

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. 13,546

APPLICATION OF XTO ENERGY, INC., FOR AN)
UNORTHODOX INFILL GAS WELL LOCATION)
WITHIN BOTH THE PRORATED SOUTH BLANCO-)
PICTURED CLIFFS AND BLANCO-MESAVERDE)
POOLS AND AN EXCEPTION TO THE WELL)
DENSITY PROVISIONS OF THE SPECIAL RULES)
GOVERNING THE BLANCO-MESAVERDE POOL,)
SAN JUAN COUNTY, NEW MEXICO)

2005 SEP 9 PM 1 25

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Hearing Examiner

August 25th, 2005

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Hearing Examiner, on Thursday, August 25th, 2005, 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.

* * *

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

I N D E X

August 25th, 2005
Examiner Hearing
CASE NO. 13,546

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APPLICANT'S WITNESS:	
<u>BRIAN WOOD</u> (President, Permits West, Inc.)	
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* * *

A P P E A R A N C E S

FOR THE DIVISION:

GAIL MacQUESTEN
Deputy General Counsel
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

JAMES G. BRUCE
Attorney at Law
P.O. Box 1056
Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 10:48 a.m.:

3 EXAMINER EZEANYIM: Let's go on the record again.
4 At this point, I call Case Number 13,546. This is the
5 Application of XTO Energy, Inc., for an unorthodox infill
6 gas well location within both the prorated South Blanco-
7 Pictured Cliffs and Blanco-Mesaverde Pools and an exception
8 to the well density provisions of the special rules
9 governing the Blanco-Mesaverde Pool, San Juan County, New
10 Mexico.

11 Call for appearances.

12 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
13 representing the Applicant. I have one witness.

14 EXAMINER EZEANYIM: May the witness stand to be
15 sworn, please?

16 MR. WOOD: Yes, my name is Brian Wood.

17 MR. BRUCE: Stand to be sworn.

18 (Thereupon, the witness was sworn.)

19 BRIAN WOOD,
20 the witness herein, after having been first duly sworn upon
21 his oath, was examined and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. BRUCE:

24 Q. Now, please state your name for the record.

25 A. Brian Wood, I'm president of Permits West,

1 Incorporated.

2 Q. And where do you reside?

3 A. Santa Fe, New Mexico.

4 Q. What is your or Permits West's relationship to
5 XTO Energy in this case?

6 A. I have prepared the application for permit to
7 drill, and I've also prepared the nonstandard location
8 application.

9 Q. Okay. And you are personally familiar with the
10 matters set forth in this Application?

11 A. Yes, I am.

12 Q. Now, was this Application originally applied for
13 administratively?

14 A. Yes, that's correct.

15 Q. And is a copy of the administrative application
16 marked Exhibit 2?

17 A. Yes.

18 Q. And did you personally prepare that exhibit?

19 A. Yes.

20 Q. Now, let's look at your Exhibit 1, which is a
21 topo map that mentions some wells. Can you describe the
22 section, township and range and the particular well
23 involved that XTO seeks approval to drill?

24 A. Yes, it's in Section 20 of Township 27 North,
25 Range 8 West. The subject well is the Florance D 18,

1 that's D like "delta". This well is proposed to produce
2 from both the Pictured Cliff and Mesaverde zones. Within
3 the southeast quarter of Section 20 there is currently one
4 other Pictured Cliff well, that is the Florance 70.
5 There's also one other Mesaverde -- well, there's actually
6 two other Mesaverde wells, one of which is proposed for
7 plugging. The one that is proposed for plugging is the
8 Florance D LS 4A. Both of these wells proposed for
9 plugging are labeled on the map. The proposed well is
10 simply shown as "Site".

11 Q. Okay, this well will test both zones. And under
12 the Division's Rules, how many Pictured Cliffs wells are
13 allowed per quarter section?

14 A. There is one PC well per quarter section.

15 Q. And under the rules for the Blanco-Mesaverde
16 Pool, how many wells are allowed per half section?

17 A. There would be four allowed per half section.
18 This would be a fifth well. Therefore XTO proposes to plug
19 the surplus well.

20 Q. Okay. So this well -- or this Application was
21 originally filed administratively, but it was set for
22 hearing because the existing Florance 70 well -- which is
23 the PC well -- ?

24 A. Correct.

25 Q. That would mean there would be two PC wells on

1 this quarter section, which is not permissible, correct?

