

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 ENERGEN RESOURCES )  
CORPORATION FOR A NONSTANDARD GAS )  
SPACING AND PRORATION UNIT AND AN )  
UNORTHODOX GAS WELL LOCATION, RIO )  
ARRIBA COUNTY, NEW MEXICO )

CASE NO. 12,728

ORIGINAL

01 OCT -4 AM 10:10  
OIL CONSERVATION DIV

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

September 20th, 2001  
Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, September 20th, 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.

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September 20th, 2001  
Examiner Hearing  
CASE NO. 12,728

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## A P P E A R A N C E S

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 By: J. SCOTT HALL

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2 8:17 a.m.:

3           EXAMINER STOGNER: Call this hearing to order.  
4 Please note today's date, September the 20th, 2001, Docket  
5 Number 31-01.

6           At this time I'll call Case Number 12,728, which  
7 is the Application of Energen Resources Corporation for a  
8 nonstandard gas spacing and proration unit and an  
9 unorthodox coal gas well location in Rio Arriba County, New  
10 Mexico.

11           Call for appearances.

12           MR. HALL: Mr. Examiner, Scott Hall, Miller  
13 Stratvert Torgerson of Santa Fe, on behalf of the  
14 Applicant, Energen Resources Corporation.

15           EXAMINER STOGNER: Any other appearances in this  
16 matter?

17           MR. HALL: Mr. Examiner, I would note that this  
18 case is being heard for the reason that there were  
19 objections filed on behalf of four unleased mineral  
20 interest owners. Those individuals have failed to enter an  
21 appearance at the hearing today.

22           On behalf of Energen, we're willing to submit the  
23 case to you and let it be taken under advisement and  
24 approved on the administrative application. We are also  
25 prepared to present testimony, should you wish.

1 EXAMINER STOGNER: Okay, just to review this  
2 matter, I had received an objection in the administrative  
3 filing prior to the 20 days. The Application of Energen  
4 for this matter was initially received on August 2nd for  
5 administrative review.

6 However by letter dated August 27th in which I  
7 had stated that I believe there were three members of the  
8 Candelaria family at the time in Salt Lake City, and also,  
9 whenever I sent a copy of that letter to David J.  
10 Candelaria, it came back from the address that I had, and  
11 then subsequent to this time, I have received further  
12 objections from other parties, and they're noted in the  
13 file.

14 In light of this situation, I believe it would be  
15 appropriate to take testimony at this time and review this  
16 matter --

17 MR. HALL: Okay.

18 EXAMINER STOGNER: -- the record, and proceed  
19 accordingly.

20 MR. HALL: Very well, sir.

21 At this time, Mr. Examiner, we would call Rich  
22 Corcoran to the stand.

23 For the record, please state your name, sir.

24 COURT REPORTER: Excuse me, we haven't sworn the  
25 witness yet.

1 MR. HALL: I'm sorry.

2 (Thereupon, the witness was sworn.)

3 EXAMINER STOGNER: And you only have one witness;  
4 is that right?

5 MR. HALL: Yes, sir.

6 EXAMINER STOGNER: Okay.

7 RICHARD P. CORCORAN,

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

10 DIRECT EXAMINATION

11 BY MR. HALL:

12 Q. Again for the record, please state your name.

13 A. Rich Corcoran.

14 Q. Mr. Corcoran, where do you live and by whom are  
15 you employed?

16 A. I live in Farmington, I'm employed by Energen  
17 Resources Corporation as district landperson.

18 Q. And you've previously testified before the  
19 Division and had your credentials accepted as a matter of  
20 record?

21 A. I have.

22 Q. Are you familiar with the Application that's been  
23 filed in this case?

24 A. I am familiar with it.

25 Q. And you're familiar with the lands that are the

1 subject of the Application?

2 A. That's correct.

3 MR. HALL: At this time, Mr. Examiner, we tender  
4 Mr. Corcoran as an expert petroleum landman.

5 EXAMINER STOGNER: Mr. Corcoran is so qualified.

6 Q. (By Mr. Hall) If you would, Mr. Corcoran, please  
7 explain what it is that Energen seeks by its Application.

8 A. Energen is seeking a nonstandard proration unit  
9 at an unorthodox location for the San Juan 32-5 Number 112  
10 well.

