

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

6 September 1989

EXAMINER HEARING

IN THE MATTER OF:

Application of Quinoco Petroleum, Inc. CASE
for a non-standard gas proration unit, 9751
San Juan County, New Mexico, and

Application of Quinoco Petroleum, Inc. CASE
for a non-standard gas proration unit, 9752
San Juan County, New Mexico, and

Application of Quinoco Petroleum, Inc. CASE
for a non-standard gas proration unit, 9753
San Juan County, New Mexico.

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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KATHLEEN DOYLE VOLK

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BRUCE BOWMAN

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1 MR. STOGNER: At this time
2 we'll call Cases Numbers 9751, 9752 and 9753.

3 MR. STOVALL: 9751, the appli-
4 cation of Quinoco Petroleum, Inc., for a nonstandard gas
5 proration unit, San Juan County, New Mexico.

6 Application 9752, application
7 of Quinoco Petroleum, Inc., for a nonstandard gas proration
8 unit, San Juan County, New Mexico.

9 Case 9753, application of
10 Quinoco Petroleum, Inc., for a nonstandard gas proration
11 unit, San Juan County, New Mexico.

12 MR. STOGNER: At this time
13 I'll call for appearances in these cases.

14 MR. KELLAHIN: Mr. Examiner,
15 I'm Tom Kellahin of the Santa Fe law firm of Kellahin,
16 Kellahin & Aubrey, appearing on behalf of the applicant,
17 Quinoco Petroleum, Inc., and I have two witnesses to be
18 sworn.

19 MR. STOGNER: Are there any
20 other appearances?

21 MR. CARR: May it please the
22 Examiner, my name is William F. Carr, with the law firm
23 Campbell & Black, P. A., of Santa Fe. We represent Black-
24 wood & Nichols Company, Limited, and I do not intend to
25 call a witness.

1 MR. STOGNER: Are there any
2 other appearances in this matter?

3 Will the witnesses please
4 stand and be sworn?

5

6 (Witnesses sworn.)

7

8 MR. STOGNER: Mr. Kellahin?

9 MR. KELLAHIN: Thank you, Mr.

10 Examiner.

11 MR. STOGNER: Mr. Kellahin?

12 MR. KELLAHIN: Thank you, Mr.

13 Examiner.

14 We call as our first witness
15 Kathleen Volk. Ms. Volk is a petroleum landman with
16 Quinoco.

17

18 KATHLEEN DOYLE VOLK,
19 being called as a witness and being duly sworn upon her
20 oath, testified as follows, to-wit:

21

22 DIRECT EXAMINATION

23 BY MR. KELLAHIN:

24 Q Ms. Volk, will you please state your
25 name and occupation?

1 A My name is Kathleen Doyle Volk. I'm a
2 petroleum landman for Quinoco Petroleum, Inc.

3 Q Ms. Volk, have you on prior occasions
4 testified as a petroleum landman before this Division?

5 A No, I never have.

6 Q Would you take a moment and describe
7 what has been your either educational background or em-
8 ployment experience as a petroleum landman?

9 A All right. I have a Bachelor of Arts in
10 history. I have a Masters of Art in teaching. I joined
11 the oil and gas industry in 1981 doing land work and I came
12 to Quinoco Petroleum, Inc. in 1984 and I've been doing land
13 work for Quinoco Petroleum, Inc., since that time.

14 I'm the Chief Landman for the Western
15 Region, which includes the State of New Mexico.

16 Q Have you made yourself familiar with the
17 land title configurations for the three nonstandard prora-
18 tion units that are the subject of applications today
19 before the Oil Conservation Division?

20 A I have.

21 Q What purpose are you seeking to accom-
22 plish with these applications, Ms. Volk?

23 A Quinoco Petroleum, Inc., would like to
24 get these nonstandard units approved for Fruitland Coal
25 formation. Presently these exact same spaced units are

1 producing from the Mesaverde. We would like the same non-
2 standard units to be produced in for Fruitland Coal.

3 MR. KELLAHIN: At this time,
4 Mr. Examiner, we tender Ms. Volk as an expert petroleum
5 landman.

6 MR. STOGNER; Are there any
7 objections?

8 MR. CARR: No objection.

9 MR. STOGNER: Ms. Volk is so
10 qualified.

11 Q We've consolidated all three cases for
12 purposes of taking testimony this morning, Ms. Volk. If
13 you'll turn to what is marked as Quinoco Exhibit Number
14 One, let's take a moment and relate for the examiner what
15 case numbers will go with each of the three applications.

