

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:)	
)	
APPLICATIONS OF RICHARDSON PRODUCTION)	CASE NOS. 12,597
COMPANY FOR COMPULSORY POOLING, SAN JUAN)	12,598
COUNTY, NEW MEXICO)	12,599
)	(Consolidated)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

February 22nd, 2001

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, February 22nd, 2001, 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.

* * *

OIL CONSERVATION DIV.
01 MAR - 8 AM 9:13

I N D E X

February 22nd, 2001

Examiner Hearing

CASE NOS. 12,597, 12,598 and 12,599 (Consolidated)

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* * *

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* * *

A P P E A R A N C E S

FOR THE APPLICANT:

HOLLAND & HART, LLP, and CAMPBELL & CARR
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P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 11:46 a.m.:

3 EXAMINER CATANACH: At this time I will call Case
4 12,597, the Application of Richardson Production Company
5 for compulsory pooling, San Juan County, New Mexico.

6 Call for appearances in this case.

7 MR. CARR: May it please the Examiner, William F.
8 Carr with the Santa Fe law firm Holland and Hart, L.L.P.
9 We represent Richardson Producing Company in this matter,
10 and I have two witnesses.

11 EXAMINER CATANACH: Any additional appearances?
12 Okay, Mr. Carr?

13 EXAMINER CATANACH: Mr. Catanach, I would also
14 request that you at this time call Cases 12,598 and 12,599.
15 In these cases we're talking about the drilling of three
16 wells on one section of land. The same parties are being
17 pooled in each of the three Applications. The technical
18 evidence as it relates to the issue of risk will be
19 identical, and for that purpose we request that these
20 additional cases be called and all cases consolidated for
21 the purpose of presenting testimony here today.

22 EXAMINER CATANACH: Okay, at this time I'll call
23 Case 12,598, the Application of Richardson Production
24 Company for compulsory pooling, San Juan County, New
25 Mexico, and Case 12,599, the Application of Richardson

1 Production Company for compulsory pooling, San Juan County,
2 New Mexico.

3 Will the two witnesses please stand to be sworn
4 in at this time?

5 (Thereupon, the witnesses were sworn.)

6 MR. CARR: Mr. Examiner, at this time we call
7 Kathy Colby.

8 CATHLEEN COLBY,
9 the witness herein, after having been first duly sworn upon
10 her oath, was examined and testified as follows:

11 DIRECT EXAMINATION

12 BY MR. CARR:

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

14 A. Kathleen Colby.

15 Q. Where do you reside?

16 A. Denver, Colorado.

17 Q. By whom are you employed?

18 A. Richardson Operating Company.

19 Q. And what is your position with Richardson
20 Operating Company?

21 A. Land manager.

22 Q. Could you explain to us the difference between or
23 the relationship between Richardson Operating Company and
24 Richardson Production Company?

25 A. Upon the advice of our attorney and accountants,

1 we formed two privately held companies. The production
2 company owns the assets of the corporation, and the
3 operating company does the operations and holds the bonds.

4 Q. Have you previously testified before this
5 Division?

6 A. Yes, I have.

7 Q. At the time of that testimony, were your
8 credentials as an expert in petroleum land matters accepted
9 and made a matter of record?

10 A. Yes, they were.

11 Q. Are you familiar with the Applications filed in
12 each of these consolidated cases?

13 A. I am.

14 Q. And are you familiar with the status of the lands
15 in the area which is the subject of this hearing?

16 A. Yes.

17 MR. CARR: Are the witness's qualifications
18 acceptable?

19 EXAMINER CATANACH: They are.

20 Q. (By Mr. Carr) Ms. Colby, would you refer first
21 to what is Richardson Exhibit Number 1, three plats, and
22 using this exhibit explain to Mr. Catanach what it is we
23 seek in each of the three Applications.

24 A. The first page of Exhibit 1 shows the location of
25 the proposed ROPCO Number 1 well, which would be a downhole

1 commingled Fruitland Coal and Pictured Cliffs well, spaced
2 as the east half of Section 9, which is indicated by the
3 dashed red line.