2 A. Correct.

3 Q. And then the Florance D LS 4A well, which is a --
4 is or was a Mesaverde well?

5 A. Is.

6 Q. It currently is?

7 A. Correct.

8 Q. And if the proposed well was drilled, that would
9 lead to five rather than four Mesaverde wells on this half
10 section?

11 A. Correct.

12 Q. As a result, it could not be approved
13 administratively, and so I believe Mr. Stogner set this for
14 hearing, did he not?

15 A. Correct.

16 Q. Now, to get to the heart of the matter, to
17 alleviate this situation so that you are not asking for an
18 impermissible number of units, again, what is requested of
19 the Wells Number 70 and 4A?

20 A. XTO has applied to the BLM, they have filed
21 sundry notices to plug both wells. The Florance D LS 4A
22 well, the sundry notice for that well was filed on August
23 5th. The sundry notice for plugging the Florance 70 --
24 that's seven-zero -- that was filed January 26th of this
25 year.

1 Q. And are those plugging notices marked as Exhibits
2 3 and 4?

3 A. Yes.

4 Q. Okay. So if that plugging is accomplished, then
5 there will be no violation of the Division's Rules?

6 A. Correct.

7 Q. Now, does XTO desire to drill this well first,
8 before plugging?

9 A. Yes, they would like to drill and complete the
10 well.

11 Q. To make sure it is productive?

12 A. Correct.

13 Q. And that no problems occur with the well?

14 A. Correct.

15 Q. But there will be no concurrent production from
16 the proposed well and the Number 70 well in the Pictured
17 Cliffs; is that correct?

18 A. Correct.

19 Q. And there will be no concurrent production from
20 five Mesaverde wells, there will only be four producing
21 wells at any one time?

22 A. Correct.

23 Q. Okay. What -- and also there is an unorthodox
24 location, and that is referenced in the administrative
25 application, but what is the reason for the unorthodox

1 location?

2 A. The topography forced us to move it closer to the
3 quarter-section lines. It's a very steep, rugged area,
4 where the well was initially staked as a standard location,
5 basically would have been beneath what would have become a
6 waterfall during any rainstorms. It also would have
7 required quite a bit of cut. The BLM requested that the
8 wellsite be moved to a more gentle location and more stable
9 location.

10 Q. Okay. And the well couldn't be moved to the
11 north; I believe there's already an existing Mesaverde well
12 up there, is there?

13 A. That's correct.

14 Q. So it would have to be in the south half of the
15 southeast quarter of this section?

16 A. Correct.

17 Q. And with -- Did you also make an examination of
18 pertinent records to determine who was entitled to notice
19 of the unorthodox location application?

20 A. Yes, I reviewed both OCD records and BLM records.

21 Q. And who are those parties?

22 A. We've notified five parties including BLM, and
23 four parties identified on the BLM serial register page.

24 Q. Okay. Now, they were notified of the
25 administrative application, were they not?

1 A. Correct.

2 Q. And they did not object?

3 A. Correct.

4 Q. And were they renotified of this hearing?

5 A. Yes, by yourself.

6 Q. And is that submitted as Exhibit 5?

7 A. Yes.

8 Q. And again, have you received any indication of
9 any objection to the unorthodox location?

10 A. I've received no objections at all.

11 Q. Okay. Were Exhibits 1 through 4 prepared by you
12 or compiled from company business records?

13 A. Yes.

14 Q. And Exhibit 5 is simply my affidavit?

15 A. Correct.

16 MR. BRUCE: Mr. Examiner, I'd move the admission
17 of XTO Exhibits 1 through 5.

18 EXAMINER EZEANYIM: Exhibits 1 through 5 will be
19 admitted into evidence.

20 Q. (By Mr. Bruce) Mr. Wood, in your opinion is the
21 granting of this Application in the interests of
22 conservation?

23 A. Yes, it is.

24 Q. And it will allow full development of both the
25 Pictured Cliffs and the Mesaverde in this well unit, will

1 it not?

2 A. Correct.

3 MR. BRUCE: That's all I have of this witness,
4 Mr. Examiner.

5 EXAMINER EZEANYIM: Thank you, Mr. Bruce.

6 Do you have any?

7 EXAMINATION

8 BY MS. MacQUESTEN:

9 Q. Mr. Wood, you testified that you plan to plug the
10 two existing wells, but you're asking to drill and complete
11 this new well before finishing the plugging?

12 A. Correct.

13 Q. What happens of the new well is not productive?
14 Do you still intend to plug the other well?

15 A. The Florance 70 will be plugged. There's
16 downhole problems. It's a directional wellbore, and
17 basically they just simply can't pump that well as is. So
18 my understanding of XTO's plans is yes, the Florance 70
19 will be plugged regardless.