16 For your convenience I'll show you a
17 copy of the hearing docket.

18 Your first case is identified as Case
19 9751. Would you tell us which of the three spacing units
20 as outlined on your Exhibit Number One Case -- that case
21 applies?

22 A All right, that first case applies to
23 the unit outlined in red on that Exhibit One.

24 Q All right, the next case is 9752. To
25 which of the remaining two spacing units does that case

1 apply?

2 A Okay, that second case applies to the
3 unit outlined in purple on your map.

4 Q And then, finally, the third case, 9753
5 is identified by what outline of which of the nonstandard
6 units?

7 A All right. The last case is identified
8 by a color that looks to me to be somewhat orange.

9 Q Okay. What is the reason, as best you
10 know it, for the proposed nonstandard proration units for
11 each of these wells?

12 A Quinoco Petroleum, Inc., is trying to
13 remain consistent with the existing spacing units for this
14 area. We have under operating agreements the working in-
15 terest owners in these lands and we felt as though should
16 we go ahead and propose to drill a Fruitland coal well
17 based on the State of New Mexico's new ruling for 320-acre
18 spacing, we wanted to try to remain as consistent as pos-
19 sible with the ownership for the existing unit, and so that
20 is basically why I have recommended to my production de-
21 partment that we use this configuration.

22 Q What's the purpose of the green dot
23 that's shown in each of the proposed nonstandard proration
24 units?

25 A That is where we propose to drill our

1 new Fruitland Coal well.

2 Q Let's use this display as a means by
3 which to identify the other wells that are located within
4 Exhibit Number One. For example, let's start with the
5 nonstandard proration unit that's outlined in red --

6 A Okay.

7 Q -- for Case 9751. We've got the green
8 dot for the coal gas well. I see immediately to the west
9 two other well symbols.

10 A Yes.

11 Q What -- what are those wells?

12 A All right. The dot that's lowest in the
13 corner of that red unit is for the State No. 2.

14 The other two dots that you can see
15 there are for the State 1 and 1-A. The State 1 and 1-A are
16 Mesaverde wells. The State 2 is a commingled Pictured
17 Cliff Fruitland well.

18 Q Now, how do I identify which well is the
19 Mesaverde 1 versus the Mesaverde 1-A?

20 A I don't believe I could tell you that.
21 I have some footages but I guess I felt as though what we
22 needed was the footages for the Fruitland coal well as
23 opposed to determining which of the Mesaverde wells was the
24 1 or the 1-A.

25 Q When the -- the well closest to the

1 southwest of the southwest of that spacing unit is the
2 Pictured Cliff dual with a Fruitland sandstone completion?

3 A I believe that we will be having an en-
4 gineer give testimony and he'll probably be better quali-
5 fied to answer that, but it's my understanding that that
6 State No. 2 Well is a commingled Pictured Cliff/Fruitland
7 Well.

8 Q Okay. Let's go to the nonstandard pro-
9 ration unit outlined in purple for Case 9752 --

10 A Excuse me, Mr. Kellahin.

11 Q Yes.

12 A I was going to mention there is one
13 other well in that red unit. You can see in the -- what
14 appears to be the northeast of the southeast quarter,
15 there's like -- there's two overlying well designations, so
16 that upper one is the State No. 3, which is a Fruitland
17 well. Oh, I'm -- excuse me, Pictured Cliff well, where the
18 Fruitland had been -- had been squeezed but it's not pro-
19 ducing.

20 Q All right, let's now turn to 9752, the
21 area outlined in the purple. Immediately west of the well
22 symbol for the Fruitland coal gas proposed location is a
23 gas well symbol. What type of well is that?

24 A Okay, that's our Federal No. 3 Well.
25 It's a Pictured Cliff and Fruitland dual completion.

1 Q When we move up into that portion of the
2 nonstandard unit that is in the southernmost portion of
3 Section 3 --

4 A Yes.

5 Q -- the next well symbol to the north of
6 the Fruitland coal gas well is what type of well?

7 A Yes, that's our Federal No. 4 Well.
8 It's a Pictured Cliff where the Fruitland has been tested
9 and squeezed but we're producing it from the Pictured
10 Cliff.