4 The Pictured Cliffs formation would be spaced on
5 the northeast quarter, which is the solid red line.

6 Q. And you're seeking an order pooling each of those
7 spacing units for the Number 1 well?

8 A. Yes, we are.

9 Q. Let's go to the next page, which is for Case
10 12,598.

11 A. On the second page, the location of the ROPCO
12 Number 9-2 well is indicated. This would be a Pictured
13 Cliffs well. The spacing unit would be comprised of the
14 southeast quarter.

15 Q. All right, and the third page?

16 A. The third page shows the ROPCO Number 9-3 well.
17 This would be a downhole commingled Fruitland Coal and
18 Pictured Cliffs well. The spacing unit for the Fruitland
19 Coal would be the west half of Section 9, and the Pictured
20 Cliffs would be the southwest quarter.

21 Q. And what are the proposed objectives in these
22 wells? The Fruitland Coal and the Pictured Cliffs?

23 A. Yes, the Number 9-1 and ROPCO 9-3 would both be
24 the Basin Fruitland Coal and the Undesignated Twin Mounds-
25 Fruitland Sand-Pictured Cliffs Pools, with the ROPCO 9-2

1 would be strictly a Pictured Cliffs well.

2 Q. Let's go to what has been marked Richardson
3 Exhibit Number 2. Would you identify that and explain what
4 this shows?

5 A. Yes, this is a schedule that corresponds with the
6 plat maps insofar as the tracts are identified on the
7 plats. There is a page for each of the five spacing units,
8 the first one being the spacing unit for the Fruitland Coal
9 formation, which is the east half of Section 9.

10 The next page is the northeast quarter of Section
11 9, being the Pictured Cliffs spacing unit.

12 The third page is the second well, the 9-2 well,
13 which is strictly Pictured Cliffs formation ownership.

14 And then the next two pages are the two spacing
15 units within the ROPCO 9-3 well, the first being the
16 Fruitland Coal and the second one being the Pictured
17 Cliffs.

18 Q. On each of these pages it shows the percentage of
19 the working interest which is voluntarily committed or
20 agreed to participate in the well; is that correct?

21 A. Yes, the lower portion of each page there's a
22 summary showing the various owners that have elected to
23 participate in the drilling of the wells, and then there
24 are two owners that show up as being uncommitted interest.

25 Q. And who are they?

1 A. William A. Hall and Sherman and Helen Singleton.

2 Q. All right, let's go to Exhibit Number 3, and I'd
3 ask you to refer to this and summarize the efforts that you
4 have made to obtain the voluntary participation of both
5 William Hall and the Sherman Singleton interests in the
6 proposed well.

7 A. The first page of Exhibit Number 3 is a summary
8 of my efforts to obtain voluntary joinder. That is
9 followed by actual copies of our proposal letters. In our
10 proposals we have offered either to take an oil and gas
11 lease, to buy the mineral interest or give the owners an
12 opportunity to participate in the drilling of the wells.

13 Sherman Singleton was first contacted in July of
14 1998, with an offer for an oil and gas lease. I met
15 personally with him for a couple of hours, explained in
16 detail the general concepts involved in drilling wells,
17 spacing units, oil and gas leasing versus participating.

18 Ultimately, the family elected not to lease.
19 They said that they were not interested in seeing oil and
20 gas development in the area.

21 A follow-up offer was made in September of the
22 year 2000. We've talked to Mr. Singleton a couple of times
23 and have again attempted to meet with him, but have been
24 unsuccessful.

25 William A. Hall, my first offer to him, written

1 offer, was in September of 2000. I did receive a
2 counteroffer, which is included in the exhibit, where he
3 wanted twice the amount of royalty. We looked at it, were
4 not able to justify the economics and declined the counter-
5 offer.

6 After we filed for Application for this hearing,
7 I talked to Dr. Hall, and he indicated that he would prefer
8 to be pooled.

9 Q. If we look at Exhibit 3, behind the initial
10 summary page, there are groups of letters and documents
11 stapled together, and they are numbered 3A, 3AB [sic], Case
12 12,597. Those that show 3B would be 12,598; and 3C,
13 12,599. Is that correct?