11 Q. And is the proposed well a completion in the  
12 Basin-Fruitland Coal Gas Pool?

13 A. It will be, yes.

14 Q. And you're familiar with the spacing and well  
15 locational requirements and the pool rules for that gas  
16 pool?

17 A. I am familiar that they should be a minimum of  
18 660 and on 320-acre spacing in the northeast or southwest  
19 of the proposed 320.

20 Q. The Application was originally proposed as an  
21 administrative application to the Division, was it not?

22 A. Yes, it was.

23 Q. And it's only by virtue of objections received  
24 from certain mineral interest owners that we appear today  
25 here today at hearing?

1           A.    That is correct.

2           Q.    All right.  Let's look at the exhibit packet.  If  
3 you would identify Exhibit 1, please, sir.

4           A.    Exhibit 1 is my letter for administrative  
5 application and attachments.

6           Q.    That's the package that was submitted for  
7 administrative approval?

8           A.    That's correct.

9           Q.    All right, let's look at Exhibit 2.

10          A.    That's a map depicting the proposed unorthodox  
11 location and nonstandard proration unit.

12          Q.    All right.  Now, why is the nonstandard unit and  
13 unorthodox location necessary in this particular case?

14          A.    For a number of reasons, the first being, it's a  
15 small section, it's an odd-sized section, and the  
16 topography in the area is extremely rough.  In addition to  
17 that, it's heavily laden with archaeological artifacts.

18          Q.    All right.  Let's look at Exhibit 3.  Identify  
19 that and explain what that shows.

20          A.    Exhibit 3 is a map that's prepared that indicates  
21 the location, again, of the well, of our proposed well, the  
22 size and shape of the proposed spacing unit, and the  
23 offsetting operators or owners.

24          Q.    All right.  For the record, what is the footage  
25 location for the well?

1           A.    The footage location is 410 feet from the south  
2 line and 1320 feet from the east line, which turns out to  
3 be -- turns out to be 1320 feet from the east line.

4           Q.    And that distance is also shown on Exhibit 4, the  
5 C-102 plat, is it not?

6           A.    It is.

7           Q.    All right.  And does Energen propose that this be  
8 a straight-hole completion?

9           A.    We do.

10          Q.    All right.  Looking at Exhibit 4, what are the  
11 side and end boundary lengths for this section, Section 19?

12          Q.    The width of the section at this point is 1469  
13 feet wide, and it's more standard in the length, but  
14 leaving us no more than a 150-foot window for a legal  
15 location.

16          Q.    Let's look at Exhibit 5 now.  Would you identify  
17 that for the record?

18          A.    That's a topographic map of the area, showing the  
19 -- again, the location and our entrance to that location.

20          Q.    All right.  And what is the surface ownership?

21          A.    Surface and minerals are owned by the Bureau of  
22 Land Management.

23          Q.    All right.  By reference to Exhibit 5, is the  
24 nature of the topography in Section 19 such that a standard  
25 location is virtually precluded?

1 A. It is.

2 Q. Now, did the Bureau of Land Management impose  
3 restrictions on your road location and your rig pad?

4 A. Yes, they did. Initially, we sought a location  
5 at a legal location, and it was not an acceptable location  
6 for a number of reasons, but primarily it was so tough  
7 topographically that to get in and out of there we would  
8 have had to move way more dirt than the BLM wanted us to.  
9 Furthermore, there were a number of artifacts in the area,  
10 and the area has got a number of recognized archaeological  
11 sites, and so they asked us to move it to an existing  
12 location that was approved for a previous well we drilled  
13 in the area.

14 Q. All right. Is it accurate to say there's  
15 previous locations for a Blanco-Mesaverde and a Dakota --

16 A. Yes --

17 Q. -- well at this --

18 A. Yes, it is --

19 Q. -- rig pad?

20 A. -- as a matter of fact, this pad is the same  
21 location that we have the 1R well, the 32-5 Unit Number 1R,  
22 which -- that's the location for a Mesaverde well there.

23 Q. All right. Now Mr. Corcoran, in your opinion do  
24 the surface access and use restrictions and the topographic  
25 conditions constitute unusual circumstances that justify an

1 exception to the Division's well-location requirements?

