

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:) CASE NO. 12,540
)
IN THE MATTER OF CASE 12,540 BEING)
REOPENED PURSUANT TO THE PROVISIONS OF)
DIVISION ORDER NO. R-11,526, WHICH ORDER)
PROMULGATED TEMPORARY SPECIAL POOL RULES)
FOR THE ARENA BLANCA-ENTRADA POOL IN)
MCKINLEY COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

April 18th, 2002

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, April 18th, 2002, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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I N D E X

April 18th, 2002
Examiner Hearing
CASE NO. 12,540

PAGE

REPORTER'S CERTIFICATE

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A P P E A R A N C E S

FOR THE DIVISION:

DAVID K. BROOKS
Attorney at Law
Energy, Minerals and Natural Resources Department
Assistant General Counsel
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

FOR PENWELL ENERGY, INC.:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR
110 N. Guadalupe, Suite 1
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

ALSO PRESENT:

WILL JONES
Engineer
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87501

* * *

1 WHEREUPON, the following proceedings were had at
2 9:05 a.m.:

3 EXAMINER CATANACH: All right, at this time I
4 will call Case 12,540, in the matter of Case 12,540 being
5 reopened pursuant to the provisions of Division Order
6 Number R-11,526, which order promulgated temporary special
7 rules for the Arena Blanca-Entrada Pool in McKinley County,
8 New Mexico.

9 I will call for appearances in this case.

10 MR. CARR: May it please the Examiner, my name is
11 William F. Carr with the Santa Fe office of Holland and
12 Hart, L.L.P. We represent Penwell Energy, Inc., in this
13 matter, and I have a statement and a request for
14 continuance.

15 EXAMINER CATANACH: Any additional appearances?
16 Okay, Mr. Carr, you may proceed.

17 MR. CARR: Mr. Examiner, Penwell Energy, Inc.,
18 filed this Application in the fall of the year 2000 and
19 following the hearing in November of that year obtained an
20 order from the Division establishing on a temporary basis
21 special pool rules for the Arena Blanca-Entrada Oil Pool,
22 including provisions for 160-acre spacing.

23 This pool is located in a relatively remote
24 portion of McKinley County, and since the entry of the
25 order, no activity whatsoever has taken place on the

1 subject properties, the reason being that they have been
2 unable to date to obtain extension of an electrical power
3 line from the Jemez Mountain Electrical Co-op. They have
4 been attempting to do that.

5 When the case was originally called and reopened
6 several months ago, we used, actually, or tried to use, the
7 fact that we were going back to hearing as leverage to get
8 the line extended. And although the Co-op said they could
9 met the date, they have not, and we do not have a power
10 line. And I cannot come before you today and represent
11 that we will have this line at any particular time.

12 And so we wrote and we requested that the case be
13 continued indefinitely, and that we be directed to advise
14 you at such time as we are able to go forward with this.

15 Now, I don't know administratively or internally
16 how the Division would monitor that. And if that is a
17 problem the alternative, of course, would be to dismiss the
18 Application, and at such time as we are able to get
19 electrical power and go forward with this, we would re-
20 bring the case and ask you to re-enter an order based on
21 the prior record.

22 Our problem is, we just can't do anything because
23 we have no power. And the case keeps appearing on the
24 docket, and it's an inconvenience to you and we're
25 concerned that we're unable to respond as we thought we

1 could. And that's the reason for our request.

2 EXAMINER CATANACH: Mr. Carr, do you know -- I
3 don't know if you know or not, but other than Penwell, are
4 there any other interest owners who may be affected by it?

5 MR. CARR: No, there are not. And there is no
6 other party to whom we would have to provide notice or did
7 provide notice. We are the only operator or working
8 interest owner in the entire area affected by this
9 Application. It's a very small reservoir, and there is no
10 one else involved.

11 EXAMINER CATANACH: So there's no production at
12 the current --

13 MR. CARR: No, there is not.

14 MR. BROOKS: It would seem that it would have to
15 be re-noticed if you continue it indefinitely. But whether
16 we dismiss it or whether we just carry it on the docket, it
17 would seem to have to be re-noticed. If you only have one
18 person to notice, that's not a very burdensome requirement.

19 MR. CARR: And the one person to notice is us.

20 MR. BROOKS: Of course, we have to publish --

21 MR. CARR: And publish, yeah, that's it --

22 MR. BROOKS: -- that's our requirement.

23 MR. CARR: -- that's it. And so, you know,
24 whatever works most effectively for you certainly would
25 work for us.

1 EXAMINER CATANACH: We just -- at this point we
2 don't know when this may occur?

3 MR. CARR: No, we thought we were going to be
4 able to give you a date. A month ago we thought we might
5 even have the line extended, and we met -- a representative
6 of Penwell met with the appropriate people at the Co-op
7 several weeks ago and were told that it was still tied up
8 with their, quote, unquote, management board as to when
9 they'd extend the line, and they couldn't give us a date.
10 And so that's when we advised the Division that we're going
11 to have to request an indefinite continuance.

12 I mean, we could bump along month to month, and
13 it would be like some other career cases here, but we don't
14 think that's the appropriate way to go.

15 EXAMINER CATANACH: Okay. Well, Mr. Carr, we'll
16 take your request under consideration. I don't know at
17 this point what we'll do with it, but we'll make some kind
18 of decision.

19 And with that, I will take Case 12,540 under
20 advisement.

21 (Thereupon, these proceedings were concluded at
22 9:10.m.)

23 * * * I do hereby certify that the foregoing is
24 a complete record of the proceedings of
the Examiner hearing of Case No. 12,540
heard by me on April 18 192002

David R. [Signature]
Oil Conservation Division

STEVEN T. BRENNER, CCR
(505) 989-9317

CERTIFICATE OF REPORTER

[illegible]

I, Steven T. Brenner, Certified Court Reporter
and Notary Public, HEREBY CERTIFY that the foregoing
transcript of proceedings before the Oil Conservation
Division was reported by me; that I transcribed my notes;
and that the foregoing is a true and accurate record of the
proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL April 19th, 2002.

Charles F. Turner

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002