

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:)

APPLICATION OF WILLIAMS PRODUCTION)
COMPANY, LLC, FOR AMENDMENT OF ORDER)
NUMBER R-2046, SAN JUAN AND RIO ARriba)
COUNTIES, NEW MEXICO)

CASE NO. 13,939

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Jr., Legal Examiner
RICHARD EZEANYIM, Technical Examiner

June 21st, 2007

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Jr., Legal Examiner, and RICHARD EZEANYIM, Technical Examiner, on Thursday, June 21st, 2007, 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.

* * *

RECEIVED
2007 JUN 29 PM 4 13

I N D E X

June 21st, 2007
 Examiner Hearing
 CASE NO. 13,939

	PAGE
APPEARANCES	3
APPLICANT'S WITNESSES:	
<u>VERN HANSEN</u> (Landman)	
Direct Examination by Ms. Munds-Dry	6
Examination by Examiner Brooks	30
Examination by Examiner Ezeanyim	35
REPORTER'S CERTIFICATE	38

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	7	30
Exhibit 2	8	30
Exhibit 3	8	30
Exhibit 4	10	30
Exhibit 5	11	30
Exhibit 6	12	30
Exhibit 7	18	30
Exhibit 8	19	30
Exhibit 9	19	30
Exhibit 10	22	30
Exhibit 11	29	30

* * *

A P P E A R A N C E S

FOR THE DIVISION:

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

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

FOR THE APPLICANT:

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

* * *

ALSO PRESENT:

William D. Scolah, CPA
President, Chamisa Land Company

* * *

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

1 WHEREUPON, the following proceedings were had at
2 10:19 a.m.:

3
4
5
6 EXAMINER BROOKS: Okay, as I said, we're not
7 moving directly down the docket because we want to clear
8 out some more complex cases.

9 At this time we'll call Case Number 13,939, the
10 Application of Williams Production Company, LLC, for
11 amendment of Order Number R-2046, San Juan and Rio Arriba
12 Counties, Texas -- New Mexico, I'm sorry. Fifty years of
13 habit is hard to break.

14 That's on page 5 of the docket.

15 We'll call for appearances.

16 Well, I'm sorry, Ms. Munds-Dry was the attorney
17 on this and --

18 MS. MUNDS-DRY: Just a second, Mr. Brooks.

19 EXAMINER BROOKS: Oh, okay. I didn't see --
20 There was somebody standing in front of you, and you're
21 small, so I didn't see you.

22 MS. MUNDS-DRY: Mr. Brooks, Ocean Munds-Dry with
23 Holland and Hart, here representing Williams Production
24 Company this morning, and I have one witness.

25 EXAMINER BROOKS: Okay, there was a gentleman who

1 had indicated he was intending to enter an appearance in
2 this case. I don't -- Is he in the room?

3 EXAMINER EZEANYIM: Any other appearance?

4 EXAMINER BROOKS: The gentleman in the back row,
5 did you wish to enter an appearance in this case, sir?

6 MR. SCORAH: I wanted to come and see what was
7 being said, and if I had any questions then I would want to
8 be able to enter in my testimony.

9 EXAMINER BROOKS: Very good. Could you state
10 your name for the record, please?

11 MR. SCORAH: Bill Scolah, CPA. I'm president of
12 Chamisa Land Company, sole owner.

13 EXAMINER BROOKS: Very good, thank you.

14 (Off the record)

15 MS. MUNDS-DRY: Mr. Examiner, are you --

16 EXAMINER BROOKS: You may proceed.

17 MS. MUNDS-DRY: I'm ready.

18 EXAMINER BROOKS: I'm sorry. Did we swear the
19 witness?

20 MS. MUNDS-DRY: I don't think we've sworn in the
21 witness.

22 EXAMINER BROOKS: Please swear the witness.

23 (Thereupon, the witness was sworn.)

24 EXAMINER BROOKS: Okay, you may proceed, Ms.
25 Munds-Dry.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

VERN HANSEN,

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

DIRECT EXAMINATION

BY MS. MUNDS-DRY:

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

A. Vern Hansen.

Q. Where do you reside?

A. Tulsa, Oklahoma.

Q. And by whom are you employed?

A. Williams Production Company.

Q. And in what capacity?

A. I'm a landman.

Q. Have you previously testified before the Division, and were your credentials made a matter of record at that time?

A. Yes, they were, yes.

Q. And are you familiar with the Application filed on behalf of Williams in this case?

A. Yes, I am.

Q. And are you familiar with the status of the lands in the subject portion of the Rosa Unit?

A. Yes, I am.

MS. MUNDS-DRY: Mr. Examiner, we would tender Mr. Hansen as an expert in petroleum land matters.

1 EXAMINER BROOKS: Are you -- Mr. -- I'm sorry,
2 what's your name?

3 THE WITNESS: Vern Hansen.

4 EXAMINER BROOKS: Mr. Hansen, yeah, I should know
5 you. You've been here before.

6 THE WITNESS: Yes.

7 EXAMINER BROOKS: Are you a certified petroleum
8 landman?

9 THE WITNESS: Yes, I am.

10 EXAMINER BROOKS: Very good. He is so qualified.

11 MS. MUNDS-DRY: Thank you, Mr. Examiner.

12 Q. (By Ms. Munds-Dry) Mr. Hansen, would you briefly
13 summarize what Williams seeks with this Application?

14 A. Williams seeks to amend the Division Order R-2046
15 to delete certain nonstandard spacing units in the Basin-
16 Dakota Gas Pool and create new nonstandard spacing units in
17 Townships 31 North, 5 and 6 West.

