

DOCKET: EXAMINER HEARING - THURSDAY – JULY 23, 2009

8:15 A.M. - 1220 South St. Francis
 Santa Fe, New Mexico

Docket Nos. 27-09 and 28-09 are tentatively set for August 6, 2009 and August 20, 2009. Applications for hearing must be filed at least 30 days in advance of hearing date. OCD Rule 1211.B requires parties who intend to present evidence at an adjudicatory hearing to file a pre-hearing statement no later than the Thursday before the hearing, and serve a copy on opposing counsel of record. If the OCD does not receive a pre-hearing statement from the applicant by the close of business on the Thursday before the hearing, the hearing may be continued or dismissed by order of the examiner. If a protesting party fails to submit a timely pre-hearing statement, the hearing may be continued at the applicant’s request. The following cases will be heard by an Examiner.

<p><i>Locator Key for Cases</i> Case 14173 – No. 23 Case 14282 – No. 5 Case 14290 – No. 20 Case 14311 – No. 24 Case 14319 – No. 27 Case 14321 – No. 1 Case 14322 – No. 25 Case 14330 – No. 22 Case 14332 – No. 18 Case 14333 – No. 19 Case 14335 – No. 21 Case 14339 – No. 26 Case 14340 – No. 2 Case 14341 – No. 3 Case 14342 – No. 4 Case 14343 – No. 6 Case 14344 – No. 7 Case 14345 – No. 8 Case 14346 – No. 9 Case 14347 – No. 10 Case 14348 – No. 11 Case 14349 – No. 12 Case 14350 – No. 13 Case 14351 – No. 14 Case 14352 – No. 15 Case 14353 – No. 16 Case 14354 – No. 17</p>

1. **CASE 14321:** (Continued from the June 2, 2009 Examiner Hearing.)

Application of the New Mexico Oil Conservation Division, Through the Enforcement and Compliance Manager, for a Compliance Order Against KEVIN O. BUTLER AND ASSOCIATES, INC [OGRID 12627], Finding that the Operator is in Violation of 19.15.8.9 & 19.15.25.8 NMAC as to 32 Wells; Requiring Operator to Plug All 39 of its wells Operated in the State of New Mexico By a Date Certain, and in the Event the Operator Fails to Do So, authorizing the Division to do so, forfeiting any applicable bonds, pursuant to Section 70-2-14(B) NMSA 1978, Eddy, Chaves and Lea Counties New Mexico. The Applicant seeks an Order finding that Operator is in violation of OCD Rules 19.15.8.9 & 19.15.25.8 NMAC as to 32 wells, and requiring KOB to plug and abandon each of the 39 wells it operates in the state of New Mexico by a date certain, or in the event that Operator fails to do so, pursuant to Section 70-2-14(B) NMSA 1978, authorizing the Division to plug operator’s wells and forfeit any applicable financial assurance.

THE SPECIFIC WELLS INVOLVED IN THIS MATTER INCLUDE THE FOLLOWING:

Well Name:	API No.:	Coordinates: Latitude, Longitude (location approximation)
AETNA EAVES #002	30-025-27789	32.8989288674046, -103.112458881402 (approx 13 mi SE Lovington, 3 mi W TX/NM border, 10 mi NE Hobbs)

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ANDERSON #001	30-025-29953	32.9499100000000, -103.302540 (approx 6 mi E Lovington, just N highway 83)
ANDERSON 6 #001	30-025-29748	32.9449800000000, -103.296250 (same approx area as Anderson #001, above)
BYERS #001	30-025-33407	32.8969801818768, -103.068428058588 (approx 16 mi SE Lovington, 1 mi W TX/NM border)
DELMONT L HATFIELD #001	30-025-27487	32.9052851549496, -103.114973264276 (approx 14 mi SE Lovington, 5 mi W NM/TX border)
E B ANDERSON #001	30-025-22340	33.2197061093046, -103.142010761248 (approx 20 mi SE Tatum, 3 mi S of US380)
E B ANDERSON #002	30-025-22454	33.2160782296080, -103.142009205329 (same approx area as EB Anderson #001, above)
E B ANDERSON #003	30-025-29786	33.2142609959531, -103.144176738425 (same approx area as EB Anderson #001, above)
EAST EK UNIT #010	30-025-22766	32.7305343714765, -103.55363175 (approx 20 mi SW Lovington, 2 mi NW highway 529)
GANDHI FEDERAL #001	30-015-26243	32.7376137888976, -103.830519796306 (approx 25 mi SW Lovington, 10 m I S Maljamar)
LEA L STATE #001	30-025-01881	33.0188914253532, -103.479397762811 (approx 8 mi NW Lovington, 6 mi N junct. Highways 83/82 & 238)
MAXWELL #001	30-025-21186	33.2224276278113, -103.138759509919 (approx 18 mi SE Tatum, 10 mi W NM/TX border)
MAXWELL #002	30-025-23089	33.2215150893864, -103.142011562128 (same approx area as Maxwell #001, above)
NEW MEXICO X STATE #001	30-025-03941	32.8258445586223, -103.374749323026 (approx 8 mi SSW Lovington, 2 mi W highway 483)
NEW MEXICO X STATE #002	30-025-03942	32.8222164520395, -103.37473455633 (same approx area as NM X State #001, above)
NM DE STATE #001	30-025-21618	32.8368089645864, -103.293127712051 (approx 7 mi SE Lovington, 2 mi W N.Lovington Highway, 12 mi NW Hobbs)
NM DE STATE #002	30-025-21763	32.8367913663128, -103.297187271554 (same approx area as NM DE State #001, above)
NM DE STATE #003	30-025-21813	32.8404371099360, -103.293130642161 (same approx area as NM DE State #001, above)
PEERLESS ET AL COM #001	30-025-09007	32.3827440578113, -103.255159648353 (approx 12 mi SW Eunice, 10 mi S highway 8)
SOUTH CAPROCK QUEEN UNIT #003	30-005-00674	32.9789278860920, -103.857967448178 (approx 30 mi NE Artesia, 10 mi NW Maljamar)
SOUTH CAPROCK QUEEN UNIT #003	30-005-01190	33.0658694673017, -103.834342114387 (approx 15 mi NNW Maljamar, 25 mi NW Lovington)
SOUTH CAPROCK QUEEN UNIT #005	30-005-00670	32.9879543159149, -103.866552853205 (same approx area as S.Caprock Qun #015, below)
SOUTH CAPROCK QUEEN UNIT #010	30-005-00658	32.9852773140005, -103.85911425957 (same approx area as S.Caprock Qun #015, below)
SOUTH CAPROCK QUEEN UNIT #011	30-005-00657	32.9852782251265, -103.863365418553 (same approx area as S.Caprock Qun #015, below)
SOUTH CAPROCK QUEEN UNIT #012	30-005-01180	33.0567995477906, -103.832178624299 (same approx area as S.Caprock Queen #003, above)
SOUTH CAPROCK QUEEN UNIT #014	30-005-01163	33.0676989588541, -103.828929908646 (same approx area as S.Caprock Queen #003, above)
SOUTH CAPROCK	30-005-01193	33.0540864213152, -103.828932250121 (same approx area as S.Caprock Queen

