

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

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:) CASE NO. 12,356
)
APPLICATION OF PHILLIPS PETROLEUM)
COMPANY FOR APPROVAL OF SIX NONSTANDARD)
GAS SPACING AND PRORATION UNITS AND AN)
UNORTHODOX GAS WELL LOCATION, SAN JUAN)
COUNTY, NEW MEXICO)

COPIED
MARCH 30 AM 11:46
2000
DANIELA M. JACOBI

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

March 16th, 2000

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, March 16th, 2000, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

March 16th, 2000
Examiner Hearing
CASE NO. 12,356

	PAGE
EXHIBITS	3
APPEARANCES	3
PRESENTATION BY MR. KELLAHIN	4
REPORTER'S CERTIFICATE	10

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	5	-
Exhibit 2	6	-
Exhibit 3	7	-
Exhibit 4	7	-
Exhibit 5	7	-
Exhibit 6	8	-
Exhibit 7	8	-
Exhibit 8	8	-

* * *

A P P E A R A N C E S

FOR THE DIVISION:

BRUCE ROGOFF
 Assistant General Counsel
 Energy, Minerals and Natural Resources Department
 2040 South Pacheco
 Santa Fe, New Mexico 87505

FOR THE APPLICANT:

KELLAHIN & KELLAHIN
 117 N. Guadalupe
 P.O. Box 2265
 Santa Fe, New Mexico 87504-2265
 By: W. THOMAS KELLAHIN

* * *

1 WHEREUPON, the following proceedings were had at
2 9:40 a.m.:

3 EXAMINER CATANACH: Okay, at this time we'll call
4 Case 12,356, which is the Application of Phillips Petroleum
5 Company for approval of six nonstandard gas spacing and
6 proration units and an unorthodox gas well location, San
7 Juan County, New Mexico.

8 Call for appearances in this case.

9 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
10 the Santa Fe law firm of Kellahin and Kellahin, appearing
11 on behalf of the Applicant.

12 EXAMINER CATANACH: Any additional appearances?
13 Okay, Mr. Kellahin?

14 MR. KELLAHIN: Thank you, Mr. Examiner.

15 Mr. Examiner, Phillips seeks the approval by the
16 Division of six nonstandard gas proration units for the
17 Pictured Cliff formation.

18 In addition, we ask your permission to approve an
19 unorthodox well location for a well that's currently in the
20 Mesaverde Pool, for which Phillips has plans to add the
21 Pictured Cliff. As part of that workover, I would assume
22 they will file the appropriate downhole commingling
23 Application for that well.

24 I have compiled a number of items out of the
25 Division records and out of Phillips' file to demonstrate

1 to you the appropriateness of approval of this Application.
2 It was docketed for approval by the Division in the absence
3 of objection.

4 As you go through the exhibit book, you'll find
5 Exhibit Number 1, which is a composite display, and I'll
6 attempt to clarify for you.

7 We're dealing with a portion of the 32-and-7 Unit
8 operated by Phillips. It is very close to the Colorado
9 border. There is a series of federal exploratory units in
10 this area.

11 The north boundary is part of the same unit. You
12 see the north boundary of the exhibit here, it says
13 Sections 36 through 34. That's still part of this unit.

14 The first thing to describe for you is, if you'll
15 look in irregular Section 4, the configuration of this
16 township is such that along the northern boundary of the
17 township and the western boundary of the township there are
18 irregular lots.

19 The history has been that, for example, in
20 Section 4, if you'll ignore the color code and follow the
21 dashed line, that will lead you through Section 4, it will
22 pick up Tract 5 in Section 5. That, taken together, is the
23 existing approved nonstandard proration unit for Mesaverde-
24 Basin Dakota-Fruitland Coal.

25 What I've asked Phillips to do is to try to

1 subdivide those existing gas spacing units to conform to
2 their outer boundaries, but first of all attempt to form a
3 standard Pictured Cliff spacing unit, so that in this
4 example you can see the southwest quarter of 4 becomes a
5 standard 160-acre GPU for a PC well.

6 The balance of that existing spacing unit for
7 other formations would then be dedicated as a nonstandard
8 spacing unit for the Pictured Cliff. And as you work your
9 way through the color codes, then, you can see that there
10 will be six nonstandard PC gas spacing units to consider
11 for approval.

