

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

ORIGINAL

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

CASE NO. 14727

APPLICATION OF WILLIAMS PRODUCTION COMPANY, LLC,  
FOR A PROJECT AREA FOR THE FRUITLAND COAL  
PARTICIPATING AREA IN THE ROSA UNIT,  
SAN JUAN AND RIO ARriba COUNTIES, NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Hearing Examiner  
WILLIAM V. JONES, Legal Examiner

November 10, 2011

Santa Fe, New Mexico

RECEIVED OOD  
2011 NOV 28 A 9:06

This matter came on for hearing before the  
New Mexico Oil Conservation Division, DAVID K. BROOKS,  
Hearing Examiner on Thursday, November 11, 2011, at the  
New Mexico Energy, Minerals and Natural Resources  
Department, 1220 South St. Francis Drive, Room 102,  
Santa Fe, New Mexico.

REPORTED BY: Lisa Reinicke  
PAUL BACA PROFESSIONAL COURT REPORTERS  
500 Fourth Street, NW, Suite 105  
Albuquerque, NM 87102

1 A P P E A R A N C E S

2 For Williams Production Company:

3 HOLLAND & HART  
 4 110 North Guadalupe, Suite 1  
 5 Santa Fe, New Mexico 87501  
 (505) 988-4421  
 By: Ocean Munds-Dry

6 For San Juan Mesa and Resources:

7 JAMES GARRETT BRUCE  
 8 ATTORNEY AT LAW  
 P.O. Box 1056  
 Santa Fe, New Mexico 87504-1056  
 9 (505) 982-2043

10 I N D E X

PAGE

11		
12	DIRECT EXAMINATION OF BRENNAN WEST	4
13	DIRECT EXAMINATION OF KENLEY McQUEEN	10
14	CROSS-EXAMINATION OF KENLEY McQUEEN	18
15	CERTIFICATE OF COMPLETION OF DEPOSITION	26

16 EXHIBITS MARKED/IDENTIFIED

- 17 1. Fruitland Coal Participating Area
- 18 2. Fruitland Coal Project Area
- 19 3. Uncommitted Acreage in Project Area
- 20 4. Strategic Initiatives for Horizontal Development
- 21 5. Advantage for Project Area
- 22 6. Fruitland Coal Re-Entry Candidates
- 23 7. November 3, 2011 Letter
- 24 8. Affidavit

25

1 EXAMINER BROOKS: Okay. At this time we  
2 will call case number 14727, Application of Williams  
3 Production Company, LLC, for a project area for the  
4 Fruitland Coal Participating Area in the Rosa Unit,  
5 San Juan and Rio Arriba Counties, New Mexico.

6 Call for appearances.

7 MS. MUNDS-DRY: Ocean Munds-Dry with the law  
8 firm of Holland & Hart, LLC, here representing Williams  
9 Production Company, LLC, this morning. I have two  
10 witnesses.

11 MR. BRUCE: Mr. Examiner, Jim Bruce of  
12 Santa Fe representing San Juan Mesa and Resources, LLC.  
13 I have no witnesses.

14 EXAMINER BROOKS: And there was also an  
15 appearance filed on behalf of McElvain and Amy Wilson.  
16 Is there anybody here representing that party?

17 MR. BRUCE: Mr. Examiner, no. Although I  
18 did get a copy of the letter that I think was also  
19 copied to Ms. Munds-Dry from McElvain saying they have  
20 withdrawn its protest.

21 MS. MUNDS-DRY: Correct. And that was faxed  
22 or e-mailed to the division, and we have a copy of one  
23 of the letters in our evidence packet for you.

24 EXAMINER BROOKS: Very good.

25 Will the witnesses please identify themselves and

1 be sworn.

2 MR. McQUEEN: Ken McQueen.

3 MR. WEST: Brennan West.

4 [Whereupon the witness were duly sworn.]

