

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:

REOPENED APPLICATION OF WILLIAMS Case No. 14521
PRODUCTION CO., LLC, FOR APPROVAL OF
A CLOSED-LOOP SYSTEM FOR THE ROSA SALTWATER
DISPOSAL WELL NO. 2 AND FOR IN-PLACE BURIAL
OF DRILLING WASTES AT ANOTHER WELL LOCATION,
RIO ARriba COUNTY, NEW MEXICO

DE NOVO APPLICATION OF CIMAREX ENERGY Case No. 14418
COMPANY FOR A NONSTANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO

REOPENED APPLICATION OF CIMAREX ENERGY Case No. 14480
COMPANY FOR A NONSTANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO

APPLICATION OF AGUA SUCIA, LLC, TO Case No. 14411
REINSTATE DIVISION ADMINISTRATIVE ORDER
SWD-559 FOR A SALTWATER DISPOSAL WELL,
LEA COUNTY, NEW MEXICO

Case No. 10693; Case No. 11724; Case No. 11954; Case No.
11987; and Case No. 13048: Dismissed

Case No. 12276 and Case No. 12277, continued to
December 9, 2010

REPORTER'S TRANSCRIPT OF PROCEEDINGS
COMMISSIONER HEARING

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

November 4, 2010
Santa Fe, New Mexico

1 This matter came on for hearing before the New
 2 Mexico Oil Conservation Commission, MARK E. FESMIRE,
 3 Chairman, on Thursday, November 4, 2010, at the New
 4 Mexico Energy, Minerals and Natural Resources Department,
 5 1220 South Saint Francis Drive, Room 102, Santa Fe, New
 6 Mexico.

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 9 REPORTED BY: Jacqueline R. Lujan, CCR #91
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1 ALSO PRESENT:

2 Florene Davidson

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1 MR. SMITH: That's right. Perfect.

2 CHAIRMAN FESMIRE: At this time we will
3 adjourn for lunch and reconvene at 1:45.

4 (A lunch recess was taken)

5 CHAIRMAN FESMIRE: Let's go ahead and go
6 on the record. Right now we have a series of about a
7 half dozen cases that have been on the books for a while.
8 We're going to go ahead and call them and, basically, see
9 if there's any reason to keep them on the books.

10 The first is Cause Number 10693, the
11 application of Pronghorn Saltwater Disposal Systems for
12 saltwater disposal in Section 7, Township 20, Range 33
13 East in Lea County, New Mexico.

14 This case has been called to show cause why
15 the case should not be dismissed, given the lengthy time
16 period that the matter has been pending before the
17 Commission. Is that attorney in that case present?

18 Seeing none, we will go ahead and order Case
19 Number 10693 dismissed for want of prosecution.

20 The next one before the Commission is Case
21 Number 11724. It's the De Novo application of
22 Gillespie-Crow, Inc., for a unit expansion, statutory
23 unitization and qualification of an expanded area for the
24 recovered oil tax rate and certification of a positive
25 production response pursuant to the New Mexico Enhanced

1 Oil Recovery Act in Townships 15 and 16 South, Ranges 35
2 and 36 East, in Lea County, New Mexico.

3 This case has been called to order the
4 applicant to appear and show cause why the case should
5 not be dismissed, given the lengthy time period the
6 matter has been pending before the Commission. Are there
7 any attorneys present in that case?

8 MR. HALL: Mr. Chairman, Scott Hall,
9 Montgomery & Andrews, for Energen Resources Corporation.
10 Energen is the successor unit operator to Gillespie-Crow
11 for the West Lovington Strawn Unit. And I would also
12 recommend that you call the next two cases. All three of
13 them involve the same subject matter, the Lovington
14 Strawn Unit.

15 CHAIRMAN FESMIRE: Okay. And who are you
16 going to represent in the other two?

17 MR. HALL: Energen.

18 CHAIRMAN FESMIRE: At Mr. Hall's request,
19 we'll call Case 11954, the application of Hanley
20 Petroleum, Inc., and Yates Petroleum Corporation for
21 expansion of the West Lovington Strawn Unit, Townships 15
22 and 16 South, Ranges 35 and 36 East in Lea County, New
23 Mexico.