20 The Florance D LS 4A is a Mesaverde well. They
21 would probably have to, you know, think what their plans
22 would be. You know, my suspicion is, they would do a rig
23 skid on the Florance D 18 -- that's the one that is
24 proposed -- and try to, you know, drill it a second time.

25 MS. MacQUESTEN: Thank you.

EXAMINATION

BY EXAMINER EZEANYIM:

Q. That was a good question. Do you -- you have gotten the plugging procedure to the District Office? You've got already --

A. The plugging programs --

Q. Yes.

A. -- yes, those have been submitted to the BLM. The Florance 70 was submitted in January and approved by the BLM in February. I have not yet received BLM approval on the Florance D LS 4A. That was submitted just this month.

Q. Okay. Okay, first of all, I want to determine, because this is -- if you look at these -- but let me try to determine what you really want in this case. This is what I understand you want:

One, you want -- you seek to drill the Florance D 18, the Florance Well D Number 18 -- I mean Florance Well Number 18, as both -- if you were in the Mesaverde and also as -- and if you were in the Pictured Cliffs, right?

A. Correct.

Q. That one too, okay. You want that, okay.

Okay, the second one is that you want approval of NSL, because according to the Rule 605 and then 104.C.(3) and the special pool rules and regulations of that Rule

1 10,987-A, Roman numeral I.(C).(1), they are unorthodox. I
2 mean, this well is unorthodox.

3 A. Yeah.

4 Q. And the well location is 520 --

5 A. It's 520 --

6 Q. Okay.

7 A. -- and 595.

8 Q. Okay, you want approval of that. And you also
9 want an exception to Rule I.B.(1).(e), also you want the
10 I.B.(1).(f), of that special pool rules, 10,987-A, right?

11 A. Correct.

12 Q. Those are the things you want. Is that -- Is
13 that a fair statement?

14 MR. BRUCE: Yes, except if -- I believe, Mr.
15 Examiner, and Mr. Wood can correct me -- if the proposed
16 well is drilled and completed as planned, there really
17 won't be an exception to the --

18 THE WITNESS: -- density.

19 MR. BRUCE: -- to the density -- to the well-
20 density requirements.

21 EXAMINER EZEANYIM: Okay, because the other --

22 MR. BRUCE: Because the other wells will be
23 plugged.

24 THE WITNESS: Correct.

25 EXAMINER EZEANYIM: Okay. So you are going to

1 have four wells instead of five?

2 MR. BRUCE: Yeah.

3 THE WITNESS: Right.

4 MR. BRUCE: And they do not seek permission to
5 produce two PC wells.

6 EXAMINER EZEANYIM: Oh, okay. Yeah, I thought
7 you were -- Okay, good. I didn't know those wells are
8 going to be plugged.

9 THE WITNESS: Yes, those are the exhibits that
10 I've submitted.

11 EXAMINER EZEANYIM: So actually, this will be
12 dismissed, exception to that rule, because you are going to
13 actually plug either 70 or 4A, you'll be within the rule
14 requirements, you know, of four wells per section.
15 Therefore the exception to that rule will be dismissed.

16 MR. BRUCE: Correct.

17 THE WITNESS: Correct.

18 Q. (By Examiner Ezeanyim) Okay. Is this Well
19 Number 70 -- is that a directional well?

20 A. It was drilled directionally, yes.

21 Q. Yeah, okay. That's why on that section -- on
22 that Unit P, or something, it intercepted as Unit P, and
23 that may be -- Okay, I understand that.

24 I have no further questions.

25 MR. BRUCE: I have nothing further in this

1 matter, Mr. Examiner.

2 EXAMINER EZEANYIM: Case Number 13,546 will be
3 taken under advisement.

4 THE WITNESS: Thank you.

5 (Thereupon, these proceedings were concluded at
6 11:01 a.m.)

7 * * *

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11
12 I do hereby certify that the foregoing is
13 a complete record of the proceedings in
14 the Examiner hearing of Case No. 13546
15 heard by me on 8/25/05
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Oil Conservation Division

Examiner

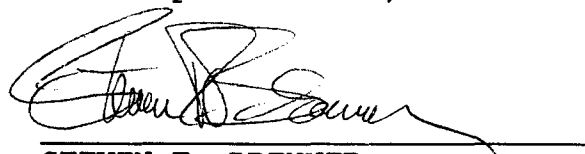
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

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 September 7th, 2005.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006