2 A. Yes, they do.

3 Q. Does Energen seek an exception to the well-  
4 location requirements due to any geologic conditions?

5 A. No.

6 Q. All right. Given the irregular sections we're  
7 dealing with here, is there a bottomhole location within  
8 the standard window, standard drilling window established  
9 by Rule 104, to which the well could be directionally  
10 drilled?

11 A. There is, however with the nature of the wells in  
12 this area that produce from this formation, although you  
13 could physically drill the well you could not produce it,  
14 there's so much water to move that we would have to use a  
15 pumping mechanism that you can't use with a directional  
16 well.

17 Q. Does Energen anticipate installing a rod pump?

18 A. Yeah, it would require that.

19 Q. To remove the water?

20 A. Yes.

21 Q. And that's why anything but a --

22 A. -- a straight hole

23 Q. -- a straight hole is precluded?

24 A. That is correct.

25 Q. Will the San Juan 32-5 Number 112 well at its

1 unorthodox location be situated so as to efficiently and  
2 economically recover Basin-Fruitland Coal gas reserves from  
3 the location?

4 A. Yes.

5 Q. And does the nonstandard proration Energen seeks  
6 in this case conform to previously approved nonstandard  
7 units for the Blanco-Mesaverde?

8 A. Yes, it does. Previously they have been approved  
9 for these odd-sized sections combined.

10 Q. And for the Basin Dakota Pool as well?

11 A. Both, yes.

12 Q. All right. And let's see, the well would be  
13 located in the equivalent of the southwest quarter of the  
14 section, would it not?

15 A. That's correct.

16 Q. And so the well is situated in conformance with  
17 the prevailing spacing pattern for the area, for Fruitland  
18 Coal wells?

19 A. That is correct.

20 Q. If Energen's Application is not approved, will  
21 its correlative rights be affected?

22 A. We won't be able to produce it, yes.

23 Q. All right. Let's look at Exhibit 6 now, please,  
24 sir. Could you identify this for the Hearing Examiner and  
25 explain what it shows?

1           A.    This is a list of all the parties noticed of our  
2 administrative application.  It represents approximately  
3 60-some-odd unleased mineral interest owners, as well as a  
4 host of operators on the second page.

5           Q.    Now, does Exhibit 6 also contain the last known  
6 mailing addresses of all of the mineral interest owners and  
7 offset operators you notified in connection with your  
8 Application?

9           A.    Yes, it does.  It also sets out, if we were  
10 notified by any of the parties of a new address for a  
11 sibling, a second attempt to locate those folks --

12          Q.    All right.

13          A.    -- or to mail to those folks.

14          Q.    So in addition to contacts from siblings and  
15 family members, all the addresses were derived from  
16 information available from the public records and the  
17 counties?

18          A.    That's correct.

19          Q.    By the way, which counties did you search in this  
20 case?

21          A.    Well, since this -- the location of this property  
22 is such that it borders Navajo Lake, and the center of  
23 Navajo Lake is the dividing line for San Juan and Rio  
24 Arriba Counties, we found ourselves looking in both of  
25 those abstract offices, as well as county records.

1 Furthermore, it's very close to the Colorado border, so we  
2 found ourselves in La Plata County, Colorado as well. So  
3 we made a search of three different counties in the records  
4 and their abstractors.

5 Q. All right. If you'd turn to the second page of  
6 Exhibit 6, is that a listing of all the offset operators?

7 A. It is.

8 Q. And are the offset operators' interests shown on  
9 Exhibits 2 and 3 as well?

10 A. They were, yes, they were.

11 Q. Their ownership position?

12 A. Yeah.

13 Q. Where their acreage is located is shown on  
14 Exhibits 2 and 3?

15 EXAMINER STOGNER: Which exhibit are you  
16 referring to?

17 MR. HALL: Mr. Examiner, the second page of  
18 Exhibit 6 is a list of all offsetting operators.

19 EXAMINER STOGNER: Okay.

20 MR. HALL: And Exhibits 2 and 3 shows where their  
21 respective acreages are located.

22 EXAMINER STOGNER: Okay, let's look at that a  
23 little closer, because my name appears on that.

24 THE WITNESS: Right. Yeah, well, you're  
25 obviously not an operator. You're another party that --

1 EXAMINER STOGNER: That's what I wanted to make  
2 clear.

3 (Laughter)