12 If you turn past Exhibit 1 and find Exhibit
13 Number 2, it's a copy of the Application, and we have
14 specifically identified by legal description the size and
15 the acreage content of each of these proposed spacing
16 units.

17 The well location I have described as a proposed
18 exception is located in Section 5. You can see in Section
19 5 there is an unshaded square, in Exhibit 1, and it will be
20 the southeast quarter of Section 5. That becomes a
21 standard PC spacing unit, but there is an existing San Juan
22 Unit 32 and 7 Well Number 18 in the Mesaverde. And if they
23 add the Pictured Cliff, that well is 400 feet from the east
24 line and 2225 feet from the south line. Because it's 400
25 feet from the east line, it is unorthodox by 260 feet.

1 We're seeking approval to have that as an exception.

2 To satisfy the notice requirements, we have
3 notified every interest owner in Sections 4, 5, 6 and 7
4 from which these NSPs are being carved.

5 In addition, with regards to the well location,
6 we have notified the offsetting interest owners, towards
7 whom this well encroaches.

8 Attached to the Application, then, is a list of
9 those parties. Exhibit Number 3 is the certificate of
10 mailing. It shows the notice letter and gives you copies
11 of the green cards. And then there were a few that we did
12 not receive the green cards back, and they're also
13 identified. There are three out of this population of
14 notices.

15 The next series of exhibits is going to be a
16 color display which shows you the Mesaverde and Fruitland
17 nonstandard proration units. They're color-coded so you
18 can see their configuration.

19 Behind that map, then, is a copy of the Division
20 orders that approve those nonstandard proration units.
21 There's Order R-1066. It did other things, but if you read
22 through the order you'll find that it picks up the spacing
23 units we're talking about.

24 In addition, the Fruitland Coal was added by
25 Order R-9305, and that order is attached.

1 Once you turn to the next section, to show you
2 how we've attempted to fit the pieces together so that
3 there is no acreage stranded, there's a colored plat that
4 has outlined on it five existing, currently approved
5 Pictured Cliffs spacing units, and those were approved by
6 Order R-5364.

7 And when you turn behind that colored tab to get
8 to the next exhibit page, there's a copy of the order.
9 Again, that order included other spacing units, but within
10 the content of that order is the approval for the Pictured
11 Cliff units.

12 The final portion of the exhibit book contains
13 copies of the C-102 filings for the various Pictured Cliff
14 wells that currently exist to the east, and they include
15 the existing PC well that I've described for you. The very
16 first one is the 32-and-7 Well 18, and that is the
17 Mesaverde well. And you can see by the location plat where
18 that well is physically located.

19 We're asking approval in this case to have the
20 opportunity to add the Pictured Cliff in this wellbore.
21 It's obvious to do so will be an economic savings to the
22 operator and the working interest owners.

23 Behind that, then, is, for your information, the
24 C-102s on the other Pictured Cliff wells so you can see
25 where they are and how their GPUs fit together in this

1 complicated puzzle and quiltwork of regulatory solutions
2 along this odd township boundary that was made necessary
3 because of the survey adjustments when this township was
4 laid out.

5 With your approval, then, Mr. Examiner, that
6 completes our presentation of documents, and we would ask
7 that you take this case under advisement and issue an
8 appropriate order.

9 EXAMINER CATANACH: Thank you, Mr. Kellahin.

10 There being nothing further in this case, Case
11 12,356 will be taken under advisement.

12 (Thereupon, these proceedings were concluded at
13 9:52 a.m.)

14 * * *

15
16
17
18 I do hereby certify that the foregoing is
19 a complete record of the proceedings in
the Examiner hearing of Case No. 12356
20 heard by me on 11 Feb 19 2000.
21 David R. Catanach, Examiner
22 Off Conservation Division
23
24
25

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 March 18th, 2000.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 2002

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY)
 THE OIL CONSERVATION DIVISION FOR THE)
 PURPOSE OF CONSIDERING:) CASE NO. 12,356
)
 APPLICATION OF PHILLIPS PETROLEUM)
 COMPANY FOR APPROVAL OF SIX NONSTANDARD)
 GAS SPACING AND PRORATION UNITS AND AN)
 UNORTHODOX GAS WELL LOCATION, SAN JUAN)
 COUNTY, NEW MEXICO)
)

OFFICIAL EXHIBIT FILE

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

March 16th, 2000

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, March 16th, 2000, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *