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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

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OIL CONSERVATION DIVISION

ORIGINAL

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

APPLICATION OF WILLIAMS PRODUCTION COMPANY, LLC FOR NON-STANDARD GAS SPACING AND PRORATION UNITS IN THE BASIN-MANCOS GAS POOL, ROSA UNIT, SAN JUAN AND RIO ARRIBA COUNTIES, NEW MEXICO

CASE NO. 14241

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Legal Examiner
RICHARD EZEANYIM, Technical Examiner
TERRY G. WARNELL, Technical Examiner

November 13, 2008

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Legal Examiner, RICHARD EZEANYIM, Technical Examiner, and TERRY G. WARNELL, Technical Examiner, on Thursday, November 13, 2008, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: JOYCE D. CALVERT, P-03
Paul Baca Court Reporters
500 Fourth Street, NW, Suite 105
Albuquerque, New Mexico 87102

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A P P E A R A N C E S

FOR THE APPLICANT:

Ocean Munds-Dry, Esq.
HOLLAND & HART, LLP
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501

1 MR. EZEANYIM: Now we call Case No. 14241. This is
2 the Application of Williams Production Company, LLC for a
3 Non-standard Gas Spacing and Proration Units in the
4 Basin-Mancos Gas Pool, Rosa Unit, San Juan and Rio Arriba
5 Counties, New Mexico.

6 Call for appearances.

7 MS. MUNDS-DRY: Good morning, Mr. Examiners, Ocean
8 Munds-Dry with the law firm of Holland and Hart here
9 representing Williams Production Company, LLC, and I have one
10 witness.

11 MR. EZEANYIM: Yes, good. Any other appearances,
12 please? Okay. May the witness stand to be sworn, please?

13 {Witness sworn.]

14 MS. MUNDS-DRY: Thank you.

15 MORGAN VERN HANSEN

16 after having been first duly sworn under oath,

17 was questioned and testified as follows:

18 DIRECT EXAMINATION

19 BY MS. MUNDS-DRY:

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

22 A. Morgan Vern Hansen.

23 Q. Mr. Hansen, where do you reside?

24 A. Tulsa, Oklahoma.

25 Q. And by whom are you employed and what is your

1 position?

2 A. Williams Production Company, LLC. I'm a senior
3 staff landman.

4 Q. Have you previously testified before the Division
5 and were your credentials made a matter of record?

6 A. Yes, they were.

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

9 A. Yes.

10 Q. And are you familiar with the status of the lands
11 that are the subject area?

12 A. Yes.

13 MS. MUNDS-DRY: We would tender Mr. Hansen as an
14 expert in petroleum land matters.

15 MR. EZEANYIM: Mr. Hansen is so qualified.

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

17 Q. (By Ms. Munds-Dry): Mr. Hansen, would you please
18 summarize what Williams seeks with this application?

19 A. We seek approval of non-standard spacing units
20 for the Basin-Mancos pool within Rosa and to conform with the
21 units that were approved under R-2046 and that were amended by
22 R-2406-A and B to be consistent with the Dakota spacing within
23 Rosa.

24 Q. Thank you, Mr. Hansen. Would you please turn to
25 what's been marked as Exhibit No. 1?

1 A. Exhibit No. 1 is order R-2046.

2 Q. And I believe, Mr. Hansen, does it contain all
3 the orders, 2046-A and B?

4 A. Yes, it does.

5 Q. And let's discuss these briefly for the
6 Examiners. What is R-2046? What did it authorize in that
7 order?

8 A. R-2046 established non-standard proration units
9 for Township 29, 30, 31 and 32 North, Ranges 4 through 9 West,
10 11 through 13 West for the Basin-Dakota gas pool.

11 Q. And then what was amended in R-2046-A?

12 A. R-2046-A deleted certain non-standard proration
13 units and created certain non-standard probation units.

14 Q. And in 2046-B, I believe Williams re-brought that
15 application. What did we do in that order?

16 A. We corrected some of those units to reflect the
17 actual drilling patterns and the formation of the participating
18 areas within the Dakota formation in Rosa.

19 Q. Was Mr. Ezeanyim our Examiner, I believe, in that
20 hearing?

21 A. No, it was Mr. Brooks.

22 Q. I couldn't remember.

23 MS. MUNDS-DRY: Mr. Examiner, since we're going to be
24 referring so heavily to that case that was the result of
25 R-2046-B, we'd ask that you take Case No. 13939 -- we'd ask you

1 to take administrative notice.

