

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:

**ORIGINAL**

DE NOVO AMENDED APPLICATION OF ENERGEN Case No. 13957  
RESOURCES CORPORATION TO AMEND THE COST RECOVERY  
PROVISIONS OF COMPULSORY POOLING ORDER NO. R-1960, TO  
DETERMINE REASONABLE COSTS, AND FOR AUTHORIZATION TO  
RECOVER COSTS FROM PRODUCTION OF POOLED MINERAL  
INTERESTS, RIO ARriba COUNTY, NEW MEXICO

REOPENED APPLICATION OF THE NEW Case No. ~~14255~~  
MEXICO OIL CONSERVATION DIVISION, THROUGH ITS  
ENVIRONMENTAL BUREAU CHIEF, FOR ADOPTION OF AN AMENDMENT  
TO 19.15.39 NMAC ADDING NEW SECTIONS TO BE CODIFIED AT  
19.15.39.9 AND 19.15.39.10 NMAC ADDRESSING SPECIAL  
PROVISIONS FOR SANTA FE COUNTY AND THE GALISTEO BASIN,  
SANTA FE, SANDOVAL AND SAN MIGUEL COUNTIES, NEW MEXICO

APPLICATION OF THE NEW MEXICO OIL Case No. 14292  
CONSERVATION DIVISION FOR ADOPTION OF AMENDMENTS  
TO RULE 19.15.17 (THE "PIT RULE") STATEWIDE

Case No. 14055; Case No. 14149; Case No. 14150:  
Continued to June 18, 2009

Case No. 14134; Case No. 14141; Case No. 14278  
Continued to July 16, 2009

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
COMMISSIONER HEARING

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

May 28, 2009  
Santa Fe, New Mexico

This matter came on for hearing before the New  
Mexico Oil Conservation Commission, MARK E. FESMIRE,  
Chairman, on Thursday, May 28, 2009, at the New Mexico  
Energy, Minerals and Natural Resources Department, 1220  
South Saint Francis Drive, Room 102, Santa Fe, New  
Mexico.

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1 COMMISSIONER BAILEY: No.

2 COMMISSIONER OLSON: No.

3 CHAIRMAN FESMIRE: At this time we will  
4 close -- not close -- we will continue Case Number 13957  
5 until the July regularly-scheduled Commission meeting,  
6 which I believe is July 16th?

7 MS. DAVIDSON: Yes, it is.

8 CHAIRMAN FESMIRE: -- on July 16th. The  
9 next cause before the Commission is the continuation of  
10 Case Number 14255. It's the reopened application of the  
11 New Mexico Oil Conservation Division, through its  
12 Environmental Bureau Chief, for adoption of an amendment  
13 to 19.15.39 NMAC adding new sections to be codified at  
14 19.15.39.9 and 19.15.39.10 NMAC addressing special  
15 provisions for Santa Fe County and the Galisteo Basin,  
16 Santa Fe, Sandoval and San Miguel Counties, New Mexico.

17 The Commission has previously met and heard  
18 the evidence in this case. We've also deliberated. At  
19 those deliberations it was determined that further  
20 evidence was needed. The case was reopened for the  
21 limited purpose of presenting the boundaries of the  
22 Galisteo Basin within Santa Fe County. That evidence was  
23 presented yesterday at the regularly-scheduled Commission  
24 meeting, and at this time the Commission will begin its  
25 deliberations on that evidence. Commissioner Bailey, do

1 you have anything to add?

2 COMMISSIONER BAILEY: I reviewed the maps  
3 and the legal descriptions of the lands included in the  
4 definition of the Galisteo Basin, and I have no issues or  
5 problems at all with the listing as designated by the map  
6 given by the State Engineer.

7 CHAIRMAN FESMIRE: Okay. You  
8 differentiated between map and --

9 COMMISSIONER BAILEY: -- and listing, the  
10 legal land descriptions of the sections of land within  
11 the outline of the Galisteo Basin.

12 CHAIRMAN FESMIRE: Commissioner Olson, did  
13 you get a chance to review the data that was presented  
14 yesterday?

15 COMMISSIONER OLSON: Yes, I did, and I  
16 think OCD Exhibit 47 in the matter laid out the areas by  
17 section, township and range for what comprises the  
18 Galisteo Basin. And hearing no evidence to the contrary,  
19 I guess I move that we would adopt that as part of our  
20 description for the order.

21 CHAIRMAN FESMIRE: The motion before the  
22 Commission is to adopt the evidence presented by the Oil  
23 Conservation Division yesterday in the form of a map --  
24 and listing?