11 Q Okay, and then finally, the farthest
12 well north in that nonstandard unit is what type of well?

13 A Okay, that is a Mesaverde well and
14 again, near that Federal 4 Well you can see it's almost
15 like two well symbols overlapping. We have two Mesaverde
16 wells in this 320-acre proration unit, being the Federal 2
17 and 2-A.

18 Q All right. Let's turn now to Case 9753
19 and if you'll help us identify the type of wells involved
20 in that nonstandard unit, starting with the well closest to
21 the proposed coal gas well immediately to the south of that
22 coal gas well spot.

23 A All right, that is the Yeager 3, which
24 is a Pictured Cliff and Fruitland completion, a dual com-
25 pletion.

1 Q Okay. And then just south of that is
2 another well. What type of well?

3 A Yes, okay. That is a Mesaverde well and
4 I could not tell you if it's the Yeager 1 or 1-E.

5 Q And then we move into the northwest
6 quarter of Section 10, the well in the northern portion --

7 A Is a Mesaverde well, being either the
8 Yeager 1 or 1-E.

9 Q And then finally the southernmost well
10 in that nonstandard unit is what type of well?

11 A That is the Yeager 4 and that is a dual
12 completion Pictured Cliff and Fruitland.

13 Q Okay. All right, let's turn now to
14 Exhibit Number Two, if you please.

15 I think during the course of filing the
16 applications and having the C-102's prepared there may have
17 been different well names utilized during the process.
18 Would you tell the Examiner what the well names are that
19 you propose for each of your wells?

20 A All right. Starting with our first
21 case, we're proposing that the well name be as I believe is
22 shown on our application; that it be called the Quinoco
23 State N No. 4.

24 And I believe on our -- on the hearing
25 list here it is shown correctly.

1 Q All right, let's turn now to the name
2 you're proposing to use for the nonstandard unit in Case
3 9752.

4 A Okay. Case 9752, I believe, we're
5 looking at calling that the Quinoco Federal G No. 4.

6 Q All right, then, finally, Case 9753,
7 what is the proposed name for that well?

8 A It will be the Quinoco Yeager N No. 5.

9 Q All right. Now turning to Exhibit
10 Number Two, would you identify what this is?

11 A Okay. All right, this is a C-102 that
12 shows a proration unit for the Quinoco Yeager N No. 5 Well.

13 Q To the best of your knowledge, Ms. Volk,
14 is the acreage described on that C=102 accurately and cor-
15 rectly described?

16 A Yes, it is.

17 Q Let's turn now to Exhibit Number Three
18 and have you identify and describe that exhibit.

19 A Yes. This is a C-102 that shows the
20 proration unit for the proposed Quinoco Federal N Number --
21 or excuse me, G No. 4 Well.

22 Q This is one of the ones where we have a
23 different well name for the well than is shown on the
24 C-102.

25 A Correct.

1 Q All right, this is for Case 9752 and
2 while that C-102 says Federal 5, this is for the Quinoco G
3 No. 4 Well?

4 A Yes.

5 Q Okay. To the best of your knowledge is
6 the acreage identified and described on that C-102 accu-
7 rate?

8 A Yes. When we were looking at the
9 C-102's we noticed when we had them surveyed that the sur-
10 veyor came up with slightly less than the rectangular 80
11 acres on some of these measurements, so he claims those are
12 what he surveyed, though we have leases that show it to be
13 of a standard 80 acres for some of these acreage descrip-
14 tions here.

15 Q Turn now to Exhibit Number Four. Would
16 you identify and describe this exhibit?

17 A Yes. This is the C-102 for the proposed
18 Quinoco State N No. 4 Well.

19 Q All right, so this is also a C-102 that
20 needs to have its caption changed?

21 A Yes.

22 Q It says State 5 and this is the N-4, is
23 it?

24 A Yes.

25 Q In your opinion is the acreage accurate-

1 ly described on this C-102?

2 A That's correct.

3 Q Going back to Exhibit Number One, now,
4 Ms. Volk, Exhibits Six, Seven and Eight appended to your
5 package of exhibits are certificates of mailing, each of
6 which were sent to Northwest Pipeline and Blackwood &
7 Nichols.

8 Would you help us identify who the
9 offset operators are with regards to your nonstandard units
10 so that you can tell us if we have notified the proper
11 parties?

12 A Yes. It's our understanding based on
13 the maps here that the offsetting operators are Northwest
14 Pipeline Corporation and Blackwood & Nichols Company,
15 Limited. They have been notified as to this application.