18 Q. And why does Williams seek this amendment?

19 A. Historically, the drilling patterns and the
20 formation of the Dakota participating area has not followed
21 this order.

22 Q. If you could please turn to what's been marked as
23 Williams Exhibit Number 1, identify and review that for the
24 Examiner.

25 A. This is the Order R-0246 [sic], covering several

1 townships in New Mexico. In particular, it covers certain
2 proration units in Townships 31 North, 5 and 6 West; 32
3 North, 6 West; and 31 North, 4 West within the Rosa Unit
4 boundaries.

5 Q. And do you know why this order was entered by the
6 Commission?

7 A. I believe it was to comply with the proration
8 rules within the Basin-Dakota Gas Pool at the time that the
9 density was one well per 320-acre spacing unit.

10 Q. And I believe all of these sections are on the
11 township borderline, so they represent irregular sections?

12 A. Yes, they do.

13 Q. What is Exhibit Number 2?

14 A. Exhibit Number 2 is R-2046-A, and it amended four
15 spacing units into -- I'm sorry, six spacing units into
16 four, and it was mainly to put the spacing units in Section
17 25 and 36 of 31 North, 6 West, within the boundaries of the
18 respective units, 25 being in the Rosa Unit, and Section 36
19 being within the boundaries of the San Juan 36-6 Unit.

20 Q. Okay, and I believe that was in 1982, Mr. Hansen?

21 A. Yes, it was.

22 Q. If you could please turn to Exhibit Number 3 and
23 identify and review that for Mr. Brooks and Mr. Ezeanyim?

24 A. Exhibit Number 3 shows the outline of the Rosa
25 Unit in red, and it shows the spacing units under R-2046

1 and R-2046-A in the green.

2 Q. And it also identifies some other shaded areas.
3 I think it shows ownership in the Rosa Unit; is that
4 correct?

5 A. Yes, it does. The brown indicates State land,
6 the white indicates federal lands.

7 And it doesn't show very well on the map: In
8 Section 19 there is one fee tract covering Lots 2 and 3 --
9 this is 19 of 31-5 -- it covers Lots 2 and 3, the southeast
10 of the northeast quarter and the northwest of the southeast
11 quarter.

12 MS. MUNDS-DRY: We're sorry to strain your eyes,
13 but the Rosa Unit is large, so...

14 THE WITNESS: It covers, I believe, approximately
15 54,000 acres.

16 EXAMINER BROOKS: Is that the cross-hatched? Are
17 those the fee lands?

18 THE WITNESS: I believe that you're looking at --
19 you're looking at an exhibit that has the Dakota
20 participating area on it.

21 EXAMINER BROOKS: Exhibit Number 3?

22 EXAMINER EZEANYIM: Number 3?

23 THE WITNESS: Is this over in 31-5, in 25 and 26?

24 EXAMINER BROOKS: Yes.

25 THE WITNESS: That indicates fee lands as

1 partially committed to the unit.

2 EXAMINER BROOKS: Okay, so the cross-hach is fee
3 lands, it's --

4 THE WITNESS: Just only -- that one -- those two
5 particular 160-acre tracts are fee lands partially
6 committed. They are not within the area that we wish to
7 re-space.

8 EXAMINER BROOKS: Okay, proceed.

9 Q. (By Ms. Munds-Dry) Thank you, Mr. Hansen. Would
10 you please review Exhibit Number 4 for the Examiner?

11 A. Exhibit Number 4 shows -- It's a blowup of the
12 area which we wish to change the spacing on. This shows
13 the proration units as established under R-2046 and 2046-A,
14 along the township borders of 31 North, 5 and 6 West.

15 And it also shows -- the red haching is what the
16 current Dakota participating area -- is the boundaries of
17 the current Dakota participating area.

18 Q. And I believe you said the outline in green
19 represents the spacing order, R-2046?

20 A. Yes, it does. As you can see, the participating
21 area does not follow the -- it is not required for -- in
22 the Rosa Unit, it is a geological inference unit, and it is
23 not required that the participating area be -- comply with
24 any sort of well spacing.

25 EXAMINER EZEANYIM: Okay, so let me ask you,

1 Mr. -- so the green is the current 2046?

2 THE WITNESS: Yes.

3 EXAMINER EZEANYIM: The green. And then the red
4 is what you wanted to add?

5 THE WITNESS: No, the red is the current Dakota
6 participating area --

7 EXAMINER EZEANYIM: Oh, okay.

8 THE WITNESS: -- the Rosa Unit.

9 EXAMINER EZEANYIM: Okay, and you want to delete,
10 and what do you want to add?

11 THE WITNESS: We will show later how it will
12 unfold.

13 EXAMINER EZEANYIM: Okay.

14 MS. MUNDS-DRY: We have maps here, just in a
15 little while, Mr. Ezeanyim, that will show you what we're
16 proposing.

17 EXAMINER EZEANYIM: Okay. Go ahead.

18 Q. (By Ms. Munds-Dry) Okay, will you please
19 identify and review Williams Exhibit Number 5?

20 A. Exhibit Number 5 is a blow-up -- I mean, is the
21 entire Rosa Unit, with our proposed spacing units indicated
22 in green.

23 Q. And I believe, Mr. Hansen, you've identified
24 those tracts in the left-hand corner by the legend?

25 A. Oh, yes, we have. Right next to the legend, the

1 tracts that we wish to establish as the proration units and
2 the acreage of those tracts. And it's very small there,
3 but we have a blowup of this map.

4 Q. So let's turn to Exhibit Number 6 and go through
5 each of those proposed new spacing units.

6 A. Tract Number 1 is Section 6, Lots 1 through 5 in
7 the southeast quarter, containing 264.56 acres. It is all
8 of Section 6.

9 Q. And if you could please indicate for the
10 Examiner, where is that on this map so they can --

11 A. It is Section 6 of 31 North, 5 West.

12 EXAMINER BROOKS: Okay, let --

13 THE WITNESS: These are all --

14 EXAMINER BROOKS: -- you're moving very fast and
15 I'm getting lost here. We're on Exhibit 6, and --

16 MS. MUNDS-DRY: Mr. Examiner, on -- yeah, we're
17 on Exhibit Number 6.

18 EXAMINER BROOKS: Section 6 of --

19 THE WITNESS: These are all in Township 31 -- the
20 first group are in Township 31 North, 5 West.

21 EXAMINER BROOKS: And that's over at the right-
22 hand side of the map?

23 THE WITNESS: Yes, and they're indicated in
24 green, and we will go north to south.

25 EXAMINER BROOKS: Okay, so I think I know where

1 we are. We're right up here, right?

2 THE WITNESS: Yes, you're -- yes.

3 EXAMINER BROOKS: Okay, go ahead.

4 THE WITNESS: Okay, the first -- Tract Number 1
5 is Section 6, Lots 1 through 5 in the southeast quarter,
6 containing 264.56 acres, and that is all of Section 6.

7 Tract Number 2 is Section 7, Lots 1 and 2 in the
8 northeast quarter, 231.86 acres. That is the north half of
9 Section 7.

10 EXAMINER BROOKS: Now these are your proposed
11 units --

12 THE WITNESS: Yes, they are.

13 EXAMINER BROOKS: -- not the existing units?

14 THE WITNESS: Yes, sir.

15 EXAMINER BROOKS: Okay, go ahead.

16 THE WITNESS: Tract Number 3 is Section 7, Lots 3
17 and 4 in the southeast quarter, 231.9 acres, the south half
18 of the section.

19 Tract Number 4 is Section 18, Lots 1 and 2 in the
20 northeast quarter, 231.89 acres, being the north half of
21 the section.

22 Tract Number 5 is in Section 18, Lots 3 and 4 in
23 the southeast quarter, 231.83 acres, being the south half
24 of the section.

25 Tract Number 6 is in Section 19, Lots 1 and 2 in

1 the northeast quarter, 232.01 acres, being the north half
2 of the section.

3 Tract Number 7 is already established as a
4 proration unit for the Rosa Unit Number 119, and it is
5 Section 19, Lots 3 and 4 in the northeast quarter, 232.43
6 acres.

7 Tract Number 8 would be Lots 1 and 2 in the
8 northeast quarter, 232.69 acres, being the north half of
9 Section 30.

10 Tract Number 9 is Section 30, Lots 3 and 4 in the
11 southeast quarter, 232.79 acres, being the south half of
12 the section.

13 Tract Number 10 is Lots 1 and 2 in the northeast
14 quarter, 232.89 acres, being the north half of Section 31.

15 And Tract 11 is Section 31, Lots 3 and 4 in the
16 southeast quarter, being 232.99 acres, the south half of
17 the section.

18 We wish to establish laydown spacing units for
19 the sections in 31 North, 5 West.

20 Q. (By Ms. Munds-Dry) And then let's move over to
21 Township 31 North, Range 6 West.

22 A. 31 North, 6 West. Tract Number 12 is over in
23 Section 3. We do not wish to change this from R Order
24 2046.

25 Tract 13 is in Section 34 of 31-6. We do not

1 wish to change this from --

2 MS. MUNDS-DRY: Mr. Hansen, let me just ask you
3 to pause to make sure -- Mr. Examiner, do you see where
4 we've moved? I just want to make sure we're --

5 EXAMINER BROOKS: You're in the next north-south
6 tier of sections over in the next township?

7 MS. MUNDS-DRY: That's correct.

8 THE WITNESS: We're -- Yes, we're in Sections 3
9 and 4.

10 EXAMINER BROOKS: So --

11 THE WITNESS: 3 and 4 remain unchanged from Order
12 R-2046. We do not wish to change these sections. Those
13 are already established.

14 EXAMINER BROOKS: Oh, you're going across from
15 east to west now?

16 THE WITNESS: Yes, the tract number -- and it's
17 hard to see because it's next to the section numbers, and
18 the tract number in Section 3 would be Tract 12. And then
19 in Section 4 it would be Tract 13.