14 A. Yes, that is correct.

15 Q. And in each of these you have separate packets
16 for your correspondence with Mr. Hall and for the Sherman
17 Singleton interest?

18 A. Yes, and in the caption you can tell which well
19 each offer pertains to.

20 Q. In your opinion, have you made a good-faith
21 effort to obtain the voluntary participation of both the
22 Hall and Singleton interests?

23 A. Yes, I believe we have.

24 Q. Has Richardson drilled other similar wells in the
25 area?

1 A. We have drilled similar wells north of this
2 particular section.

3 Q. Let's go to what has been marked Richardson
4 Exhibit Number 4. Would you identify that, please?

5 A. Exhibit 4, there are three pages, one for each
6 well, and they are our AFE.

7 Q. Could you review the costs as set forth on these
8 exhibits?

9 A. The AFE for the ROPCO 9-1 and the 9-3 are
10 identical, because both are downhole commingled Pictured
11 Cliff-Fruitland Coal wells. On this type of well we
12 estimate that the drilling cost for the Fruitland Coal
13 formation will be \$30,873, the Pictured Cliffs would be
14 \$39,205. Completed well cost would be a -- Excuse me, to
15 back up, the total drilling cost would be \$70,077.

16 In the Fruitland Coal formation, we estimate
17 drilling and completion costs to total \$219,179, with a
18 split with the Fruitland Coal bearing \$104,986 and the PC
19 bearing \$114,192.

20 Just as a note of explanation, on certain items
21 such as cost to permit, title opinion, surface equipment,
22 we split the cost equally between the Fruitland Coal and
23 the Pictured Cliffs formation. Certain costs attributable
24 to drilling, casing, tubing, we took the depth from the
25 surface to the base of the Fruitland Coal formation and

1 divided that equally between the two formations, and from
2 the base of the Fruitland Coal to the base of the Pictured
3 Cliffs was allocated entirely to the Pictured Cliffs
4 formation.

5 Q. The second page of this exhibit?

6 A. The next page is the AFE for the ROPCO 9-2 well,
7 which is strictly a Pictured Cliffs formation well. The
8 total drilling costs are estimated to be \$65,707, and
9 drilling and completion together, \$176,004.

10 Q. Are these costs in line with the costs actually
11 incurred by Richardson in drilling other wells in the area?

12 A. Yes, they are.

13 Q. Would you identify what has been marked as
14 Exhibit Number 5?

15 A. Exhibit Number 5 is our affidavit of mailing.

16 Q. And does the affidavit confirm that notice of
17 this hearing has been provided to both Hall and Singleton
18 in accordance with Oil Conservation Division rules?

19 A. Yes, it does.

20 Q. Have you made an estimate of the overhead and
21 administrative costs to be incurred while drilling the well
22 and also while producing it if it is successful?

23 A. We have -- and if we go to the next exhibit, 6,
24 towards the back there's a group of papers that are clipped
25 together. These are copies of portions of various

1 operating agreements that we have negotiated from May of
2 1998 through June of 2000 -- there's five examples -- of
3 wells within the area where we have negotiated overhead
4 rates of \$5000 for the drilling rate and \$500 for the
5 producing rate.

6 Q. And these are the rates that have been used by
7 you in the past?

8 A. Yes.

9 Q. And then also in Exhibit 6 we have some current
10 joint operating agreements for the subject wells, and they
11 contain these figures as well, do they not?

12 A. That is correct.

13 Q. Do you request that these figures be incorporated
14 into the order which results from today's hearing?

15 A. Yes, we do.

16 Q. Do the joint operating agreements that are marked
17 as Exhibit 6 contain a COPAS accounting procedure?

18 A. Yes, they do.

19 Q. And do these procedures provide for adjustment of
20 the overhead and administrative costs?

21 A. Yes.

22 Q. Does Richardson request that the overhead and
23 administrative costs approved in the orders entered as a
24 result of this hearing also be adjusted in accordance with
25 these COPAS procedures?