16 Q All right. Generally describe for us as
17 you know it where the Blackwood & Nichols operated proper-
18 ties are.

19 A All right. We show them south of our
20 unit, our proposed unit, outlined in red; also the east,
21 southeast, and south of our unit; also directly south of
22 our purple and orange unit.

23 To the west we have Northwest Pipeline,
24 to the west, to the northwest, and to the north.

25 Q In terms of well locations have you

1 satisfied yourself that each of the proposed Fruitland coal
2 gas well locations are, to the best of your knowledge,
3 standard well locations?

4 A Yes.

5 Q They meet the requirements of the Divi-
6 sion rules with regards to which quarter Section they are
7 to be located in?

8 A That's correct.

9 Q And to the best of your knowledge they
10 meet the footage requirements of setbacks from various side
11 boundaries?

12 A Yes.

13 MR. KELLAHIN: That concludes
14 my examination of Ms. Volk.

15 We would at this time move the
16 introduction of Exhibits One through Four.

17 MR. STOGNER: Are there any
18 objections?

19 MR. CARR: No objection.

20 MR. STOGNER: Exhibits One
21 through Four will be admitted into evidence at this time.
22 Thank you, Mr. Kellahin.

23 Mr. Carr, your witness.
24
25

CROSS EXAMINATION

BY MR. CARR:

Q Ms. Volk, I'd like to direct your attention to Exhibit Number One. First let's look at the proposed nonstandard unit involved in Case 9751.

You indicated that the well, I believe you stated it was the State No. 2, it is the most southwestern well on that unit?

A Yes, that's correct.

Q That was completed in the -- as a commingled well in the Fruitland and Pictured Cliffs, is that correct?

A That's correct.

Q Do you know which Fruitland pool that well is actually classified as producing from?

A No, I do not.

Q All right. Were you involved with any decision made by your company as to whether or not to classify these wells as producing from Fruitland sand or Fruitland coal?

A No, I was not involved in that.

Q I think you stated the purpose and would that answer apply to each of the Fruitland/Pictured Cliff wells that are involved?

A Yes. I would say that I have not had

1 any decision making influence on that. We acquired these
2 wells over ten years ago and basically the information I
3 have on the wells is based on what is in our well files and
4 on our well master (sic).

5 Q And you were not involved in any company
6 decision as to whether to try and classify them as a coal
7 well or not.

8 A No, I was not.

9 Q Now, you indicated that you were -- one
10 of the reasons for the application was to have the spacing
11 units in the Basin Fruitland coal gas Pool coincide with
12 the Mesaverde units, is that right?

13 A That is correct.

14 Q Do you know what acreage is dedicated to
15 -- let's just use as an example again -- the State No. 2
16 Well, which is the Fruitland Pictured Cliffs Well. Are the
17 same units in effect for -- for that formation?

18 A No, they are not. They are based -- the
19 Pictured Cliffs Fruitland wells are based on 160-acre
20 spacing.

21 Q How was that spacing unit which is in-
22 volved in 9751 divided between the State No. 2 and I
23 believe it is the State 1-A in the northeastern portion of
24 that unit, do you know?

25 A As to the Fruitland/Pictured Cliff?

1 Q Yes.

2 A The -- that unit for the
3 Fruitland/Pictured Cliffs makes up the -- you can see to
4 the north of that Section 2 there are several irregular
5 lots.

6 Q Yes.

7 A So that the unit, let's see, for the
8 State No. 2, looks somewhat like a "T". You've got the
9 irregular lots to the north and then you've got the east
10 half of the southwest quarter being the 160 acres, more or
11 less, for that Fruitland coal -- or Fruitland/Pictured
12 Cliff well.

13 Q Then we have the State No. 3, which I
14 think is the Pictured Cliff/Fruitland Well?

15 A Yes, and that 160-acre unit is comprised
16 of the southeast quarter.

17 Q If we go over to the other two units, is
18 it fair to say that roughly the acreage that's approximate-
19 ly 160 acres around each of the Pictured Cliff/Fruitland
20 wells would be the acreage dedicated to them?

21 A That is correct.

22 MR. CARR: That's all I have.

23 MR. STOGNER: Thank you, Mr.

24 Carr.

25 Mr. Kellahin, any more

1 redirect?

2 MR. KELLAHIN: No, sir.

3

4

CROSS EXAMINATION

5 BY MR. STOGNER:

6 Q Ms. Volk, let's look at Exhibit Number
7 One, I see Amoco's name over to the east and down to the
8 south and west. Are they offset operators or --

9 A No, I do not believe so. I believe that
10 they are a lessee here but that Blackwood & Nichols is the
11 operator under those leases.