4 THE WITNESS: Yourself nor the BLM operators.

5 EXAMINER STOGNER: Okay. You may continue, Mr.  
6 Hall.

7 Q. (By Mr. Hall) Mr. Corcoran, did you receive  
8 objections from any of the offset operators or Mr. Stogner?

9 A. I did, and -- I received four objections.

10 Q. From the offset operators themselves?

11 A. I'm sorry, no, none of the operators did I  
12 receive any objections.

13 Q. All right. Mr. Corcoran, do you believe that  
14 production from the 112 well should be restricted or  
15 penalized due to its unorthodox location?

16 A. I do not.

17 Q. All right. Now, with respect to your  
18 encroachment, you're encroaching to the west; is that  
19 correct?

20 A. We are -- If at all, yes, we're encroaching to  
21 the west.

22 Q. And who is the operator of the section to the  
23 west?

24 A. Energen Resources Corporation is not only the  
25 operator but 100-percent working interest owner in all the

1 wells to the west.

2 Q. All right. Mr. Corcoran, in your opinion would  
3 granting Energen's Application be in the best interests of  
4 conservation, the prevention of waste and the protection of  
5 correlative rights?

6 A. Yes, it would.

7 MR. HALL: And were Exhibits 1 through -- I'm  
8 sorry, let me go through one more exhibit, Mr. Examiner.

9 EXAMINER STOGNER: Sure.

10 Q. (By Mr. Hall) I missed one. Let's refer to  
11 Exhibit 7. Is Exhibit 7 an example of the waiver form you  
12 sent out to all the interest owners?

13 A. It is.

14 Q. And let's refer to Exhibit 8 now. Would you  
15 identify that, please?

16 A. That is a listing of the known addresses at the  
17 time we pulled this Application together, of the unleased  
18 mineral interest owners.

19 Q. All right. Were Exhibits 1 through 8 prepared by  
20 you or at your direction?

21 A. They were.

22 MR. HALL: That concludes my examination of this  
23 witness, Mr. Examiner.

24 I'd move the admission of Exhibits 1 through 8.

25 EXAMINER STOGNER: Exhibits 1 through 8 will be

1 admitted into evidence.

2 EXAMINATION

3 BY EXAMINER STOGNER:

4 Q. Have you spoken to any of -- It appears that the  
5 objecting parties might be one family; is that what you're  
6 gathering, or --

7 A. It is. I did speak to those folks after their  
8 objection, talked to one of the parties and offered to  
9 elaborate. That party didn't really want to discuss it,  
10 but I asked that they have any of the other family members  
11 that might want to go into the matter to contact me and I  
12 would be glad to get back to them, and they -- I've never  
13 heard from them.

14 Now, I did talk to a number of other people along  
15 the way, and when given the opportunity to explain why we  
16 needed to do this, all those folks seemed to -- obviously  
17 they agreed, they did not object.

18 Q. And where are their interests located?

19 A. They're up in -- I you'll look at Exhibit Number  
20 2, what's identified as Tracts 7 and 9, which would be the  
21 northwesternmost portion of the offsetting interest owners,  
22 that is, the southwest quarter of Section 12 and the north  
23 half of the northwest quarter of Section 13. The parties  
24 that objected, that's where their interest stems from.  
25 They each have 1.8 acres.

1 Q. Now, are they also a party in section -- What is  
2 it, 16, 18 and 19 within your property?

3 A. No, sir, no, they're not. This interest stems  
4 from an old condemnation procedure to dam up the river and  
5 create the lake. And when it was condemned, the surface  
6 was purchased from these folks, and they are the heirs of  
7 these family members that lost the surface at that time.  
8 They kept their mineral interests. And most of their  
9 mineral interest, in most cases, is under the Navajo Lake.

10 Q. What was their main concern?

11 A. They -- She would not elaborate. They really  
12 didn't -- I think, frankly, in my opinion, it was  
13 confusion. They didn't quite understand, and they thought  
14 the easiest way to handle it is simply to object to it.  
15 That's my opinion, because in fact we're moving further way  
16 from their acreage rather than closer to it.