1 A. Yes, we do.

2 Q. Will Richardson call a technical witness to
3 review the risk associated with these Applications?

4 A. Yes, we will.

5 Q. Were Exhibits 1 through 6 and all parts of those
6 exhibits prepared by you or compiled at your direction and
7 supervision?

8 A. They were.

9 MR. CARR: At this time, Mr. Catanach, we would
10 move the admission into evidence of Richardson Operating
11 Company Exhibits 1 through 6.

12 EXAMINER CATANACH: Exhibits 1 through 6 will be
13 admitted as evidence.

14 MR. CARR: And that concludes my direct
15 examination of Ms. Colby.

16 EXAMINATION

17 BY EXAMINER CATANACH:

18 Q. Ms. Colby, on the ROPCO 9 Number 1 well, I see
19 that for a Fruitland Coal well, both interest owners share
20 an interest in that well. But if it's a PC completion,
21 only William Hall has an interest; is that correct?

22 A. Yes, that's correct. And this is because the
23 Singleton interest is in Tract 7, which is in the southeast
24 quarter. As far as the Pictured Cliffs go, he will
25 participate in the 9-2, as to the Pictured Cliffs.

1 Q. Okay. On your summary of your efforts to secure
2 these interest owners' voluntary participation, now, does
3 that apply -- you summarized it, but does that apply to all
4 three wells on this page?

5 A. Yes, yes, it does.

6 Q. So all three wells were first proposed in
7 September of 2000?

8 A. Yes, they were.

9 Q. Letter offers, or lease offers and well
10 proposals?

11 A. Actually, there was -- The well proposal for the
12 ROPCO 9-3 to Dr. Hall was proposed October 3rd of 2000. It
13 was a few days after.

14 Q. Okay, but that's the only difference, as far as
15 you know?

16 A. Yes.

17 Q. Okay. And you don't anticipate these Singleton
18 interests voluntarily participating at this point?

19 A. We will continue to try to obtain voluntary
20 commitment prior to drilling, but the way things have gone
21 so far, I would guess that we will not obtain it.

22 Q. As far as -- The Singleton interest will not
23 participate in drilling costs to the coal -- I'm sorry, to
24 the Pictured Cliffs; is that correct --

25 A. That is correct.

1 Q. -- in the Number 1 well?

2 A. If you look at Exhibit 3A-2, the third page is
3 the AFE that we submitted to him. At the bottom it shows
4 the Fruitland Coal, and it shows he has an interest of .78
5 percent. And then in the Pictured Cliffs he has nothing.
6 So he would not be charged anything attributable to the
7 Pictured Cliffs in that well.

8 Q. Okay. And as far as the risk penalty for the
9 well, those will be separate for both formations?

10 A. Yes, and that will be addressed --

11 Q. Right, but as far as the accounting procedures
12 and how they're paid and stuff like that, those will be
13 kept separate?

14 A. Right, there will be a separate accounting.

15 EXAMINER CATANACH: Okay, I understand. That's
16 all I have of this witness.

17 MR. CARR: Thank you, Mr. Catanach. At this time
18 we'll call David Richardson.

19 DAVID B. RICHARDSON,

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. CARR:

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

25 A. David B. Richardson.

1 Q. Mr. Richardson, where do you reside?

2 A. Denver.

3 Q. And what is your position with Richardson
4 Production Company?

5 A. I am president of the company, with a background
6 as a petroleum geologist.

7 Q. Mr. Richardson, have you previously testified
8 before this Division?

9 A. Yes, I have.

10 Q. At the time of that testimony, were your
11 credentials as an expert in petroleum geology accepted and
12 made a matter of record?

13 A. Yes.

14 Q. Are you familiar with the Applications filed in
15 each of these consolidated cases?

16 A. Yes.

17 Q. Have you made a geological study of the area
18 which is involved in this case?

19 A. Yes, I have.

20 Q. And are you prepared to share the results of that
21 work with Mr. Catanach?

22 A. Yes, I am.

23 Q. Have you prepared exhibits for presentation here
24 today?

25 A. Yes, I have.

1 MR. CARR: Are the witness's qualifications
2 acceptable?

3 EXAMINER CATANACH: They are.

4 Q. (By Mr. Carr) Let's go to what has been marked
5 for identification as Richardson Exhibit 7, and I'd ask you
6 to refer to that and then explain to Mr. Catanach what this
7 shows.