20 EXAMINER BROOKS: Okay.

21 THE WITNESS: Okay, going to Tract 14, that would
22 be in Section 12 of 31 North, 6 West. That would be a
23 laydown. It would be the north half of the section, being
24 Lots 1 and 2, the west half of the northeast quarter and
25 the northwest quarter, 271.17 acres.

1 Tract 15 is in Section 12 also. That would be
2 Lots 3 and 4, the west half of the southeast quarter and
3 the southwest quarter, being 271.35 acres.

4 Tract 16 is in Section 13. That would be Lots 1
5 through 4 ^{and} in the west half of the east half, being 223.38
6 acres.

7 Tract 17 is the west half of Section 13. It's a
8 320-acre spacing unit.

9 Tract 18 is Section 24, Lots 1 through 4, ^{and} the
10 west half of the east half of the section, 223.92 acres.
11 That would comprise the east half of that section.

12 And Tract 19 would comprise the west half of that
13 section, being 320 acres.

14 EXAMINER BROOKS: Okay, let me go back to Tracts
15 12 and 13.

16 THE WITNESS: Yes, sir.

17 EXAMINER BROOKS: As I see, it looks to me like
18 there was a minor change there because -- from what you
19 requested. If I understand, Exhibit 4 is the way it is,
20 and Exhibit 6 is what you're requesting; is that right?

21 THE WITNESS: Yes, and if you look at Exhibit 4
22 -- Exhibit 4, if you look at the A in Section 1 of 31
23 North, 6 West, you'll see that it covers a lot that is
24 located in Section 12 --

25 EXAMINER BROOKS: Right.

1 THE WITNESS: -- plus all of Section 1. And then
2 the proration unit to the south, which is G, covers lots in
3 both Sections 13 and 12 and -- basically, which would be
4 the east half -- or the west half of the east half of 12
5 and the east half of -- the west half of the northeast
6 quarter of Section 13.

7 EXAMINER BROOKS: But in 12 you want to go to
8 north-south --

9 THE WITNESS: Yes, sir.

10 EXAMINER BROOKS: -- laydowns?

11 THE WITNESS: Yes, we do.

12 EXAMINER BROOKS: My question about what you
13 said, and I didn't catch it clearly, was going over in
14 Section 3, Tract 12, and Section 4, Tract 13. It looks
15 like that there is a -- you've drawn the line straight on
16 Exhibit 6 and you've drawn the line with a crook in it on
17 Exhibit 3. Now does that represent a change, or is that --

18 THE WITNESS: No, I think that's a mistake on
19 that, and I apologize.

20 EXAMINER BROOKS: Okay, you may continue.

21 THE WITNESS: Okay, where were we?

22 Q. (By Ms. Munds-Dry) I think that covered all the
23 tracts, unless there was anything else you wanted to review
24 on Exhibit Number 6?

25 A. Tract 20 and 21 we don't wish to change from the

1 Order R-2046-A. They're currently on north-half, south-
2 half dedications, and I don't believe they're showing up on
3 this --

4 EXAMINER BROOKS: I was going to say, where are
5 those tracts?

6 THE WITNESS: If you go to Exhibit 4, you'll see
7 in Section 25, it's currently on a laydown dedication.

8 EXAMINER BROOKS: Okay.

9 THE WITNESS: We just want to let those remain
10 the same.

11 Q. (By Ms. Munds-Dry) Thank you, Mr. Hansen, if you
12 would identify and review Williams Exhibit Number 7 for the
13 Examiner?

14 A. Exhibit Number 7 shows our proposed changes
15 with -- the hached area shows the Dakota participating
16 area. And as you can see in Sections -- if you look at --
17 in 31 North, 6 West, you can see in Section 12 the Dakota
18 participating area is on a laydown, and in Section -- in
19 Section 13, it is on standups. Part of it is in the
20 participating area there on the east half of the section
21 and part of it is not, the reason being is that a dryhole
22 was drilled in the northeast quarter of Section 13 and has
23 been plugged and abandoned, and it was left out of the
24 Dakota participating area.

25 And then if you look at Section 19, the east half

1 of the Section is within the Dakota participating area, the
2 west half is not.

3 And if you go to 31 North, 5 West, you'll see
4 that there are two laydown spacing units in Section 18 and
5 19, being the south half of the section, and that complies
6 with the spacing which we wish to propose here.

7 Q. Okay, if you would please, then, turn to Williams
8 Exhibit Number 8 and review this for the Examiner?

9 A. Williams Exhibit Number 8 shows the entire Rosa
10 Unit area with the proposed spacing in green.

11 Q. This is just a pullback of what we proposed?

12 A. Yes.

13 Q. So we've given the Examiner every possible angle
14 here to look at these?

15 A. We've tried to, yes.

16 Q. Okay. If you would please turn to Exhibit Number
17 8, what is that?

18 A. We just covered Exhibit 8.

19 Q. Exhibit Number 9. I apologize, Mr. Hearing
20 Examiner.

21 A. Exhibit Number 9 is a blowup of -- again, of the
22 old spacing, just for comparison.

23 Q. And if you'd show the Examiner on Exhibit Number
24 9, you mentioned there was some fee acreage, and since it
25 hasn't shown up very well on these maps, if you could point

1 that out for the Examiner.