5 MS. MUNDS-DRY: We'd like to call our first  
6 witness, please, Mr. West.

7 BRENNAN WEST

8 after having been first duly sworn under oath,  
9 was questioned and testified as follows:

10 DIRECT EXAMINATION

11 BY MS. MUNDS-DRY:

12 Q. Would you please state your full name for the  
13 record?

14 A. Brennan Phillip West.

15 Q. And where do you reside, Mr. West?

16 A. Tulsa, Oklahoma.

17 Q. And by whom are you employed?

18 A. Williams Production Company, LLC.

19 Q. And what is your position with Williams?

20 A. Landman.

21 Q. What are your duties as a landman?

22 A. I handle the San Juan Basin responsibilities,  
23 manage Williams assets as a landman in the San Juan  
24 Basin.

25 Q. And do you specifically have responsibility for

1 the Rosa Unit?

2 A. Yes, I do.

3 Q. And have you previously testified before the  
4 division?

5 A. No, I have not.

6 Q. Would you please briefly summarize your education  
7 and work history for the Examiners?

8 A. I graduated from the University of Oklahoma with  
9 a degree in energy management and finance. Upon  
10 graduating in the spring of 2008 I went to work for  
11 Williams as a landman in the San Juan Basin,  
12 specifically the Rosa Unit, and have been working in  
13 that capacity ever since.

14 Q. Thank you, Mr. West. Are you familiar with the  
15 application filed by Williams?

16 A. Yes, I am.

17 Q. And are you familiar with the status of the lands  
18 within the application?

19 A. Yes, I am.

20 MS. MUNDS-DRY: Mr. Examiner, we tender  
21 Mr. West as an expert in petroleum land matters.

22 EXAMINER BROOKS: He is so qualified.

23 MS. MUNDS-DRY: Thank you.

24 Q. (By Ms. Munds-Dry) Mr. West, for the Examiners,  
25 if you'd briefly summarize what Williams seeks in its

1 application.

2 A. Williams seeks a designation of a project area to  
3 include the entire Fruitland Coal Participating Area,  
4 excluding the non-committed and partially committed  
5 acreage within the Fruitland Coal Participating Area  
6 boundaries. The project area will include all future  
7 and existing vertical and horizontal wells within the  
8 Fruitland Participating Area. We ask that future  
9 amendments be made administratively.

10 Q. Thank you. If we could, Mr. West, go to our  
11 first slide and our first exhibit in our packet, which  
12 has been identified as Williams Exhibit Number 1. If  
13 you could review this for the Examiners.

14 A. This is a detailed map of the Rosa Unit showing  
15 the outer boundary of the Rosa Unit as well as the  
16 Fruitland Coal Participating Area. You'll notice in red  
17 over here and across the entire Rosa Unit is the  
18 existing and approved 21st expansion. In blue is the  
19 pending 22nd through 29 Fruitland Coal expansions.

20 You'll also notice on this map that we have  
21 shaded the lands in different colors. The gray  
22 represents federal acreage. The brown represents state  
23 lands in the fee -- or, I'm sorry. The white represents  
24 fee acreage. Additionally, I want to point out that we  
25 have some uncommitted and partially committed acreage

1 within the Rosa Unit. The first one is up in section 33  
2 and 34, 32 north, 6 west and section 3 and 4 of 31  
3 north, 6 west. There's also a 9.35 acre tract right  
4 there in section 2, 31 north, 6 west. And then we have  
5 some partially committed acreage down south in the  
6 northeast quarter of section 25 and 26.

7 The total Fruitland Coal Participating Area  
8 encompasses 31,782.44 acres and the project area  
9 contains 31,571.92 acres.

10 Q. And so the difference between the participating  
11 area -- and I want to ask you about the expansions in a  
12 minute. But the difference in acreage between the  
13 participating area and what we are seeking in the  
14 project area is -- what is the difference?

15 A. The difference is that the uncommitted acreage  
16 and partially committed acreage within the Fruitland  
17 Coal Participating Area is not part of the project area.

18 Q. And you said earlier that the 22nd through 29th  
19 expansion is pending. What is the status of those  
20 expansions, has that been approved by the BLM?