17 Q. So it wasn't their concern for the nonstandard  
18 proration unit, as you see it; it's mostly confusion upon  
19 where the location actually is?

20 A. Well, they're just -- They're individuals that I  
21 don't think fully comprehend what -- why we would even --  
22 why we're requesting it. And as I said, when I talked to  
23 those that I did talk to, they -- you know, and you explain  
24 to them that it's a requirement that if you locate it at  
25 other than a standard location that they are to be

1 contacted and given an opportunity to discuss the matter,  
2 it seemed to make sense to almost all the parties that had  
3 any question, other than these folks, they went ahead and  
4 objected first. Then when I contacted them after the  
5 objection they didn't -- the one I did talk to didn't  
6 really want an explanation, just decided it would be best  
7 to object.

8 So I couldn't really answer why.

9 Q. Okay, I'm trying to -- I'm looking at Exhibit  
10 Number 2, and I want to pinpoint where exactly their  
11 interest is.

12 A. Okay, if you go up to Section 12, the  
13 northwesternmost portion of that section, if you look at  
14 what I've identified here as Tract 9 --

15 Q. Tract 9.

16 A. -- which would be the southwest quarter -- north  
17 half, southwest quarter, and the south half of the  
18 southwest quarter, it's identified as Tracts 7 and 9,  
19 partially. So they're under that. And they're also under  
20 the north half of the northwest quarter of Section 13.

21 And by our moving the location further south,  
22 although we are moving a little further west, we are moving  
23 it further south and thereby going away from their acreage.  
24 I don't understand their objection myself.

25 Q. Okay, in looking at this I've marked this Tract

1 9, and sometimes it appears as Tracts 7 and 9 --

2 A. That's correct.

3 Q. -- Tract 9 doesn't even touch your proposed  
4 proration unit, does it --

5 A. No, it --

6 Q. -- or spacing unit, I should say?

7 A. No, it does not. It's just that if you were to  
8 lay down your spacing unit in 13, then you could -- You  
9 could include them, but it's a stretch.

10 Q. Okay, let's refer to Exhibit Number 5. Now, this  
11 was an existing -- Sections 18 and 19, this was an existing  
12 what, Basin-Dakota or Blanco-Mesaverde proration unit at  
13 one time?

14 A. Yes, there is presently both Basin-Dakota and  
15 Mesaverde proration units covering Sections 18 and 19, as  
16 the identified -- the approved proration unit for Mesaverde  
17 and Dakota, as well as 30 and 31.

18 Q. Okay, now, let's stick with 18 and 19. Is there  
19 a well currently producing from both of those zones in this  
20 unit?

21 A. Well, there is from the Mesaverde. I don't know  
22 that the Dakota is still producing. We drilled it, and I  
23 think we backed out of it.

24 Q. Okay. Do you have a map or something where that  
25 well is located?

1           A.    It's the same identical location, yes, sir, my --  
2           the Exhibit Number 2 would indicate the 1R well in the  
3           southwesternmost corner -- I know it's not real legible,  
4           but the southwesternmost corner of that proration unit,  
5           there's a symbol there for the 1R.  That is the proposed  
6           location for this well, same pad.

7           Q.    Okay.  Now, because when I'm referring to Exhibit  
8           Number 2 I see what looks like three well indicators.

9           A.    That's correct, there was a 1X and a 1, both of  
10          which have plugged and abandoned, were drilled years and  
11          years ago.

12          Q.    And then the 1R?

13          A.    And then the 1R, which was drilled about a year  
14          or two ago by us.

15          Q.    Okay.  Now, will you be on that same pad?

16          A.    We'll be on that same pad.

17          Q.    Now, is that well one of yours, or who operates  
18          it?

19          A.    No, that is ours, we operate it, we own 100  
20          percent of the Dakota and 98.5 percent of the Mesaverde,  
21          100 percent of the Fruitland Coal.

22          Q.    Okay.  Now, I want to take a look at Section 24  
23          and 25 --

24          A.    Yes, sir.

25          Q.    -- the royalty interests.  Are these federal

1 sections?