2 A. Yes, if you'll look in Section 19 of 31 North, 5
3 West, there is a fee tract that does not show up very well.
4 And it's the only fee tract in the re-spaced area. The
5 rest is federal.

6 EXAMINER BROOKS: Where is this?

7 THE WITNESS: This is in Section 19 of 31 North,
8 and it covers Lots 2 and 3, and the southwest of the
9 northeast quarter and the northeast of the southwest
10 quarter. Part of it is in the green. You can see the two
11 lots are within the green, and part of it is without.
12 They're just a little square on the west side of Section
13 19, and that is a fee tract.

14 EXAMINER BROOKS: This is Section 19 of 31
15 North --

16 THE WITNESS: -- 5 West.

17 EXAMINER BROOKS: -- 5 West --

18 THE WITNESS: Yes, sir.

19 EXAMINER BROOKS: -- and which two tracts are
20 fee?

21 THE WITNESS: It's one tract, and it's Lots 2 and
22 3, the southwest of the northeast quarter, and the
23 southeast -- or the northwest of the southeast.

24 EXAMINER BROOKS: It's Lots 2 and 3, then?

25 THE WITNESS: Yes.

1 EXAMINER BROOKS: They're marked L-2 and L-3 on
2 this map?

3 THE WITNESS: Yes, sir.

4 EXAMINER BROOKS: Okay.

5 Q. (By Ms. Munds-Dry) And Mr. Hansen, how will this
6 fee acreage be affected by what we're proposing to do
7 today?

8 A. It will not be affected. The current -- the
9 south half of Section 19 is within the boundaries of the
10 Dakota participating area. The well is located -- I
11 believe the Rosa Unit 159 is located on federal lands, and
12 the north half of the section is undrilled.

13 Q. Now let's --

14 EXAMINER BROOKS: Well, now it looks like to me
15 that Lot 3 will be in the new unit, and Lot 2 will not be;
16 is that correct?

17 THE WITNESS: Lot 3 is within the Dakota
18 participating area. Lot 2 is not, it is unaffected.
19 Therefore it is unaffected.

20 EXAMINER BROOKS: Okay, go ahead.

21 Q. (By Ms. Munds-Dry) Mr. Hansen, let's now go
22 through some of the well files, some of the wells that will
23 actually be affected on the spacing unit, and also try to
24 explain to the Examiner why we're here today, how we got to
25 these different drilling patterns.

1 What is Exhibit Number 10? And let's just, if we
2 can, march through these wells for the Examiner.

3 A. Exhibit 10 is the application -- well, it is the
4 -- it has sundry notices and the application and permit to
5 drill. And all of these will be various sundry notices
6 pertaining to wells and the APDs for these wells.

7 This is the APD and sundry notices for the Rosa
8 Unit Number 102 Dakota well. It was originally submitted
9 as a south-half dedication in Section 30 of 31 North, 5
10 West, and --

11 Q. And I believe that's shown on page 3 --

12 A. Page 3.

13 Q. -- of the packet --

14 A. Yes.

15 Q. -- on Exhibit 10?

16 A. Yes. And then -- and it was not amended, and I
17 believe that this well was approved as a southeast
18 dedication.

19 Q. So was this well drilled in compliance with Order
20 2046?

21 A. I'm sorry --

22 Q. Did you say east half or south half?

23 A. I was looking at the plats, and it was showing
24 just the southeast quarter. It appeared to be the south
25 half of the section. It was -- It's hard to tell by this

1 plat how it was actually submitted, but the sundry notice,
2 though, said that it is the east half of Section 30, I'm
3 sorry.

4 Q. And was this well drilled in compliance with
5 Order R-2046?

6 A. Yes, it was.

7 Q. Okay. And if you would turn to the fourth page
8 of this packet, this is Well Number 159?

9 A. Yes, and this well was drilled -- was submitted
10 as a south-half dedication in Section 19 of 31 North, 5
11 West. And it appears that it was approved as a south-half
12 dedication, and it was not in compliance with the order.

13 Q. Okay. If you turn, then, to the application for
14 the Rosa Unit Well Number 119 in Section 18, how was this
15 submitted?

16 A. This was submitted as the south half of Section
17 19, and it was -- there was a nonstandard proration unit
18 order for this well approved by the State of New Mexico.
19 Amoco drilled this well under a designation of agent within
20 the framework of the Rosa Unit.

21 This well -- Once this well was drilled and the
22 nonstandard proration unit was approved, it pretty much
23 made it difficult to comply with Order R-2046, because it
24 took in -- as you can see if you look at Exhibit Number 9,
25 it cut across the lots in spacing unit G, which made it

1 impossible to drill in spacing unit G. This was really
2 kind of the start, where the Order R-2046 started falling
3 apart.

4 EXAMINER BROOKS: What section -- This is in 18?

5 THE WITNESS: This is in Section 18 of 31
6 North --

7 EXAMINER BROOKS: Okay.

8 THE WITNESS: -- 5 West.

9 Q. (By Ms. Munds-Dry) And Mr. Hansen, you -- I
10 believe you've reviewed the well records for this. Could
11 you see that this well -- or that the nonstandard proration
12 unit order, the administrative order, was -- ever referred
13 to Order 2046?