21 A. We have submitted the commercialities for the  
22 wells that will bring in the land for the 22nd through  
23 29th expansion. The BLM has approved that and we have  
24 since submitted the schedule outlining the working  
25 interest, the royalty interest, and overriding royalty

1 interest for all of the tracts that will be in the 29th  
2 expansion. We're waiting on BLM to approve that, and  
3 once they do we will expand it to the 29th expansion.

4 Q. Do you expect that any day now?

5 A. Yes.

6 Q. Let's turn to the next slide and what has been  
7 marked as Exhibit Number 2. What does this slide show  
8 us?

9 A. Exhibit Number 2 just outlines all the tracts in  
10 the project area. As I stated before, the project area  
11 includes all of the acreage in the Fruitland Coal  
12 Participating Area that have been committed to the Rosa  
13 Unit.

14 Q. So this is just a more particular description for  
15 the Examiners of the acreage we're seeking to have  
16 included in the project area?

17 A. That's correct.

18 Q. And how does Williams propose to treat the  
19 uncommitted acreage in the Unit? And if you could refer  
20 to your next slide, what has been marked as Exhibit 3.

21 A. Williams is going to stay 660 feet from the  
22 spacing unit boundary containing uncommitted or  
23 partially committed acreage unless there's an agreement  
24 between the uncommitted or partially committed working  
25 interest owners or approval of a non-standard location



1 by the NMOCD.

2 Q. And I believe, Mr. West, that Mr. McQueen will  
3 elaborate on our discussions with McElvain and San Juan  
4 and how we reached that agreement a little bit later?

5 A. That's correct.

6 Q. I know the Examiners know this very well, but  
7 refresh our memories as to what rules govern the  
8 development of the Basin Fruitland Coal pool.

9 A. The Fruitland Coal pool will provide for 320-acre  
10 spacing with well density of two wells per spacing unit  
11 and the wells cannot be drilled closer than 660 feet to  
12 an adjacent spacing unit.

13 Q. Thank you, Mr. West. Will approval of this  
14 application be in the best interest of conservation, the  
15 prevention of waste, and the protection of correlative  
16 rights?

17 A. Yes, it will.

18 Q. And were Exhibits 1 through 3 either prepared by  
19 you or compiled under your direct supervision?

20 A. Yes, they were.

21 MS. MUNDS-DRY: Mr. Examiner, we move to  
22 admit Exhibits 1 through 3 into evidence.

23 EXAMINER BROOKS: 1 through 3 are admitted.

24 [Exhibits 1 through 3 admitted.]

25 MS. MUNDS-DRY: Thank you. And I have

1 nothing further for Mr. West.

2 MR. BRUCE: I have no questions,  
3 Mr. Examiner.

4 EXAMINER BROOKS: I have no questions.  
5 Do you have questions, Mr. Jones?

6 EXAMINER JONES: Is there any Indian lands  
7 involved?

8 MR. WEST: There is not.

9 EXAMINER JONES: I have no questions.

10 EXAMINER BROOKS: You may call your next  
11 witness.

12 MS. MUNDS-DRY: Thank you very much. We  
13 call Mr. McQueen.

14 KENLEY McQUEEN

15 after having been first duly sworn under oath,  
16 was questioned and testified as follows:

17 DIRECT EXAMINATION

18 BY MS. MUNDS-DRY:

19 Q. Would you please state your full name for the  
20 record?

21 A. My full name is Kenley Haywood McQueen, Jr.

22 Q. And, Mr. McQueen, where do you reside?

23 A. I reside in Tulsa, Oklahoma.

24 Q. And who do you work for?

25 A. I'm employed by Williams Production Company, LLC.

1 Q. What is your position with Williams?

2 A. I'm the director of the San Juan region.

3 Q. And have you previously testified before the  
4 division?

5 A. I have.

6 Q. And were your credentials accepted and made a  
7 matter of record?

8 A. They were.

9 Q. Are you familiar with the application that's been  
10 filed in this case?

11 A. I am.

12 Q. And have you made an engineering study of the  
13 subject lands?

14 A. I have.

15 MS. MUNDS-DRY: We tender Mr. McQueen as an  
16 expert in petroleum engineering.

17 EXAMINER BROOKS: He is so accepted.

18 MS. MUNDS-DRY: Thank you.

19 Q. (By Ms. Munds-Dry) Mr. McQueen, if we could turn  
20 to your first slide, which has marked as Exhibit  
21 Number 4, and if you could review for the Examiners.

22 A. The current OCD rules applicable to the  
23 horizontal wells arbitrarily limit the lateral length of  
24 the lateral that many operators would like to drill  
25 largely because of the definition of the penetration

1 point and the requirements for the surface setbacks.

2 Williams has previously appeared for some relief  
3 on a couple of these points. In case 14290 resulting in  
4 order R-13204 we requested an exception to the  
5 interpretation of the penetration point, which really  
6 allows us to drill our horizontals more in what's  
7 anticipated under the future horizontal rules using the  
8 completion interval rather than the penetration point.

9 And in case 14335 resulting in order R-13200,  
10 that was a case in which we asked for NSL across the  
11 Rosa Unit in order to prevent requiring a specific NSL  
12 location for each one of the horizontals that we drill.  
13 We did this because in a 320-acre spacing unit with a  
14 660 setback, and then when you take into consideration  
15 the curvature that it takes to get horizontal in the  
16 section that's another 5 to 600 feet, you can easily  
17 consume 30 percent of your entire lateral length because  
18 of the setback requirements and the penetration point.

19 And these two cases address that and gave us some  
20 latitude to drill longer section laterals within the  
21 spacing units. Today we're asking for the project area  
22 so that we continue the development in the Fruitland  
23 Coal drilling these same laterals across the section  
24 lines.

25 Q. And I know Mr. Brooks and Mr. Jones, having

1 recently been a part of the new horizontal well rules,  
2 are familiar with some of these definitions. But for  
3 the record if you could humor me and remind us of what  
4 the definition is of a project area under the existing  
5 division rules for horizontal wells.

6 A. Specifically a project area is that area that the  
7 operator designates in a form C-102 that spacing unit is  
8 outer boundary enclosed. It's a combination of the  
9 complete and continuous spacing units.

10 Q. And so the idea here is Williams is seeking to  
11 make one large project area for the participating area?

12 A. That's our intent, yes.

13 Q. And has this concept of a project area being  
14 formed -- in fact, I believe the proposed horizontal  
15 rules by the division allow for a project area to be  
16 formed by filing a C-102 for a project area that is the  
17 same for a participating area. That concept has already  
18 been proposed by the division, right?

19 A. That's the intent under the proposed rules.

20 Q. Why does Williams want to form a project area for  
21 the entire Fruitland Participating Area? And if you  
22 could turn to Exhibit 5.

23 A. There's a number of reasons that project areas  
24 are advantageous, and I've listed those here on  
25 Exhibit 5. First of all, the project area removes the

1 arbitrary boundaries imposed by the spacing units. It  
2 also optimizes our surface locations. As you know, in  
3 Rosa we have a lot of topography to deal with as well as  
4 archaeology sites. And surface locations are very hard  
5 to come by. So when we have this additional latitude in  
6 locating our lateral sections it gives us better  
7 flexibility in utilizing the existing surface  
8 disturbances in the field.

9 The project area eliminates the need for NSL  
10 filings as well as eliminates the need of simultaneous  
11 dedication filings. And our Fruitland Development plan  
12 this past summer had a large number of the simultaneous  
13 dedications filings that had to be processed by the OCD.  
14 And finally, laying these horizontal laterals in the  
15 most effective area for drainage optimizes gas recovery.

16 Q. Let's turn then to your next slide, which has  
17 been marked as Williams Exhibit Number 6. Does this  
18 further illustrate the advantages you discussed  
19 previously?

20 A. That's correct. This is basically an inventory  
21 of Fruitland Coal activity that we have underway in  
22 Rosa. The wells that have a black dot on them with a  
23 corresponding lateral length were the wells that we  
24 completed in our program this past summer or will be  
25 completing shortly here with winter closure. The red

1 squares scattered through the unit are wellbores that we  
2 would like to reenter but because of the location of the  
3 existing wells those need to cross section lines. And  
4 so those are the wells that specifically would benefit  
5 from our ability to drill across section lines from the  
6 project area.