2 A. There is a small piece that's fee in what's  
3 identified here as the southwest quarter and the west half,  
4 southeast quarter, of Section 24, is a fee lease. A  
5 hundred percent of that is ours, as far as the Fruitland  
6 Coal goes, as -- both Sections 24 all and Section 25 all.  
7 And we do operate all four of those wells.

8 The Fruitland Coal wells in those two sections  
9 are identified with a triangle.

10 Q. Okay. Now, over there in Section 24 and 24, the  
11 portion that is a fee lease --

12 A. Yes.

13 Q. -- I guess I'm still a little confused when I  
14 look at Sections 24 and 25 as a whole. Are there some  
15 federal acreage?

16 A. Yes, it's all federal other than those -- other  
17 than that portion which is fee there, is -- you know, and  
18 I'm doing that from memory.

19 Q. Okay. Now, who's the fee mineral owner?

20 A. Let's see, the gentleman's -- No, it's leased to  
21 us, and we have 100 percent of the operating rights, and as  
22 -- we're not notifying the royalty interest owner in that  
23 quarter quarter.

24 Q. That's pursuant to the rule, right?

25 A. That is. We are the operator.

1 Q. Okay, how about in Section 30 and 31? Why don't  
2 you review that a little bit for me, because at the same  
3 time you made this Application administratively --

4 A. Yes,

5 Q. -- you've also filed one for Sections 30 and 31.

6 A. We did.

7 Q. Can you give me a little synopsis on that?

8 A. Okay, and what we did there is, we asked for the  
9 same type of proration unit. That is, one that would  
10 coexist with the existing Mesaverde and Dakota proration  
11 units for that acreage block, to cover all of Sections 30  
12 and 31. We own 100 percent of the operating rights of  
13 those two sections in and to the Fruitland Coal zone. We  
14 also are the operator of the unit in which that's  
15 contained. It too was an off-pattern well and nonstandard.  
16 However when we contacted all the surrounding owners there,  
17 which are by and large the same here, other than the  
18 unleased mineral interest owners, there were no objections.

19 Q. And the royalty interest in Section 30 and 31?

20 A. I believe that should be the Bureau of Land  
21 Management, which we have leased.

22 Q. Okay, referring to Exhibit Number 5 again, this  
23 is in the Navajo Lake area; is that right?

24 A. Yes, it is. Where the Navajo Lake is identified  
25 best is on Exhibit Number 2. If you'll go back to it and

1 look, there is a line from the northeastern corner of  
2 Section 12, there's a line that goes through the center of  
3 the section down to the south, and it -- or to the  
4 southwest. It covers about two-thirds of Section 12 and a  
5 third or more of Section 13. It's everything west of that  
6 line.

7 Q. Okay, does that indicate the high-water mark?

8 A. Yes, it does.

9 Q. Did you have to get approval from the -- or at  
10 least notify the Bureau of Reclamation?

11 A. We did not notify them, because -- I don't know,  
12 we did not notify them.

13 Q. Okay. But if you're adjacent to that lake or  
14 closer to that lake, they're another federal agency you've  
15 got to deal with; is that correct?

16 A. They are. They usually ask that the BLM look at  
17 their position whenever we go for locations on these  
18 particular properties. When we physically go to the  
19 location we always contact them and ask them to be on site  
20 to state any objections they may have, and generally the  
21 response is that the BLM will -- well, if they can't make  
22 it they turn it over to BLM. They're not a mineral  
23 interest owner here.

24 Q. But they are a surface --

25 A. Yes.

1 Q. -- the surface-management agency?

2 A. They are the surface-management agency of part of  
3 these lands.

4 Q. And you're not on the forest service because  
5 that's back to the east of you about a mile and a half.

6 A. That's correct, and the stuff between where we're  
7 at and the national forest is federal acreage which they've  
8 decided not to allow to come up for lease again. So it's  
9 going to remain open.