8 A. Okay, this is a base map with cumulative
9 production from either the Pictured Cliffs or the Fruitland
10 Coal in the immediate area. There are only two wells that
11 have produced and reported to the State production out of
12 the Pictured Cliffs, both of them very marginal wells, one
13 having a total production of 39 million cubic feet of gas
14 and the other one of 114 million.

15 The wells to the south are Gallup wells in the
16 Northwest Cha Cha Unit, and there are several Pictured
17 Cliff dry holes and marginal Dakota wells in the area.

18 Q. Let's go to your contour map --

19 A. Okay.

20 Q. -- Exhibit Number 8. Would you review the
21 information on that exhibit?

22 A. Right, this is a contour map on the base of the
23 Fruitland Coal, showing a gentle dip to the northeast.
24 This is on the far western side of the San Juan Basin.

25 Q. And basically what does this tell you? Anything

1 about the producibility or the production capabilities of
2 the wells?

3 A. Structure has very little effect on the
4 potential.

5 Q. Exhibit Number 9 is a basal coal thickness map.
6 Would you review this for Mr. Catanach?

7 A. Yes, I will. This is on only the lowest basal
8 coal in the area. I didn't contour it, because it was very
9 contiguous throughout, from 10 feet up to 18 feet, but an
10 average of about 14 feet in thickness.

11 Q. When you drill these wells, you anticipate that
12 you will encounter the subject formation --

13 A. Yes, we do.

14 Q. -- isn't that correct?

15 Isn't the concern actually whether or not you
16 will be able to make a commercial well?

17 A. That's right.

18 Q. Let's go to Exhibit Number 10, and I'd ask you to
19 identify that exhibit for Mr. Catanach and review it,
20 please.

21 A. Okay, this is an engineering report on a
22 hypothetical Fruitland Coal-Pictured Cliff well. We have
23 estimated, and I believe very generously, total reserves of
24 362,000 gas from a commingled PC/Coal. There's nothing in
25 the area that supports that, but we think with dewatering

1 we can maybe achieve that.

2 Q. When you take this information and you compare it
3 to -- these reserve figures and compare it to the costs
4 that are associated with developing this property, water
5 costs, in your opinion is it possible you would drill wells
6 at this location that, in fact, would not be economic
7 successes?

8 A. Yes, it is.

9 Q. What conclusions have you reached from your study
10 of the area?

11 A. It's a very high risk area. The largest concern
12 is water production, if the wells can de-water. If you
13 look on the map, the line to the south is the San Juan
14 River, and the Coal and the Pictured Cliffs outcrop about
15 five miles west of here. So the big concern is whether
16 there is water recharge into the formations.

17 Q. Are you prepared to make a recommendation to the
18 Examiner as to the risk penalty that should be assessed
19 against those that do not participate in the well?

20 A. Yes, I am.

21 Q. And what is that?

22 A. Cost plus 200 percent.

23 Q. And this risk penalty should apply to both of the
24 formations that were the subject of this Application; is
25 that correct?

1 A. Yes.

2 Q. You have the same problems and the same risk in
3 terms of water in both of these horizons?

4 A. Yes, we do.

5 Q. Does Richardson Operating Company seek to be
6 designated the operator of each of these three wells?

7 A. Yes, we do.

8 Q. In your opinion, will granting this Application
9 and imposing a 200-percent penalty on those
10 nonparticipating interest owners be in the best interests
11 of conservation, the prevention of waste and the protection
12 of correlative rights?

13 A. Yes, it will.

14 Q. Were Richardson Exhibits 7 through 10 prepared by
15 you?

16 A. Yes, they were. Number 10 was prepared.

17 Q. Have you reviewed Exhibit 10 and can you testify
18 as to its accuracy?

19 A. Yes, I have.

20 MR. CARR: Mr. Catanach, at this time we would
21 move the admission into evidence of Richardson Exhibits 7
22 through 10.