7       The complication we have, because of both our  
8 topography and archaeology and location of surface  
9 locations out here, is a number of our Fruitland wells  
10 were drilled directionally to get from available surface  
11 locations to the bottom hole location.

12       And in many cases the reentry of a directional  
13 well, you're forced to drill a horizontal lateral in the  
14 same general direction that the directional well has  
15 already been drilled. And that's why a number of these  
16 that we've identified with the red squares on them are  
17 directional wells that when we extend the direction into  
18 a horizontal well we'll be crossing the section line.

19       Q. Before we leave this slide, and as you're  
20 discussing some of your future plans, I know our friends  
21 at San Juan are curious about how Williams, or if  
22 Williams has determined how it plans to allocate  
23 production from its horizontal wells and for Fruitland  
24 Coal wells. Will that be determined by acreage, and do  
25 you know if Williams has even determined that at this

1 point?

2 A. It will be determined by the lateral length. The  
3 proportion of the lateral that is in the spacing unit  
4 containing uncommitted or partially committed area  
5 compared to the length of the lateral outside of the  
6 spacing unit. And this is the same agreement that we  
7 reached with some of the uncommitted acreage owners  
8 related to our project area case in the Macus Formation.

9 Q. Thank you, Mr. McQueen. Finally, Exhibit  
10 Number 8, the notice packet -- we're going to come back  
11 to 7 in a minute. But that includes the notice  
12 affidavit, parties that were noticed, affidavit of  
13 publication, the notice letter, and a copy of the green  
14 cards showing notice was given of this application.

15 A. Yes, that's correct.

16 Q. And who did Williams notify of this application?

17 A. We notified working interest owners, offset  
18 owners, the state land office, and the BLM.

19 Q. And did Williams meet with the BLM?

20 A. We met with representatives of the Farmington  
21 office, the BLM on September 15th and went through this  
22 presentation with them.

23 Q. And did they have any objection?

24 A. They had no objections.

25 Q. Has Williams received any objections to this



1 application?

2 A. Yes. Initially we received objections to the  
3 application largely because our initial approach was to  
4 setback 660 feet from uncommitted or partially committed  
5 acreage. And we met in Denver on October 24th with  
6 major uncommitted acreage owners, which included  
7 McElvain, Arriba, San Juan Basin, Resources, LLC. And  
8 after those discussions Williams elected to amend its  
9 application so that the setback from partially committed  
10 or uncommitted acreage would be 660 feet from the  
11 spacing unit rather than from the uncommitted lands.

12 Q. And is that agreement reflected in your next  
13 slide, which is Exhibit Number 7?

14 A. Yes. This is the letter we received from  
15 McElvain acknowledging that agreement.

16 Q. And as Mr. Bruce noted, I believe this agreement  
17 was sent to the division in the last couple of days, and  
18 you also have a copy of it here now. Excuse me. Will  
19 approval of this application be in the best interest of  
20 conservation, the prevention of waste, and the  
21 protection of correlative rights?

22 A. It will.

23 Q. Were Exhibits 4 through 6 and 8 prepared by you  
24 or compiled under your direct supervision?

25 A. They were.

1 Q. And Exhibit 7 was prepared, I believe, by  
2 McElvain?

3 A. That's correct.

4 Q. And accepted and made a part of Williams business  
5 records?

6 A. That's correct.

7 MS. MUNDS-DRY: We move to admit Exhibits 4  
8 through 8 into evidence.

9 EXAMINER BROOKS: 4 through 8 are admitted.

10 [Exhibits 4 through 8 admitted.]

11 MS. MUNDS-DRY: And because my voice is  
12 getting worse, Mr. Brooks, that concludes my direct  
13 examination of Mr. McQueen.

14 EXAMINER BROOKS: Thank you.

15 Mr. Bruce?

16 CROSS-EXAMINATION

17 BY MR. BRUCE:

18 Q. I just have one question. Mr. McQueen, on your  
19 Exhibit 6 -- I have to justify my existence here.  
20 There's one thing that up in the northeast corner of the  
21 unit, sections 2 and 11, there's some blue squares.  
22 What does that indicate? It's not given on your legend.