10 Q. And you're referring to what, Sections 17 and 20?

11 A. Yeah, 17, 20, 8 and 7.

12 Q. How about those portions of 9, 16, 21 and 28 that  
13 aren't in the forest?

14 A. Well, that too, that which is not presently  
15 producing they're not going to allow to be re-leased.

16 Q. But you're 1320 feet from that --

17 A. Oh, yeah, we're a long way off. We're a mile and  
18 a half from the closest Fruitland production to the east.

19 Q. When was the on-site review with the BLM for this  
20 well site?

21 A. Gosh, I'm guessing -- I think it was in mid-May.  
22 Bill Lees from the Bureau of Land Management in the  
23 Farmington District Office conducted the on-site with  
24 another party in our office.

25 Q. Now, I notice when I refer to Exhibit Number 5

1 there is a road runs through Section 19 up to the north.

2 A. Yes.

3 Q. And then when I correspond that exhibit with  
4 Exhibit Number 2, it looks like these old plugged and  
5 abandoned wells were near that road.

6 A. They were. You can't use them anymore. They  
7 will not allow us to use that road anymore. It's basically  
8 -- Although it's indicated on the map, they've made it --  
9 It goes right through known archaeological sites that are  
10 listed on the national register, and it was done long  
11 before they looked at the archaeological impact in the  
12 areas. Now, today, they would not allow us to use that  
13 road. So that's why we came in from the southwestern  
14 corner of that section.

15 MR. HALL: Mr. Examiner, we have an additional  
16 exhibit that might demonstrate that for you.

17 EXAMINER STOGNER: Okay, that might help.

18 MR. HALL: Mr. Corcoran if you would refer to  
19 Exhibit Number 9, please, sir, and identify that for the  
20 record?

21 THE WITNESS: This is a map, a topographic map of  
22 the same area that we've been discussing, that depicts  
23 known archaeological sites. And as you can see, the road  
24 that you were just questioning me about goes right through  
25 a rather large one in the easternmost portion of Section

1 24. And then -- Now, these are the sites that are on the  
2 register. There's a ton of archaeological stuff -- or  
3 artifacts, I guess, is the appropriate word -- from those  
4 that are identified in that road, south to our location.  
5 The low spot in that canyon area is just littered with it.

6 MR. HALL: Mr. Corcoran, is Exhibit 9 a portion  
7 of an archaeological survey that Energen commissioned from  
8 San Juan College for this site?

9 THE WITNESS: It is.

10 MR. HALL: We move the admission of Exhibit 9.

11 EXAMINER STOGNER: Exhibit Number 9 will be  
12 admitted into evidence.

13 Q. (By Examiner Stogner) Well, let's see. I see  
14 that old road there and I see all the arch sites. Are the  
15 arch sites there because of the road, or the road there  
16 because of the arch sites?

17 A. I don't know. But they have basically made that  
18 road unusable anymore.

19 Q. Okay. Which was leading to my next question,  
20 because whenever you had your on-site survey, didn't the  
21 BLM have a restricted policy at that time about location of  
22 wells near a road?

23 A. Yes, they had a policy where we were not to --  
24 they would not approve any APD that disturbed -- that  
25 created any new disturbances 300 feet from an existing

1     disturbed area.

2           Q.     And this road that was shut down did not fit that  
3     criteria?

4           A.     No, you couldn't get from there to where we  
5     needed to be.

6           Q.     But you did have your road going up there to your  
7     current Mesaverde producer, and you're on the same  
8     wellsite?

9           A.     Yes, which is the one that's depicted on Exhibit  
10    Number 5.  That is the one we're using now.  And it is this  
11    road just -- It's the same road as is identified on Exhibit  
12    Number 9, however it stops at the northeasternmost corner  
13    of Section 25 instead of continuing on, halfway through  
14    Section 25 -- 24, and then to the east.  That portion has  
15    been withdrawn or closed.

16          Q.     Okay, what kind of time frame are you looking at  
17    as far as being able to move a rig out?

18          A.     We're out there presently recavitating one well.  
19    We've got two other wells, the one that was approved for  
20    Section 30 and -- 30 and 31, that we're getting ready to  
21    spud before the end of the drilling season this year, and  
22    we have another one down in Section 32 that we would like  
23    to spud this year.

