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DATE: March 6, 2008

TIME: 3:46pm

To: OCD (505) 476-3220

Re: NMOCD - Case No. 13,870  
REQUESTING HEARING

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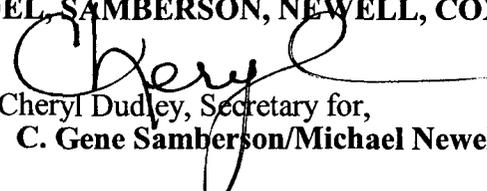
Please find attached for filing with the NMOCD Intervenor's Pre-Hearing Statement and Statement of Intent of Intervenors in reference to the above-mentioned matter.

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By:  Cheryl Dudley, Secretary for,  
C. Gene Samberson/Michael Newell

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**BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION**

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

**APPLICATION OF QUEST CHEROKEE, LLC  
FOR APPROVAL OF AN APPLICATION FOR  
PERMIT TO DRILL, LEA COUNTY, NEW MEXICO**

**FAXED**  
*filed*  
*03-6-08*

Case No. 13,870

**PRE-HEARING STATEMENT  
AND STATEMENT OF INTENT OF INTERVENORS**

This Pre-Hearing Statement statement is submitted by Intervenors Barbara Cox, Steve Cox, Tom Duncan and Lee Roberson, pursuant to rules of the New Mexico Oil Conservation Division.

**APPEARANCES**

**APPLICANT**

Quest Resources Corporation  
Suite 300  
9520 North May Avenue  
Oklahoma City, Oklahoma 73120  
Attn: David W. Bolton

**APPLICANT'S ATTORNEY**

James Bruce, Esq.  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

**INTERVENORS**

Barbara A. Cox  
1123 College Lane  
Hobbs, New Mexico 88260

Steve Cox  
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Hobbs, New Mexico 88240

**INTERVENORS' ATTORNEY**

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and

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Lee Roberson  
P.O. Box 368  
Hobbs, NM 88240

Tom Duncan  
Post Office Box 3009  
Hobbs, New Mexico 88261

### **STATEMENT OF THE CASE**

This matter comes before the Commission upon a request for hearing following an Order of the Division denying Intervenors Motion for an Emergency Order Suspending Approval to Drill. The Motion sought relief for the failure of Applicant to comply with Order No. R-12754 entered in Case No. 13870. In this Order the Oil Conservation Division made specific and detailed findings:

The Order contained specific findings. Some of these findings include the following:

- (25) The Cox Group presented sufficient evidence to demonstrate that due to the proximity of the West Bishop State Well No.1 to houses, schools and other facilities, Quest should be required to take special precautions during drilling and production operations.
- (26) The New Mexico Oil and Gas Act (NMSA 1978, Section 70-2-12.B) authorizes the Division to “prevent fires”, “to require wells to be drilled, operated and produced in such a manner as to prevent injury to neighboring leases or properties” and “to regulate the disposition of nondomestic wastes resulting from oil and gas production.”

- (27) Quest presented little, if any, engineering evidence relating to its proposed drilling and production operations. Consequently, there is insufficient evidence to impose specific requirements at this time.
- (28) The Hobbs OCD routinely approves, oversees and controls drilling and production operations within the City of Hobbs. Consequently, the Hobbs OCD should be the lead entity to determine the measures to be taken by Quest in order to protect the health and safety of the residents and the public at the vicinity of the well and production facilities, and in order to protect the surface and subsurface environment from contamination. The issues to be addressed by the Hobbs OCD should include, but are not necessarily limited to:
- (a) blowout prevention;
  - (b) possible use of closed loop drilling technology;
  - (c) fencing for the well and production facilities;
  - (d) the flaring or venting of H<sub>2</sub>S and VOC's;
  - (e) pipelines and/or production facilities; and
  - (f) lightening protection.
- (29) Approval of the application, subject to certain provisions and restrictions relating to drilling and production operations, will afford the applicant the opportunity to produce its just and

equitable share of the oil and gas reserves underlying the NE/4NW/4 of Section 9, will allow the recovery of oil and gas reserves underlying the NE/4 NW/4 of Section 9 that may otherwise not be recovered, thereby preventing waste, and will protect the health and safety of the residents and the public in the vicinity of the well and production facilities.

Based on these findings, the Division ordered (¶5) Intervenor there was non-compliance by the Applicant with Order No. R-12754. Specifically, no conditional Approval to drill (“APD”) was ever entered and the health and environmental issues raised in said Order have not been addressed by the Applicant. Additionally, no groundwater monitor wells have been drilled contrary to the representations Applicant made to Mark Fesmire, Director of New Mexico Oil Conservation Division.

**PROPOSED EVIDENCE**

Order No. 12754 and New Mexico Oil Conservation Division file and records. Witnesses include Applicants representatives: Donald Bolton, Vernon Dyer and Richard Marlin.

Respectfully Submitted,

**HEIDEL, SAMBERSON, NEWELL, COX & MCMAHON**  
Post Office Drawer 1599  
Lovington, New Mexico 88260  
(505) 396-5303

By: 

**Michael Newell**

Attorneys for Intervenor

**CERTIFICATE OF MAILING**

I hereby certify that a true and correct copy of the foregoing was mailed to James Bruce, Esq., Attorney for Quest Cherokee, LLC, Post Office Box 1056, Santa Fe, New Mexico 87504, on this 6<sup>th</sup> day of March, 2008.



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**Michael Newell**