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QUEEN UNIT #014X		#003, above)
SOUTH CAPROCK QUEEN UNIT #015	30-005-00662	32.9825562925791, -103.859111565689 (approx 10 mi NW Maljamar, 12 mi N highway 82/83)
SOUTH CAPROCK QUEEN UNIT #015	30-005-01161	33.0677110981310, -103.824686808912 (same approx area as S.Caprock Queen #003, above)
SOUTH CAPROCK QUEEN UNIT #016	30-005-00661	32.9825552242302, -103.855867593483 (same approx area as S.Caprock Qun #017, below)
SOUTH CAPROCK QUEEN UNIT #017	30-005-21000	32.9870631417701, -103.856986131522 (approx 10 mi NW Maljamar, 25 mi WNW Lovington)
STATE 32 #001	30-025-26065	32.8763764669655, -103.68770580173 (approx 5 mi NE Maljamar, 1 mi SE highway 82/53, 20 mi SW Lovington)
STATE LAND 76 #001	30-025-00376	32.9557800, -103.734210 (approx 7 mi NE Maljamar, 18 mi W Lovington)
STATE LAND 76 #003	30-025-29066	32.9560400000000, -103.729900 (approx 20 mi W Lovington, 6 mi N highway 82/83)
STATE LAND 76 #004	30-025-29067	32.95937000, -103.726670 (same approx area as State Land 76#003, above)
STATE LAND 76 #005	30-025-29208	32.9548700000000, -103.733130 (same approx area as State Land 76#003, above)
STATE R #001	30-025-01155	33.0737802718568, -103.604422400147 (approx 15 mi NW Lovington, 10 mi N highway 83/82)
STATE R #003	30-025-01157	33.0810313113126, -103.600204692167 (same approx area as State R #001, above)
V E RODDY #001	30-025-29869	32.9123091733285, -103.111624006688 (approx 10 mi ESE Lovington, 5 mi W NM/TX border)

2. **CASE 14340: Application of Chesapeake Energy Corporation, L.L.C. to re-instate Division Order R-11993-A for compulsory pooling, Lea County, New Mexico.** Applicant seeks to re-instate Order R-11993-A to authorize the pooling and the recompletion of the Duncan Well No. 1 (API #30-025-36235) located in Unit A of Section 19, T20S, R39E into the Tubb and Drinkard formations and to commingle that production with the existing Abo formation. Applicant is the current operator of this wellbore that was formerly operated by Xeric Oil & Gas Corporation who obtained Order R-11993 that pooled all mineral interests from the surface to the base of the Abo formation. This wellbore is currently dedicated to production from the DK-Abo Pool underlying the NE/4 NE/4 in Section 19, T20S, R39E, NMPM. If successful production from the Tubb and Drinkard to be dedicated to the existing Abo 40-acre spacing unit also to be considered are provisions for the subsequent operation of this wellbore and the costs of recompleting this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a 200% charge for risk involved in this recompletion. This unit is located approximately 5-1/2 miles Southeast of Nadine, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.**

3. **CASE 14341: Application of Armstrong Energy Corporation for approval of a Unit Agreement, Chaves County, New Mexico.** Applicant seeks approval of the Round Tank-Queen Waterflood Unit for an area comprising 1922.72 acres of State of New Mexico and Federal lands located in portions of Sections 24 and 25 of Township 15 South, Range 28 East and Sections 19 and 30 of Township 15 South, Range 29 East, N.M.P.M. which is located approximately 13 miles northwest of Loco Hills, New Mexico.

4. **CASE 14342: Application of Armstrong Energy Corporation for approval of a Waterflood Project for its Round Tank-Queen Waterflood Unit Area and Qualification of said Project for the Recovered Oil Tax Rate Pursuant to the Enhanced Oil Recovery Act, Chaves County, New Mexico.** Applicant seeks approval of its Round Tank-Queen Unit Waterflood Project comprised of 1922.72 acres, more or less of State and Federal lands located in Chaves County, New Mexico, more particularly described as follows:

TOWNSHIP 15 SOUTH, RANGE 28 EAST, NMPM

Section 24: E/2, E/2 W/2,

Section 25: E/2

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM

Irregular Section 19: Lots 1 through 4, E/2 W/2

(W/2 Equivalent), SE/4