24 This case is also called to allow the
25 applicant to appear and show cause why the case should

1 not be dismissed, given the lengthy time period that the
2 matter has been pending before the Commission.

3 The third is Case Number ~~11987~~, the
4 application of EEX Corporation for a unit expansion,
5 statutory unitization and qualification of the expanded
6 unit area for the recovered oil tax rate certification of
7 positive production response pursuant to the New Mexico
8 Enhanced Oil Recovery Act, Township 16 South, Range 36
9 East in Lea County, New Mexico.

10 Mr. Hall, having called all three of those
11 cases, do you have a pertinent statement?

12 MR. HALL: On behalf of the successor unit
13 operator now to the West Lovington Strawn Unit, the unit
14 operator has no objection to dismissal of these cases,
15 provided the record makes clear that the underlying
16 orders approving the unit and subsequent operations
17 within the unit remain intact.

18 CHAIRMAN FESMIRE: They were not issued in
19 these cases, were they?

20 MR. HALL: I can't remember. There were
21 so many of them.

22 MR. BRUCE: Mr. Chairman, I represented
23 Gillespie-Crow, and Mr. Carr represented Yates. This is
24 the only career case I ever had. It started in the
25 mid-'90s and went on for a decade or more.

1 MR. CARR: It's gone on for so long, I
2 might even get fired.

3 MR. BRUCE: I think all matters have
4 finally been resolved in this matter, so I don't see any
5 problems --

6 CHAIRMAN FESMIRE: We want to dismiss the
7 cases without doing damage to an order, apparently in a
8 different case, establishing or expanding the unit.

9 MR. HALL: So long as the record is clear
10 that those orders are unaffected, I don't think it
11 matters if we dismiss the applications. They were
12 separate applications in separate cases where the unit
13 was approved, unit expansions were approved, and modified
14 unit operations for injection.

15 MR. BRUCE: There must have been maybe a
16 dozen and a half hearings at the Division. Maybe only
17 one of them ever made it up to the Commission level, at
18 which time, I think by then, the parties had settled all
19 matters between themselves.

20 CHAIRMAN FESMIRE: You told me this was
21 going to be easy.

22 MR. BRUCE: So I concur with Mr. Hall,
23 even though I'm out of it at this point. But as long as
24 the existing orders, and there were plenty of them, are
25 maintained in effect, I don't think anybody objects.

1 MR. CARR: Since I no longer represent
2 anyone, I don't have a position.

3 CHAIRMAN FESMIRE: Okay. The Chairman
4 will therefore dismiss Cases 11724, 11954, 11987, with
5 the stipulation that that dismissal will not affect any
6 orders currently in place on the West Lovington Strawn
7 Unit. Is that correct?

8 MR. HALL: That's correct.

9 CHAIRMAN FESMIRE: Thank you very much,
10 Mr. Hall, I think.

11 The next case is Case Number 12276, the
12 application of Burlington Resources Oil & Gas Company for
13 compulsory pooling, Section 36, Township 27 North, Range
14 8 West, in San Juan County, New Mexico.

15 This case is being called to give the
16 applicant the opportunity to appear and show cause why
17 the case should not be dismissed, given the lengthy time
18 period that this matter has been pending before the
19 Commission. It's been pending since June 23rd, 2000.

20 Are there any attorneys? Mr. Hall?

21 MR. HALL: Same situation, Mr. Chairman.
22 Scott Hall, Montgomery & Andrews, on behalf of Energen
23 Resources Corporation. I also recommend you call the
24 next case, 12277, as well. They're related.

25 CHAIRMAN FESMIRE: At this time we will

1 call Case Number 12277, the application of Burlington
2 Resources Oil & Gas Company for compulsory pooling in
3 Section 16, Township 31 North, Range 11 West, in San Juan
4 County, New Mexico.