25 COMMISSIONER BAILEY: Yes.

1                   CHAIRMAN FESMIRE:  -- and listing of the  
2     outline of the Galisteo Basin within Santa Fe County.  
3     There has previously been evidence to define the limits  
4     of the Galisteo Basin within the other two counties.  
5     This evidence does not appear to contradict that, but it  
6     does set out a limit of the Galisteo Basin within Santa  
7     Fe County.  The motion is to adopt that evidence and  
8     include it in our decision.  All those in favor signify  
9     by saying aye.

10                  MR. SMITH:  I'm sorry.  Could we have a  
11     short period?

12                  CHAIRMAN FESMIRE:  Let's go off the record  
13     for a minute.

14                  (A discussion was held off the record.)

15                  CHAIRMAN FESMIRE:  The record should  
16     reflect that I need to make sure that this is what  
17     Commissioner Bailey meant, that the descriptions that  
18     we're including today are in supplement to the  
19     descriptions that -- let me rephrase that -- are covered  
20     by those areas or include those areas in Santa Fe County,  
21     that the Commission has already considered the boundaries  
22     in the other two counties, and that the information that  
23     was presented yesterday just covered the boundaries  
24     within Santa Fe County; is that correct, Commissioner?

25                  COMMISSIONER OLSON:  Yes.  These are areas

1 that are just within Exhibit 47. OCD Exhibit 47 was just  
2 the areas within -- a listing of those areas within -- of  
3 the Galisteo Basin within Santa Fe -- well --

4 COMMISSIONER BAILEY: Not according to the  
5 first page response. And, also, I do believe it does  
6 include the portions within the other two counties.

7 CHAIRMAN FESMIRE: The map includes -- and  
8 the listing, I guess, includes the portions, but that  
9 evidence had already been presented and deliberated on  
10 for the boundaries outside of Santa Fe County.

11 COMMISSIONER BAILEY: That's right.

12 CHAIRMAN FESMIRE: And this evidence was  
13 intended and received by the Commission for the sole  
14 purpose of determining the boundary within Santa Fe  
15 County.

16 COMMISSIONER BAILEY: I move that we adopt  
17 this as evidence of the Galisteo Basin within Santa Fe  
18 County.

19 CHAIRMAN FESMIRE: Is there a second on  
20 that motion?

21 COMMISSIONER OLSON: I'll second that.

22 CHAIRMAN FESMIRE: All those in favor  
23 signify by saying aye.

24 Let the record reflect that the Commission  
25 voted and that the motion was unanimously adopted. And

1 with that, I believe our deliberations are complete on  
2 this case, are they not?

3 COMMISSIONER BAILEY: Yes.

4 CHAIRMAN FESMIRE: Counsel, do you have  
5 enough information to draft the order? You and --

6 MR. SMITH: I certainly hope so.

7 CHAIRMAN FESMIRE: Is there anything else  
8 before the Commission concerning Case Number 14255?

9 COMMISSIONER BAILEY: No.

10 CHAIRMAN FESMIRE: With that we will  
11 continue Case 14255 to the June 18th regularly-scheduled  
12 Commission meeting where we will consider the border  
13 adopting the Commission's decision on this matter at the  
14 June meeting.

15 With that the Commission will proceed to the  
16 next item on the agenda, which is Case Number 14292,  
17 concerning the application of the New Mexico Oil  
18 Conservation Division for adoption of amendments to Rule  
19 19.15.17 NMAC (the "Pit Rule"). The record should  
20 reflect that Commissioners Bailey, Olson and Fesmire are  
21 present. We, therefore, have a quorum and we will begin  
22 the public deliberations on this proposal as presented by  
23 the evidence in this case. Who wants to start?

24 COMMISSIONER BAILEY: Should we go through  
25 the rule as presented by the OCD and use that as the

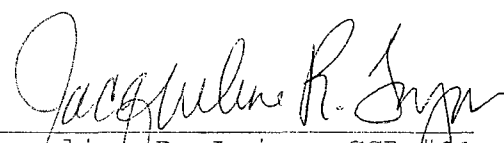
## REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO  
HEREBY CERTIFY that on May 28, 2009, proceedings in the  
above captioned case were taken before me and that I did  
report in stenographic shorthand the proceedings set  
forth herein, and 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 any of the parties or  
attorneys in this case and that I have no interest  
whatsoever in the final disposition of this case in any  
court.

WITNESS MY HAND this 9th day of June, 2009.

  
Jacqueline R. Lujan, CCR #91  
Expires: 12/31/2009