, at this time that
6 continuance will be granted and case Number 13,893 will be
7 continued to the October 11th, 2007, regularly scheduled
8 Commission meeting.

9 * * *

10

11 CHAIRMAN FESMIRE: The next case before the
12 Commission is Case Number 13,920. It's the Application of
13 the New Mexico Oil Conservation Division for a compliance
14 order against Northstar Oil and Gas.

15 It's my understanding that this case is also on
16 the verge of being settled and that the parties have
17 requested a continuance in this case to allow that
18 settlement; is that correct?

19 MS. DAVIDSON: (Nods)

20 CHAIRMAN FESMIRE: Okay. Case Number 13,920 --
21 Commissioner Bailey, I'm sorry, do you see any
22 reason not to grant this continuance?

23 COMMISSIONER BAILEY: No, I don't.

24 CHAIRMAN FESMIRE: Case Number 13,920 will be
25 also continued to the October 11th, 2007, Commission

1 meeting.

2 * * *

3
4 CHAIRMAN FESMIRE: That concludes the business on
5 the docket before the Commission. Is there anything else
6 that the Commission to address?

7 COMMISSIONER BAILEY: Not from me.

8 CHAIRMAN FESMIRE: Okay. At this time the Chair
9 would entertain a motion for adjournment.

10 COMMISSIONER BAILEY: I move we adjourn.

11 CHAIRMAN FESMIRE: I second that motion.

12 All those in favor?

13 COMMISSIONER BAILEY: Aye.

14 CHAIRMAN FESMIRE: Aye.

15 Let the record reflect that the Commission
16 meeting was adjourned at 9:15 a.m.

17 (Thereupon, these proceedings were concluded at
18 9:15 a.m.)

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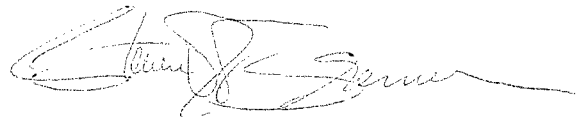
CERTIFICATE OF REPORTER

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 September 13th, 2007.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010