23 A. I believe those are errant annotations,  
24 Mr. Bruce.

25 MS. MUNDS-DRY: Thank you for pointing that

1 out, Mr. Bruce.

2 MR. BRUCE: I just didn't know. That's all  
3 I have.

4 MR. McQUEEN: As you can appreciate, these  
5 are generated through archaeologic software that's  
6 called Petra, and we literally have hundreds of layers.  
7 And in our haste to get work done we occasionally fail  
8 to turn off some of the layers that are there for other  
9 purposes.

10 MR. BRUCE: Thank you.

11 EXAMINER BROOKS: Well, I don't want to take  
12 too much time because I've got a meeting to go to. But  
13 I am curious about -- and it's not really, I think,  
14 necessary to this case. But I'm curious about the  
15 economics of horizontal wells. And all I know about it  
16 is what I see going on, and I don't see people drilling  
17 horizontal wells in the shape of a J. That is, I don't  
18 see people drilling wells that go way down and then have  
19 a little stubby lateral at the end of them. Is that not  
20 a very economic thing to do?

21 MR. McQUEEN: Let me address your question,  
22 Mr. Brooks, specifically to the Fruitland Coal.

23 EXAMINER BROOKS: Yeah, that's what you've  
24 prepared and what this case is about.

25 MR. McQUEEN: The considerations are

1 different whether we would be in the Macus shale or in  
2 the Fruitland Coal. But in the Fruitland Coal, because  
3 the formation is not nearly as consolidated as in a  
4 shale, we find it a real challenge to drill extended  
5 reach horizontal laterals. In fact, most of our  
6 horizontal lateral work is projected at 2500 feet  
7 lateral length, which is about half the distance we  
8 achieve in the Macus shale.

9 And the reason for that is the coal is a much  
10 softer and a much more difficult, challenging formation  
11 to drill, plus we've had ongoing depletion in the  
12 Fruitland Coal which results in some pressure depletion  
13 which also complicates the drilling process. Finally,  
14 with drilling the coals we need to be very cognizant of  
15 what type of drilling fluids we use so that we don't  
16 damage the cleat system or the natural permeability that  
17 occurs there.

18 Now, most of our work this past summer has been  
19 reentries and we prefer to reenter vertical wellbores  
20 because by doing so we leave behind -- we actually  
21 drill -- we cut a window in the vertical wellbore and  
22 drill this lateral out. And then we drop off, it's  
23 called a drop off line or perforated line basically to  
24 keep the hole open so the coal doesn't collapse on that.  
25 And then we remove the whipstock, which allows us to

1     drill the lateral and we run our artificial lift  
2     equipment into the vertical section of the well that was  
3     there originally. We perforate that coal. And the  
4     reason for that is we are able to operate our artificial  
5     lift equipment much more efficiently in the vertical  
6     section rather than trying to run it out into the  
7     horizontal section.

8             Since we have an existing wellbore, the cost of  
9     reentry is very -- produces very favorable economics.  
10    And we've been AFE'ing these 2500 foot laterals in the  
11    Fruitland Coal just a hair more than \$900,000 each.

12            EXAMINER BROOKS: And unlike Mr. Midkiff in  
13    the prior case, you have vertical wells that have a  
14    sufficient casing status to prevent you to do this.

15            MR. McQUEEN: In almost every case that is  
16    correct. Our standard casing size for the Fruitland  
17    Coal is 7 inch, and that's ample size to enter and  
18    reentry. Next year we will actually be redrilling some  
19    of our existing -- two of our existing vertical wells  
20    into grassroots horizontal wells because they were set  
21    with five and a half inch casing. And five and a half  
22    inch casing significantly increases the risk of being  
23    successful in a horizontal reentry situation.