12 Q Okay, is there a well to the south and
13 east immediately offset to your proration unit in Case
14 Number 9753?

15 A It appears so on this map that we have
16 here.

17 Q I'm sorry, I guess I missed it. Where
18 is it?

19 A Okay, I thought you said directly south
20 and --

21 Q I'm sorry, south and west.

22 A Well, that's what I mean, I'm looking at
23 what looks to be Lease 78998. It says HBP with a --

24 Q Well, that's to the west.

25 A Right.

1 Q I'm talking about to the south and west.

2 A Oh, no, I'm sorry.

3 Q Where it says Amoco.

4 A Yes. I believe that is part of an ex-
5 isting unit there but I don't see a well.

6 Q And what unit would that be?

7 A I think it's the Blanco Unit, but I'm --
8 I don't recall for a fact.

9 Q And if it is the Blanco Unit that would
10 be a Blackwood & Nichols operated --

11 A Yes.

12 Q Let's refer now to Exhibit Number Four,
13 and this is now the State N Well No. 4, is that correct?

14 A Yes, I believe that's the Quinoco State
15 N No. 4.

16 Q Okay. Is the footage location the
17 proper location for this particular well to be drilled?

18 A To the best of my knowledge, using the
19 northeast/southwest designation for Fruitland coal, yes,
20 and the footages from the section lines, yes.

21 Q Okay, this is an unorthodox location.
22 What do you propose to do with that, and are you prepared
23 to present testimony today for that?

24 A I was not aware that it was an unortho-
25 dox location.

1 Q Are you familiar with the Basin Fruit-
2 land coal gas pool rules?

3 A I am somewhat familiar. I have read the
4 rules.

5 Q Are you familiar with Rule 7?

6 A No, I'm not familiar with Rule 7
7 (unclear).

8 Q Are you familiar with the 790-foot rule
9 as far as being away from the outer portion of a proration
10 unit?

11 A Yes, and as far as I can see, this is
12 more than 790 foot.

13 Q Oh, it is. I'm sorry. Let's see, I'm
14 looking at the -- from the west line, 2165, is that
15 correct?

16 MR. KELLAHIN: It's confusing
17 on the display, Mr. Examiner. You need to subtract 1320
18 from the 2165.

19 MR. STOGNER: Okay, that's
20 what I'm doing right now. What do you come up with?

21 MR. KELLAHIN: It's more than
22 790 but I'm not sure.

23 MR. STOGNER: Well, 845, is
24 that correct?

25 MR. KELLAHIN: Yes, sir.

1 MR. STOGNER: Oh, okay, I
2 forgot to carry a 1. I had 745, my mistake and I apolo-
3 gize. That is a standard location.

4 MR. KELLAHIN: You scared us
5 to death. We thought we had a standard location.

6 MR. STOGNER: Well, all right,
7 let's leave that line of questioning, and as far as that
8 goes, I have no other questions.

9 Is there anything further of
10 this witness?

11 If not, she may be excused.

12 MR. KELLAHIN: Mr. Examiner,
13 we call at this time Mr. Ron Finch. Oh, I'm sorry, I've
14 got the wrong engineer. This is Bruce -- Bruce Bowman.

15 MR. STOGNER; Well, at least
16 I'm not the only one who made a mistake.

17 MR. KELLAHIN: Yeah, it's
18 Bruce Bowman. All right Bruce, I'm sorry.

19

20 BRUCE A. BOWMAN,
21 being called as a witness and being duly sworn upon his
22 oath, testified as follows, to-wit:

23

24

25

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Bowman, for the record would you please state your name and occupation?

A I'm Bruce Bowman. I'm a petroleum engineer for Quinoco Petroleum.

Q Mr. Bowman, you'll have to speak up for us --

A Okay.

Q -- so we can hear you talk.

A Okay.

Q On prior occasions, Mr. Bowman, have you testified before the Division as a petroleum engineer?

A Yes, I have.

Q Pursuant to your employment by Quinoco, have you made a study of the geologic and engineering facts surrounding this application?

A Yes, I have.

Q In fact you were the engineer involved in locating these Fruitland coal gas wells as you propose them?

A Yes.

MR. KELLAHIN: At this time, Mr. Examiner, we tender Mr. Bowman as an expert petroleum engineer.