14 A. No, it did not. Over the years, I believe they
15 entered into this order, and I don't think most people even
16 within the state knew it existed, because at times -- after
17 reviewing all of these well records, at times they would
18 mention it, and times they would just approve the proration
19 units submitted that were not in compliance.

20 EXAMINER BROOKS: Okay, do you have an NSP number
21 on that?

22 THE WITNESS: It is NSP-1637-L.

23 EXAMINER BROOKS: NSP-1637-L.

24 MS. MUNDS-DRY: Yes.

25 EXAMINER BROOKS: Okay, proceed.

1 Q. (By Ms. Munds-Dry) Mr. Hansen, if you'll then
2 turn to the APD for the Rosa Unit 108 -- this is in Section
3 7 -- what happened with this well?

4 A. I need my reading glasses, I'm sorry. My eyes
5 are getting blurry here. This was another one that was
6 drilled under a designation of agent from Amoco. They
7 drilled this in compliance with the order. However, this
8 well was subsequently -- Amoco did not realize that the
9 order existed, and they assigned the well and the acreage
10 in the south half of Sections 7 -- or the north half of
11 Section 7, I'm sorry, to XTO, believing that it was a
12 laydown.

13 This well was in the east half of Section 7
14 originally, and did comply with Order R-2046. However,
15 they didn't know it existed when they made the assignment
16 to XTO.

17 Q. So even though it was dedicated to an east-half
18 spacing unit, they sold it as a north-half --

19 A. Yes --

20 Q. -- spacing unit?

21 A. -- yes, they did.

22 Q. Okay, if you'll please turn to the next grouping,
23 APD, the well for 149B, and explain what happened with that
24 well.

25 A. The 149B was submitted to the State -- or to the

1 -- it's on federal land -- to the BLM as a north-half
2 dedication. And then it appears -- boy, this is small
3 print -- that a nonstandard proration unit was approved by
4 the State of New Mexico for the north half of Section 12
5 without any mention of Order R-2046. This administrative
6 order is NSL-4602.

7 EXAMINER BROOKS: NSP?

8 THE WITNESS: Yes.

9 Q. (By Ms. Munds-Dry) Okay, if you'll then turn to
10 the next grouping, Well 164B, and explain what happened
11 with that well for the Examiner.

12 A. The 164B is located in Section 1 of 31 North, 6
13 West. It was also submitted to the State of New Mexico for
14 a nonstandard proration unit. The order was granted, I
15 believe, without any mention of Order R-2046.

16 Q. And do you have the order number for that NSP?

17 A. I'm looking for it here.

18 Q. I have it, Mr. Examiner. It's Order R-11,841.
19 That actually went to hearing.

20 Okay, Mr. Hansen, if you'll turn to the grouping
21 for Rosa Unit Well Number 125 in Section 13.

22 A. Rosa Unit 125 was submitted as the east half of
23 Section 13 of 31 North, 5 West. That well was drilled, and
24 that was the one I referred to earlier that was plugged and
25 abandoned, and the quarter section was left out of the

1 Dakota participating area. It also was not in compliance
2 with Order R-2046.

3 Q. Okay --

4 EXAMINER BROOKS: And this was the 125?

5 THE WITNESS: Yes.

6 EXAMINER BROOKS: And this was plugged and
7 abandoned?

8 THE WITNESS: Yes.

9 EXAMINER BROOKS: Okay.

10 Q. (By Ms. Munds-Dry) Okay, how about Well Number
11 125E in Section 13?

12 A. Excuse me, on that last one I apologize. That
13 last one, it appears that Amoco also submitted it. It was
14 drilled as a designation of agent, and it appears that it
15 was also approved for a nonstandard proration unit, without
16 reference to Order R-2046, and the administrative order is
17 NSP-1638-L.

18 EXAMINER BROOKS: That's the Number --

19 THE WITNESS: That was --

20 EXAMINER BROOKS: -- 125 again?

21 THE WITNESS: -- the 125, yes.

22 EXAMINER BROOKS: And what was that number?

23 THE WITNESS: The -- It was NSP-1638-L.

24 EXAMINER BROOKS: 1638-L.

25 THE WITNESS: Yes.

1 The next well would be an infill to the 125. It
2 was also -- was submitted in compliance with the previous
3 order numbers. It's the east half of Section 13.

4 Q. (By Ms. Munds-Dry) And that's all in one lease,
5 I believe?

6 A. Yes, it is.

7 Q. Okay, how about for Well Number 116, in Section
8 24?

9 A. The Rosa Unit 116 was submitted as an east-half
10 spacing unit in Section 24 of 31 North, 6 West.

11 Q. And for Well Number 97?

12 A. The Number 97 was probably one of the only wells
13 that was actually drilled in compliance with the order. It
14 was originally submitted as a south-half dedication of 31
15 North, 5 West, and it was subsequently resubmitted as Lots
16 1 through 4 of 31, Lots 1 through 4 of 30, and Lot 4 of
17 Section 19. That well has been plugged and abandoned.

18 Q. Okay, final well in this packet, Well Number 30?

19 A. Well Number 30 was submitted as a south-half
20 dedication in Section 12 of 31 North, 6 West, 271.4 acres,
21 and the application for permit to drill was approved.