24            EXAMINER BROOKS: Okay. Thank you.

25            Mr. Jones?

1 EXAMINER JONES: Were any of these capitated  
2 originally?

3 MR. McQUEEN: Yes, they were.

4 EXAMINER JONES: So you can't drill those.

5 MR. McQUEEN: We have to kick off above our  
6 estimate of capitated area and stay out of the cavity.

7 EXAMINER JONES: And 500 feet out for a  
8 median radius?

9 MR. McQUEEN: Right. 5 to 600 feet is our  
10 typical radius on these wells.

11 EXAMINER JONES: So these are drilled mainly  
12 in the main base hole coal. I forgot whether there's a  
13 main base hole coal here.

14 MR. McQUEEN: There are two significant coal  
15 seams in Rosa. And one of those thins as we move --  
16 Energent has done a lot of horizontals up in this area  
17 here. And this main coal thins as we move to this  
18 direction. And our preliminary filter for reentries are  
19 at least 10 foot of coal thickness.

20 And so the boundary of that coal seam is roughly  
21 right through this area here. There's a second coal  
22 seam, which I believe is shallower. We call this the  
23 magenta coal seam and this the green coal seam down  
24 here. There's a second coal seam that the 10-foot  
25 thickness line is just about in here. And as you move

1 to the south it also thickens. So the northwest portion  
2 of Rosa and the southeast portion of Rosa are the  
3 optimal places for doing these horizontal reentries.

4 Now, the very east side of Rosa is in the under  
5 pressured area, and we have not conducted any horizontal  
6 operations there because it is in the under pressured  
7 area. And then there's a central portion in Rosa where  
8 the two coal seams overlap or bifurcate. In fact, there  
9 are some minor coal seams there as well. And where we  
10 see multiple bifurcations, and particularly when they're  
11 not very thick, then that's the area that we pursue with  
12 vertical development.

13 EXAMINER JONES: This is just being proposed  
14 for the participating area? As far as the future  
15 expansion of that, when the BA goes bigger, or if it  
16 does, how would we handle that?

17 MR. McQUEEN: We have asked that the project  
18 area expand with the participating expansion through an  
19 administrative process.

20 EXAMINER JONES: Okay.

21 MR. McQUEEN: And we are anticipating some  
22 of these holes that we have here in the participating  
23 area, that with the horizontal application of getting  
24 better reserves that those likely will come into the PA.

25 EXAMINER JONES: So the economics prediction

1 is a little different than it was with vertical only.

2 MR. McQUEEN: Yes. Yes.

3 EXAMINER JONES: I don't have any more  
4 questions.

5 EXAMINER BROOKS: Very good.

6 Any further follow up?

7 MS. MUNDS-DRY: Nothing further. We'd ask  
8 that this matter be taken under advisement.

9 EXAMINER BROOKS: Very good. Case number  
10 14727 will be taken under advisement, and this docket  
11 will stand in recess until 1:30.

12 [Case 14727 taken under advisement.]

13

14

15

16

17

18

19

20

21

22

23

24

25

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 14727  
heard by me on Nov 10, 2011

David K. Brooks Examiner  
Oil Conservation Division



## REPORTER'S CERTIFICATE

1  
2  
3 I, Lisa Reinicke, New Mexico Provisional  
4 Reporter, License #P-405, working under the direction  
5 and direct supervision of Paul Baca, New Mexico CCR  
6 License #112, Official Court Reporter for the US  
7 District Court, District of New Mexico, do hereby  
8 certify that I reported the foregoing proceedings in  
9 stenographic shorthand and that the foregoing pages are  
10 a true and correct transcript of those proceedings and  
11 was reduced to printed form under my direct supervision.

12 I FURTHER CERTIFY that I am neither employed by  
13 nor related to any of the parties or attorneys in this  
14 case and that I have no interest whatsoever in the final  
15 disposition of this case in any court.

16

17

18

19

20

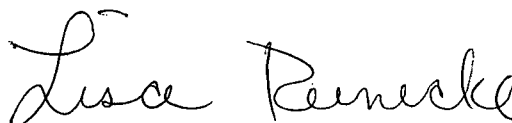
21

22 Ex count:

23

24

25

  
Lisa R. Reinicke,  
Provisional License P-405  
License expires: 8/21/2012