5 This case has also been called to allow the
6 operator to appear and show cause why the application
7 should not be dismissed, given the lengthy time period
8 that the matter has been pending before the Commission.

9 Mr. Hall?

10 MR. HALL: Mr. Chairman, I represented
11 Energen Resources Corporation, among others. Energen and
12 those parties were the de novo applicants involving a
13 contract dispute for compulsory pooling in the San Juan
14 Basin. There was a diversion to the courthouse on this
15 one. It's in litigation, which went away.

16 In the meantime, a lot of the interests of
17 former clients have been transferred. I feel the
18 obligation to try to at least contact them and make sure
19 they have no objection to dismissal. I don't think that
20 will be a problem. I haven't had the time to do that.

21 I would request these cases not be dismissed
22 until I've had that opportunity to contact those
23 successor interest owners.

24 CHAIRMAN FESMIRE: Cases Number 12276 and
25 12277 will be continued to the December 9th docket, at

1 which time Mr. Hall will let us know whether he does have
2 an objection.

3 MR. HALL: I'll try. Yes, sir

4 CHAIRMAN FESMIRE: Thank you, Mr. Hall.

5 Last but not least -- and I notice Mr. Hall is
6 still standing there -- Case Number 13048, the
7 application of Devon Energy Corporation, L.P., for
8 compulsory pooling, Section 4, Township 23 South, Range
9 34 East, in Lea County, New Mexico.

10 This case was also called to allow the
11 applicant to appear and show cause why the case should
12 not be dismissed, given the lengthy time period that this
13 matter has been pending before the Commission. It's been
14 pending since December 9th, 2004.

15 Mr. Hall?

16 MR. HALL: Mr. Chairman, Scott Hall,
17 Montgomery & Andrews, appearing on behalf of EGL
18 Resources and Robert Landrik, both of whom were de novo
19 applicants in this case. I managed to find a letter in
20 my file to the Division at the time asking that these
21 applications be dismissed some time ago. We just never
22 followed up on it. No objection to dismissal.

23 CHAIRMAN FESMIRE: With that, Case Number
24 13048 will be dismissed by the Chairman. That's the end
25 of the list. Thank you very much, Mr. Hall. Cleaned out

1 both your cabinet and Florene's.

2 Okay. At this time we will call the next case
3 on the docket. It is the application of Agua Sucia, LLC,
4 to reinstate Division Administrative Order SWD-559 for a
5 saltwater disposal well in Lea County, New Mexico. It's
6 Case Number 14411. Are there attorneys present?

7 MR. BRUCE: Yes, Mr. Chairman.

8 CHAIRMAN FESMIRE: Mr. Bruce, would you
9 state your appearance, please?

10 MR. BRUCE: Jim Bruce, of Santa Fe,
11 representing the applicant. I have two witnesses.

12 MR. CARR: May it please the Commission?
13 William F. Carr, with the Santa Fe office of Holland &
14 Hart, LLP. We represent Armstrong Energy Corporation in
15 this matter in opposition to the application, and I have
16 three witnesses.

17 CHAIRMAN FESMIRE: Okay. Mr. Bruce, do
18 you have an opening statement?

19 MR. BRUCE: Yes, sir

20 CHAIRMAN FESMIRE: Would you like to make
21 it now?

22 MR. BRUCE: Yes.

23 May it please the Commission? We're here
24 today concerning Government E Well No. 1, located in the
25 southwest corner of the southwest quarter of Section 25,

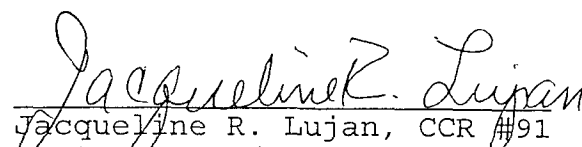
REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on November 4, 2010, 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 17th day of November,
2010.


Jacqueline R. Lujan, CCR #91
Expires: 12/31/2010