2 MR. EZEANYIM: Case No. 13939?

3 MS. MUNDS-DRY: Yes, sir.

4 MR. EZEANYIM: We will take administrative notice of
5 that case.

6 MS. MUNDS-DRY: Thank you.

7 MR. EZEANYIM: Case No. 13939.

8 Q. (By Ms. Munds-Dry): Mr. Hansen, why does
9 Williams seek this application today?

10 A. There are special pool rules for the Basin-Mancos
11 which have 320-acre spacing up to four wells per spacing unit
12 with 660-foot setbacks. And, again, wells within the federal
13 exploratory units get an exception for the setback requirements
14 within participating areas.

15 Q. And I know we discussed this just in the last
16 case, but for this record, why does Williams seek this order?

17 A. For ongoing Mancos development, and we intend to
18 commingle this Mancos with the production from the Dakota as
19 well as trimmingle some wells with the Mesaverde.

20 Q. And I believe you stated before that the
21 Basin-Mancos pool rules are consistent with the pool rules for
22 the Dakota and the Mesaverde?

23 A. Yes, they are.

24 Q. If this order is not approved, the application is
25 not approved today, would Williams then need to seek a

1 non-standard spacing unit for each well it seeks to complete in
2 the Mancos?

3 A. Within certain areas within Rosa, yes -- along
4 the Township borders of 31 North 5 and 6 West, along the
5 Township borders of 31 and 32 North 6 West and within the
6 Township of 31 North, 4 West, we would.

7 Q. Would you, Mr. Hansen, turn to Exhibit No. 2 and
8 identify what we've provided the Examiners today?

9 A. Exhibit No. 2 is the spacing units as set forth
10 in R-2046 as amended by R-2046-B.

11 Q. 2046-A, you mean?

12 A. 2046-A. I'm sorry.

13 Q. Mr. Hansen, it's sort of hard to read from this
14 map just because the colors are kind of hard. Generally where
15 are the boundaries? Are they identified by a color?

16 A. Yeah. The boundaries for the R-2046 and 2046-A
17 are indicated in green.

18 MS. MUNDS-DRY: Can you see that, Mr. Ezeanyim? It's
19 difficult. It's faint green.

20 MR. EZEANYIM: It's faint green.

21 MS. MUNDS-DRY: It's faint green.

22 MR. EZEANYIM: Yeah, I see it.

23 THE WITNESS: It would be Sections 1, 2, 3, 4 and 5
24 of 31 North, 6 West, 12, 13, 24 and 25 of 31 North, 6 West, and
25 this is going to be difficult for me reading on this map. But

1 Section 7, 12, 13 -- I'm sorry. Sections 6, 7, 12 -- 6, 7, 18,
2 19, 30 and 31 -- I apologize -- in 31 North, 5 West. Sections
3 1 through 6 and 7, 18, 19, 30 and 31 North in Township 31
4 North, 4 West.

5 Q. Okay. And then maybe keeping Exhibit No. 2 out,
6 would you then turn to Exhibit No. 3 and review this for the
7 Examiners?

8 A. Exhibit No. 3 mainly changed those spacing units
9 along the border of Township 31 North, 5 and 6 West. And our
10 intention there to create evenly spaced proration units along
11 that township border, a lay-down spacing units. And then also
12 in 31, 6 in those sections that did not have existing -- or the
13 Dakota wells that Dakota could be put on lay-downs, we did,
14 which would be Sections 1, 12 and Section 25 was already spaced
15 correctly.

16 We left Sections 13 and 24 as is due to the existing
17 co-development within the Rosa unit. And also there were a
18 couple of individual, non-standard proration units that were
19 filed outside of R-2046-A -- 2046, 2046-A and B.

20 Q. So Mr. Hansen, what we did here was basically
21 clean up in accordance with the drilling patterns in this area
22 with the participating areas and then with individual
23 administrative or hearing orders that occurred outside of
24 R-2046 to reflect the reality of what was taking place out
25 there?

1 A. Yes.

2 Q. And then there's a second page here in Exhibit 3.
3 This looks like this is just a blow-up of what was shown on the
4 first page?

5 A. Yes.

6 Q. Okay. So just to be clear for the Examiners,
7 we're seeking all the non-standard spacing units that were
8 captured in Orders R-2046, 2046-A and then those that were
9 amended by 2046-B?

10 A. Yes.

11 Q. Okay.

12 A. There was one individual spacing order that
13 covered, I believe, Section 1 of 31 North, 6 West. I thought I
14 had that written down, but I do not have that one.