22 Q. And Mr. Hansen, to the extent you've looked at
23 the spacing units here and the wells, are these, do you
24 believe, the only wells that will be affected by what we're
25 proposing here today?

1 A. Say the --

2 Q. That these wells will be the only wells that will
3 be affected by what we're proposing today?

4 A. Yes.

5 Q. And after your review of these wells and of the
6 interest owners in the unit, will reorientation of the
7 spacing units, including the wells we've just reviewed,
8 will that affect royalty interest in the Rosa Unit?

9 A. No, it won't.

10 Q. And to whom did we provide notice of this
11 Application?

12 A. We notified all interest owners within the Rosa
13 Unit boundaries.

14 MS. MUNDS-DRY: We actually believe that's
15 probably beyond what we had to do, Mr. Examiner, but we
16 just decided to be safe and notify everyone.

17 EXAMINER BROOKS: Sounds like a wise procedure.

18 Q. (By Ms. Munds-Dry) And is Exhibit Number 11, Mr.
19 Hansen, a copy of the affidavit of publication that was
20 submitted and the two newspapers, the *Rio Grande Sun* and
21 the *San Juan* paper, the *Farmington Daily Times*, as well as
22 a copy of our notice letter and the list of interest owners
23 and then the return receipts?

24 A. Yes, it is.

25 MS. MUNDS-DRY: Mr. Examiner, I'll trust that

1 you'll look through this hefty packet here.

2 Q. (By Ms. Munds-Dry) Mr. Hansen, will approval of
3 this Application be in the best interests of conservation,
4 the prevention of waste and the protection of correlative
5 rights?

6 A. Yes, it will.

7 Q. And were Williams Exhibits 1 through 11 either
8 prepared by you or compiled under your supervision?

9 A. Yes, they were.

10 MS. MUNDS-DRY: Mr. Examiner, we'd ask that
11 Exhibits 1 through 11 be admitted into evidence.

12 EXAMINER BROOKS: 1 through 11 will be admitted.

13 MS. MUNDS-DRY: And that concludes my direct
14 examination of Mr. Hansen.

15 EXAMINATION

16 BY EXAMINER BROOKS:

17 Q. Okay. Mr. Hansen, I take it the Rosa Unit is a
18 federal exploratory unit?

19 A. Yes, it is.

20 Q. And under the terms of the rules governing
21 federal exploratory units, the royalty interests would be
22 allocated on a participating area basis wherever they're in
23 a participating area, correct?

24 A. That's correct.

25 Q. And the -- does Williams own 100 percent of the

1 working interest, or are there other working interests?

2 A. There are other working interests. In the
3 Dakota, in this part of the unit, the largest working
4 interest is BP Production Company -- BP America Production
5 Company.

6 Q. Okay, and the working interest ownership would be
7 allocated in accordance with the unit operating agreement,
8 correct?

9 A. That's correct.

10 Q. Now does the unit operating agreement provide for
11 allocation of the working interest by participating area or
12 some other way?

13 A. By participating area.

14 Q. Okay. Now are there -- in this area that you're
15 asking to be re-spaced, are there any marginal wells, that
16 is, wells which you don't have a commercial-well
17 determination?

18 A. Yes, all of the wells -- I believe all of the
19 wells that are located within the spacing units that are
20 not -- that exist, are not within the Dakota participating
21 area have noncommercial well determinations on them.

22 Q. Okay, and there are some that -- You identified
23 certain wells that have been plugged and abandoned?

24 A. Yes, yes.

25 Q. But there are wells that are still there that are

1 noncommercial?

2 A. Yes.

3 Q. Okay. Now the only -- Is it correct that this
4 tract in Section 19 is the only fee tract that's within the
5 area being re-spaced?

6 A. That's correct.

7 Q. And under the old order, that tract would have
8 been included in a spacing unit -- it would have been
9 included in a real tall, slim spacing unit there that went
10 all the way up from -- up in Section 11, down into 19,
11 correct?

12 A. That's correct.

13 Q. And there is a dryhole in the north half of 18;
14 is that correct?

15 A. There is no --

16 Q. 19?

17 A. There is no well in the north half of 18 or 19
18 currently.

19 Q. Okay, so it's -- I thought you said there had
20 been a P-and-A'd well.

21 A. That was in Section 13 of -- Oh, the one I was
22 referring to over in 31-5 was in Section 31 North of -- I
23 mean, Section 31 of 31-5, and I believe it was located in
24 lots 3 or 4, and that covers -- as you can see, that covers
25 -- that particular old spacing unit covers spacing unit H,

1 which is parts of Sections 19, 30 and 31.

2 Q. But there is no well in the north half of 19?

3 A. No, there is not.

4 Q. And that's the reason the north half of 19 is not
5 included in the participating area?

6 A. That's correct.

7 Q. I'm going to have to work this out, but I'm
8 wondering, under the -- Is there any well that would be
9 within the spacing unit labeled as G on the old
10 distribution?