23 EXAMINER CATANACH: Exhibits 7 through 10 will be
24 admitted.

25 MR. CARR: And that concludes my direct

1 examination of Mr. Richardson.

2 EXAMINATION

3 BY EXAMINER CATANACH:

4 Q. Mr. Richardson, I'm sure you're aware of a
5 standard risk penalty that we have assigned wells in the
6 Fruitland Coal in the past. I believe it's 156 percent.
7 And that was reduced based upon the fact that the Fruitland
8 Coal or the Basal Coal interval would be present in the
9 wellbore?

10 A. Yes.

11 Q. And you've testified here today that that, in
12 fact, will be the case at these locations?

13 A. Yes.

14 Q. Okay. So there's no doubt that the Coal will be
15 there?

16 A. Yes, it will.

17 Q. Okay. As far as completing the Fruitland Coal
18 and the Pictured Cliffs, are those going to be completed
19 separately?

20 A. Yes, they will.

21 Q. And are those intervals going to be produced for
22 a period before they are commingled?

23 A. Yes, they will.

24 Q. Do you know how long that period might be?

25 A. Until we get a stabilized flow rate it could be

1 one month, up to several months.

2 Q. The Fruitland Coal in this area is, I take it,
3 going to be water-productive?

4 A. Yes.

5 Q. Is this an area where you may have to de-water
6 the coal before it starts producing?

7 A. Absolutely.

8 Q. Okay. I'm a little concerned, how would you
9 propose to allocate production between these zones in a
10 downhole commingled configuration?

11 A. Through individual well tests.

12 Q. The Fruitland Coal interval would be difficult to
13 get a handle on, I would say, at least initially --

14 A. Right.

15 Q. -- and probably for some time. You would
16 probably -- It would be hard to get a stabilized rate out
17 of that interval. Do you plan on producing for that length
18 of time?

19 A. We will start with the Pictured Cliffs. It's the
20 deeper zone, so naturally we'll work uphole. So hopefully
21 we'll get a stabilized rate out of the PC.

22 Q. I would also just suggest to you that if you were
23 to get a stabilized rate out of the PC, we have approved
24 methods where you can forecast the PC production and then
25 allocate whatever is left to the Fruitland Coal. That

1 might be an alternative in this case. But do you feel like
2 you could get a pretty good handle on the allocation
3 between these two zones?

4 A. Yes, we do.

5 Q. And there currently is no Fruitland Coal
6 production in this nine-section area?

7 A. We have recently drilled three wells in Section
8 5. One of those is a commingled well, in the southwest of
9 5. We've drilled a fourth one but have not completed it,
10 in Section 5.

11 Q. Okay, that's a commingled Fruitland Coal well --

12 A. Yes.

13 Q. -- and PC?

14 A. Yes.

15 Q. Okay, so you have established Fruitland Coal
16 production in this area?

17 A. Very recently, yes.

18 Q. Do you know how much that's producing?

19 A. Less than 100 a day, and considerable amounts of
20 water, over 150 barrels of water.

21 Q. And that's already downhole commingled?

22 A. Yes.

23 Q. Is water disposal a problem in this area?

24 A. It always is. We're trying to drill more
25 disposal wells. That's what hurts the economics more than

1 any single thing, is water disposal out here.

2 EXAMINER CATANACH: Okay, I have nothing further,
3 Mr. Carr.

4 MR. CARR: That concludes our presentation in
5 this case.

6 EXAMINER CATANACH: Okay, there being nothing
7 further, these cases, 12,597, 12,598 and 12,599 will be
8 taken under advisement.

9 Thank you.

10 We stand in recess till 1:30.

11 (Thereupon, these proceedings were concluded at
12 12:20 p.m.)

13 * * *

14
15
16
17 I do hereby certify that the foregoing is
18 a complete record of the proceedings in
the Examiner hearing of Case No. 12597, 98, 99
heard by me on February 22, 192001.

19 David I. Catnach, Examiner
20 Oil Conservation Division
21
22
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 February 28th, 2001.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 2002