15 The effect of that was to establish all of Section 1
16 as a spacing unit of 31 North, 6 West.

17 Q. And I believe Mr. Hansen, if you look at page 3
18 of Order R-2046-B, Finding J, that Section 1 is discussed. The
19 Division approved that unit in Order No. R-11841. Is that the
20 one you're referring to?

21 A. Yes.

22 Q. So we'd also like to also make sure should that
23 spacing unit is also authorized for Mancos production; is that
24 correct?

25 A. Yes.

1 Q. Okay. Will the approval of these non-standard
2 spacing units affect interest owners in the unit?

3 A. No, they will not.

4 Q. And who did we provide notice of this application
5 to?

6 A. To all Rosa interest owners.

7 Q. Because, as Mr. Brooks said, it never hurts to be
8 overinclusive, right?

9 A. That's correct.

10 Q. Will approval of this application be in the best
11 interests of conservation and the prevention of waste and the
12 protection of correlative rights?

13 A. Yes, it will.

14 Q. And is Exhibit No. 4 a copy of the Notice of
15 Affidavit, Exhibit A showing the parties, the certified letters
16 and the Affidavit of Publication?

17 A. Yes, it is.

18 Q. Were Exhibits 1 through 4 prepared by you and
19 under your direct supervision?

20 A. Yes, they were.

21 MS. MUNDS-DRY: Mr. Ezeanyim, we would move the
22 admission of Exhibits 1 through 4 into evidence.

23 MR. EZEANYIM: Exhibits 1 through 4 will be admitted.

24 [Applicant's Exhibits 1 through 4 admitted into
25 evidence.]

1 MS. MUNDS-DRY: And that concludes my direct
2 examination of Mr. Hansen.

3 MR. EZEANYIM: Very good. Mr. Brooks?

4 MR. BROOKS: No questions.

5 MR. EZEANYIM: Mr. Warnell?

6 MR. WARNELL: No questions.

7 EXAMINATION

8 BY MR. EZEANYIM:

9 Q. I don't know. I just wanted to get a grip of
10 what you wanted in this case. Let me tell you what I think you
11 are looking for and then correct me if I'm wrong?

12 This is what I think you are looking for in this
13 particular case: That Division Order R-2046 approved certain
14 non-standard locations in the Basin-Dakota, right?

15 A. Non-standard proration units.

16 Q. Yeah. In the Basin-Dakota, right?

17 A. Yes.

18 Q. Now, in the first case, you abolished these
19 Gallup pools to enable you to produce from the Mancos. Now you
20 want those non-standard proration units to be approved in the
21 Mancos so that sometimes you might even try to commingle them
22 with the Mesaverde, the Dakota and the Mancos; is that what you
23 are thinking? What are you asking for?

24 A. That is one of the reasons. The other reason is
25 so that we do not have to file individual spacing units as

1 non-standard spacing for each of the wells as we drill them.

2 We would like them pre-approved.

3 Q. I didn't see that in there.

4 A. I believe I stated that in my testimony.

5 Q. Okay. So you want all those to be pre-approved
6 so that once the order is issued, then you can drill wells in
7 the non-standard proration units to be covered with that order;
8 is that what you're saying?

9 A. That's correct, so that we do not have to do
10 individual applications for each of these spacing units.

11 Q. Okay. But what I said, is that why you came in
12 to ask for this approval of non-standard units in the Mancos?
13 Is that why? Because it's already in the Dakota?

14 A. Yes.

15 Q. Okay. I think I wanted to make sure what you
16 wanted. Okay.

17 MR. EZEANYIM: Anything further?

18 MR. BROOKS: No.

19 MR. EZEANYIM: Do you have anything further?

20 MS. MUNDS-DRY: We have nothing further. We ask that
21 the matter be taken under advisement.

22 MR. EZEANYIM: Very good. At this time, Case No.
23 14241 will be taken under advisement.

24 This concludes the docket for today.

25 * * *

I do hereby certify that the foregoing is a correct and true copy of the proceedings in the above captioned case.
W. J. [Signature]
Oil Conservation Division

REPORTER'S CERTIFICATE

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9 I FURTHER CERTIFY that I am neither employed by nor
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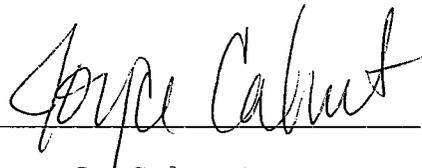
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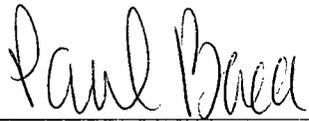
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9 stenographic notes. On the date I reported these proceedings,
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11 Dated at Albuquerque, New Mexico, 13th day of
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