11 A. Yes, but however, when the Rosa 119 was drilled
12 they got a nonstandard proration unit --

13 Q. Okay, and where is that well located?

14 A. That is in Section 18 of 31 North, 5 West.

15 Q. Section 18, and it's within this spacing unit G?

16 A. Yes, it is within that spacing unit G, it --

17 Q. What lot is it on?

18 A. It is right on the edge of 3 and 4.

19 Q. Okay, and that is Well Number -- ?

20 A. -- 119.

21 Q. -- 119. And that one is the one that's in this
22 packet that's Exhibit Number --

23 MS. MUNDS-DRY: -- 10.

24 Q. (By Examiner Brooks) -- 10, right?

25 A. Yes, and that was the one that they got a

1 nonstandard proration unit approved without referring to
2 Order R-2046 for the south half of Section 18, and that
3 eliminated the ability to -- I mean eliminated spacing unit
4 G, it --

5 Q. That cut spacing unit G up into --

6 A. -- in half.

7 Q. -- the three parts?

8 A. Yes, it did.

9 Q. You know, part of it included in that nonstandard
10 unit, and then they chopped off the north part and chopped
11 off the south part.

12 A. Yes, it did. It appears that through the re-
13 spacing of this, the only existing well that would be
14 affected would be the Rosa 102 in Section 30 of 31 North, 5
15 West. And it will go from an east-half spacing. It is a
16 noncommercial well. It will go from east half to south
17 half. It is all located on -- it is located on a federal
18 lease.

19 Q. Now which well is this?

20 A. This is the Rosa 102.

21 Q. And where is that located?

22 A. In Section 30 of 31 North, 5 West.

23 Q. Section 30, okay. And it is located on which
24 tract? Oh, I see, it's marked here, right?

25 A. Yes.

1 Q. It's located in -- It's not located on one of
2 the --

3 A. No, it's in the east half of the section.

4 Q. Right, okay.

5 A. And it would just be changing that to a south-
6 half dedication.

7 Q. Yeah, so that's a noncommercial well also?

8 A. Yes. And in addition, we plan on drilling three
9 wells this year that will be drilled under these new
10 spacing units: We plan on drilling the Rosa Unit 72B,
11 which will be in Section 6 of 31 North, 5 West; the Rosa
12 Unit 13B, which will be in the -- in Section 31 of 31
13 North, 5 West, and that would be in the north half of the
14 section; and then the 166B, which would be in northeast
15 quarter of 30 of 31 North, 5 West.

16 Q. Northeast quarter?

17 A. Yes, and it would be the north half of the
18 section, the north-half dedication.

19 Q. Okay, so the 102 is in the south half?

20 A. Yes.

21 EXAMINER BROOKS: Okay, very good. I think
22 that's all I have, Mr. Ezeanyim.

23 EXAMINATION

24 BY EXAMINER EZEANYIM:

25 Q. How many wells do you intend to drill? You say

1 you're going to drill three this year. How many do you
2 intend to drill all together?

3 A. The Rosa Unit -- the Dakota formation in the Rosa
4 Unit is extremely risky, and we have farmed in some acreage
5 from BP, or we're currently negotiating a farm-in from BP.
6 And if the wells we plan on drilling this year are
7 successful -- We're trying to get 10 to 13 wells, and if
8 the wells -- just depending on the success of the wells,
9 we'll determine whether or not we can continue to drill
10 Dakota within these spacing units.

11 It's all -- it will all just be based upon what
12 we -- and we -- and there is another -- in addition to
13 that, the Dakota really can't be drilled economically
14 without drilling it as a dual well with the Mesaverde. And
15 basically the wells that we will be taking down into the
16 Dakota, we will have to have an available Mesaverde
17 location on 80-acre density in order to take it down.

18 Q. By this proposal, you have proposed a plan of
19 expansion here. The royalty interests would not be
20 affected. Could you explain that for the record?

21 A. All but that fee tract in Section 19 is federal
22 land.

23 Q. Okay. Some of that is fee?

24 A. Yes, there is that fee tract in Section 19.
25 However, the spacing for the Rosa 159 is already on the

1 south half of the section. It has been included in the
2 Dakota participating area, and there is no well in the
3 north half of the section.

4 EXAMINER EZEANYIM: I just wanted that for the
5 record.

6 EXAMINER BROOKS: Okay, is there anything
7 further? Very good.

8 EXAMINER EZEANYIM: (Inaudible)

9 EXAMINER BROOKS: He indicated he did not. Did
10 any of you have any questions?

11 MR. SWAZO: No.

12 MS. ALTOMARE: (Shakes head)

13 EXAMINER BROOKS: Okay. If there's nothing
14 further, then Case Number --

15 EXAMINER EZEANYIM: 13- --

16 EXAMINER BROOKS: -- 13,939 will be taken under
17 advisement.

18 MS. MUNDS-DRY: Thank you, Mr. Examiner.

19 EXAMINER BROOKS: Thank you.

20 At this time we'll take a 10-minute recess.

21 (Thereupon, these proceedings were concluded at
22 11:04 a.m.)

23 * * *

24 I do hereby certify that the foregoing is
25 a complete record of the proceedings in
the Examiner hearing of Case No. 13939,
heard by me on June 21, 2007.

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

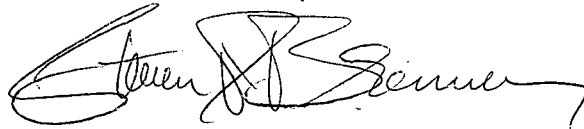
CERTIFICATE OF REPORTER

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 June 25th, 2007.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010