

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

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

ORIGINAL

APPLICATION OF CHESAPEAKE OPERATING, CASE NO. 14325
INC., FOR APPROVAL OF A PILOT PROJECT IN
THE SEVEN RIVERS FORMATION TO STUDY THE
FEASIBILITY OF IMPLEMENTING ENHANCED RECOVERY
OPERATIONS IN THIS POOL, LEA COUNTY, NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: TERRY G. WARNELL, Presiding Examiner
RICHARD EZEANYIM, Technical Examiner
DAVID K. BROOKS, Legal Examiner

June 25, 2009

Santa Fe, New Mexico

This matter came on for hearing before the New
Mexico Oil Conservation Division, TERRY G. WARNELL,
Presiding Examiner, DAVID K. BROOKS, Legal Examiner, and
RICHARD EZEANYIM, Technical Examiner, on Thursday, June
25, 2009, at the New Mexico Energy, Minerals and Natural
Resources Department, 1220 South Saint Francis Drive,
Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91
Paul Baca Professional Court Reporters
500 Fourth Street, N.W., Suite 105
Albuquerque, NM 87103 505-843-9241

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A P P E A R A N C E S

FOR THE APPLICANT:

HOLLAND & HART
 William F. Carr, Esq.
 110 North Guadalupe, Suite 1
 Santa Fe, New Mexico 87501

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1 MR. WARNELL: That brings us to the last
2 and final case, Case Number 14325, application of
3 Chesapeake Operating, Inc., for approval of a pilot
4 project in the Seven Rivers formation to study the
5 feasibility of implementing enhanced recovery operations
6 in this pool, Lea County, New Mexico. Call for
7 appearances.

8 MR. CARR: May it please the Examiner, my
9 name is William F. Carr with the Santa Fe office of
10 Holland & Hart, LLP. We represent Chesapeake Operating,
11 Inc., in this matter.

12 Mr. Examiner, this case was heard on June the
13 2nd. It was presented to Examiners Jones and Brooks. At
14 that time we had a notice issue. The application is for
15 a pilot project for a waterflood well in the Tonto-Seven
16 Rivers Pool.

17 Chesapeake had originally proposed unitizing a
18 larger portion of the reservoir and coming forward with a
19 full-scale waterflood, and after discussions with
20 Nearburg and others, decided to pull back to a pilot
21 project on one -- I believe it's a 580-acre single
22 federal lease. Chesapeake had been in discussions with
23 the BLM concerning the larger unit and understood they
24 had the BLM's support.

25 However, when they changed the project to a

1 smaller unit, they did not go back and re-notify the BLM,
2 so we were before you with an application where what we
3 had was the BLM having not been notified of what was
4 before you and an assumption that it was all right
5 because a different project was agreeable to the BLM, so
6 we requested that the case be continued.

7 Since that time I have met with the BLM in
8 Carlsbad, and I have a letter to present today from them,
9 and in the letter they have no objection to going forward
10 at the OCD. They have raised concerns about the Texaco
11 Federal No. 3 Well, which is -- which needs remedial work
12 before they can go forward with the waterflood.

13 Our engineering witness, Mr. Greg Adams,
14 pointed that out at the time of the hearing, and
15 Chesapeake is prepared to do whatever is required with
16 that well prior to commencing their pilot effort. And
17 so, anyway, the BLM letter also references that.

18 I might hand these out since I'm discussing
19 them with you. But Exhibit -- I marked these A, B and C
20 so they're not confused with what we presented on June
21 2nd. Exhibit A is the letter from the BLM and it was
22 also, according to Mr. Wesley Ingram= at the BLM, sent to
23 Mr. Fesmire. But as you'll see, in the second -- the
24 first real paragraph notes that they reviewed it, and it
25 identifies the Texaco Federal 3 Well. And then the last

1 paragraph says they have no objection to the hearing
2 moving forward. So we think we have corrected the notice
3 issue.

4 I've also attached as Exhibit B a proposed
5 order, and the reason I have done this is, like
6 everything else, they're ready to go immediately and have
7 asked that the order be expedited. And I was planning to
8 tell you that I had checked and double checked this order
9 and that it was absolutely correct, and about 30 seconds
10 ago my secretary handed me a message from Chesapeake
11 which advised me that Paragraph 8, Finding 8, I have
12 referred to this as the Chesapeake Federal Well No. 3,
13 and it should be the Texaco Federal Well No. 3. I will
14 correct that with your permission and submit that to you
15 by email.

16 I also, from the records that I had, could not
17 tell whether or not we had admitted into evidence the
18 original notice of affidavit. Since we had a notice
19 issue, I have re-attached our notice affidavit and it is
20 marked as Exhibit Number C. And I believe that the
21 notice list is correct. Attached to it is our letter,
22 the notice of publication and the return receipts. And
23 so at this time I would request that the Examiner admit
24 Exhibits A, B and C and that the case be taken under
25 advisement.

1 MR. WARNELL: Okay. Exhibits A, B and C
2 will be admitted.

3 (Exhibits A, B and C were admitted.)

4 MR. BROOKS: Is Chesapeake in compliance
5 with Rule 5.9?

6 MR. CARR: Yes. They are now. Yes, sir,
7 they are. They are now. Because we did have a
8 discussion the end of May, Ocean did, and they were
9 close. And Brian Orant advised us that they were in
10 compliance, because we were concerned about presenting
11 the case on June 2nd, and they were.

12 MR. BROOKS: Very good.

13 MR. CARR: So that's all I have to present
14 in this matter.

15 MR. WARNER: I'll pass that on to Will and
16 you will email --

17 MR. CARR: I will. I'll email this to
18 Will. I guess he would be the appropriate examiner.

19 MR. WARNELL: So we'll take Case Number
20 14325 under advisement. And if there's nothing else,
21 that concludes Docket 23-09.

22 * * *

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

Oil Conservation Division

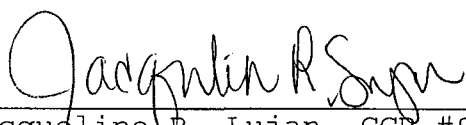
REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on June 25, 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 8th day of July, 2009.


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