24                 So we'd like to do all three of these if  
25    possible, but we may not be able to get them done because

1 there's a drilling window that requires us to be out of the  
2 area for sensitive areas for big game by December 1st, I  
3 believe it is, or November -- It's either November 1st or  
4 December 1st. I think in this area it's December 1st. So  
5 I don't know that we can get it done. If we can, we would  
6 like to do it this year. If not, we're going to go next  
7 year.

8 EXAMINER STOGNER: Mr. Hall, what I'm concerned  
9 about is Rule 1207.E in the case of an administrative  
10 application where the required notice was sent and a timely  
11 filed protest was made to the Division to notify the  
12 Applicant and the protesting party in writing that the case  
13 has been set for hearing and the date of the hearing.

14 Well, in trying to do that, like I said, the  
15 envelope came back. But I notice there are some other  
16 addresses that pop up on some of these objecting parties,  
17 and to be quite frankly, I did not have the time to send  
18 those letters out.

19 However, noticing the notice requirements  
20 pursuant to Rule 8 of the Basin-Fruitland Coal Gas rules,  
21 all operators or owners of undrilled tracts offsetting the  
22 proposed location shall be notified, and that which you  
23 did. However, in the new notification procedures under  
24 Rule 104, which really don't apply, they have a more  
25 restricted notification procedure, only those affected

1 parties. So I'm having a little quandary here.

2 These parties did protest, they made adequate  
3 notification, but Rule 1207 hasn't been applied to, but in  
4 looking at this instance, they're not really an affected  
5 party pursuant to the description or the definition of an  
6 affected party in the Division Rules and Regulations. So  
7 we have some special pool rules and general requirements  
8 that sort of don't really conflict, but in this particular  
9 instance they're not an affected party.

10 Do you have anything to say --

11 MR. HALL: Mr. Examiner, I would agree with your  
12 assessment of the rules. I would also say if there is any  
13 defect in notification to the parties, affected or not,  
14 that defect was cured by virtue of the fact that the party  
15 whose envelope came back to you had filed an objection  
16 initially. So the record clearly establishes he was aware  
17 of the Application and the proceeding.

18 EXAMINER STOGNER: Yeah, but Rule 1207.E hasn't  
19 been fully complied with. Then there were some other  
20 parties that did object subsequent to that, that have not  
21 been notified either. Some of those weren't made within  
22 the time period, but I've been in situations before where  
23 we have had one objecting party that created a situation to  
24 go to hearing and then subsequent objections have come in  
25 that have been considered because it's an open case at that

1 particular time.

2 MR. HALL: I understand. I think it's been the  
3 consistent interpretation of the Division that an Applicant  
4 is obliged only to send notification to interest owners  
5 whose addresses appear of record in the public records, and  
6 Mr. Corcoran's testimony established that -- I think he  
7 went beyond the effort usually required by examining a  
8 title in three counties to ascertain all those addresses.

9 (Off the record)

10 EXAMINER STOGNER: Mr. Hall, do you have anything  
11 further of this witness?

12 MR. HALL: No, Mr. Examiner.

13 EXAMINER STOGNER: Okay, you may be excused.

14 Mr. Hall, do you have anything?

15 MR. HALL: Let me advise the Examiner that the  
16 previous order establishing the nonstandard proration unit  
17 for Sections 18 and 19 for, I believe, the Blanco-Mesaverde  
18 Pool is R-2319.

19 That concludes our case.

20 EXAMINER STOGNER: You are correct. Do you know  
21 the administrative order that was issued, administrative  
22 nonstandard location that reinstated that Division order  
23 for the infill well?

24 MR. HALL: I don't have it.

25 EXAMINER STOGNER: For the record, that's

1 NSL-4482 (NSP). Those two orders will be -- or I'll take  
2 administrative notice of those two orders.

3 Under the circumstances, I'm going to take this  
4 case under advisement and act accordingly on what was  
5 presented today.

6 If there's nothing further in Case Number 12,728,  
7 then this matter will be taken under advisement.

8 (Thereupon, these proceedings were concluded at  
9 9:04 a.m.)

10 \* \* \*

11  
12  
13  
14  
15 I do hereby certify that I have read  
16 a complete transcript of the proceedings  
17 the above hearing of Case No. 12728  
18 heard by me on 20 September 2001  
19  
20  
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 September 21st, 2001.




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STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 2002