1 MR. STOGNER: Are there any
2 objections?

3 MR. CARR: No objection.

4 MR. STOGNER: Mr. Bowman is so
5 qualified.

6 Q Mr. Bowman, let me have you take what is
7 marked as Exhibit Number Five.

8 A Okay.

9 Q And before we describe the specific de-
10 tails of that display and conclusions you can reach from
11 it, would you simply identify it for us?

12 A Yes. This is a net coal isopach map
13 covering the lands in question and surrounding areas that I
14 prepared by reviewing all the available density logs in
15 this area and identifying the Fruitland coal as -- on the
16 density logs as the intervals in which the density log went
17 off scale, went below a reading of 2 grams per cc.

18 Q In terms of locating each of your three
19 proposed Fruitland coal gas wells, do you find that any of
20 those wells have been placed to be at any kind of disad-
21 vantage in relationship between one well and another?

22 A No, I do not believe so.

23 Q Do you find reasonable comparable coal
24 thicknesses one well to another?

25 A Yes.

1 Q Do you see any significant disparity in
2 potential coal gas thickness among each of the proposed
3 nonstandard proration units?

4 A No, I do not.

5 Q What is your opinion as an engineer with
6 regards to the convenience of utilizing the Mesaverde non-
7 standard units that have been previously used for other
8 type of wells and using that solution for the Basin Fruit-
9 land coal gas wells?

10 A Well, based on our review, we found that
11 there was no geologic or engineering reason why we should
12 not use those existing Mesaverde units in the coal. We
13 have no reason to believe that there's any significant
14 difference in quality or thickness of the Fruitland coal
15 throughout this area of interest here.

16 Q On each of the spacing units, either in
17 a downhole commingled fashion or as a result of dual com-
18 pletion with the Pictured Cliff formation, there, at least
19 at some time in the past, has been a Fruitland perforation
20 or an open hole interval in the Fruitland in certain wells,
21 has there not?

22 A Yes, in four wells.

23 Q Why have you not chosen to utilize the
24 existing Fruitland formation that may be exposed in any of
25 those four wellbores as your Fruitland coal gas production

1 for the Basin Fruitland Coal Gas Pool?

2 A First of all, they're spaced on 160-acre
3 spacing, which is not in accordance with statewide rules.

4 Secondly, we would like to drill new
5 wells, to have new -- from a technical standpoint to have
6 new wellbores to work with in terms of completion techni-
7 ques, and what not. These wells are plus or minus 10 years
8 old. They were perforated in the Fruitland coal but were
9 never stimulated in any manner. For that reason we would
10 like to drill new wells on the proper spacing.

11 Q Identify for us which of those wells
12 have Fruitland formation exposed or open and what is the
13 corresponding formation being produced. In other words,
14 what is the other formation being produced in each of the
15 wells that has the Fruitland in it?

16 A Okay. First of all, the State No. 2
17 Well, which is basically in the southeast of the south-
18 west of Section 2. That is a well that was perforated in
19 the Fruitland coal and is also completed in the Pictured
20 Cliff formation and the production is commingled downhole.

21 The next well would be the Yeager No. 3,
22 which is in the southeast of the southwest of Section 3 and
23 that well is a dual completion, one completion being the
24 Pictured Cliff and the other being the Fruitland coal.

25 The next well would be the Yeager --

1 Q That's a dual completion, is it?

2 A Yes.

3 Q And is the Pictured Cliff currently
4 still being produced in that wellbore?

5 A Yes, it is. The Yeager, the next would
6 be the Yeager No. 4, which is in the southwest of the
7 northwest of Section 10. It is also a dual completion in
8 the Pictured Cliff and the Fruitland, and both formations
9 are producing.

10 The Pictured Cliff is producing; Fruit-
11 land is only produced very sporadically.

12 The last well that is completed in the
13 Fruitland formation would be the Federal No. 3, which is in
14 the southwest of the northeast of Section 10. It's also a
15 Pictured Cliff Fruitland coal dual completion and the Pic-
16 tured Cliff is producing in that well.

17 Q When you drill the new Fruitland coal
18 gas well in each of the nonstandard units, do you propose
19 to continue to produce any of the Fruitland coal gas form-
20 ation that might be open in other wellbores?

21 A No, we do not.

22 Q So you're not seeking from this examiner
23 to simultaneously dedicate coal gas production among several
24 wells in any of the nonstandard units.

25 A No, we're not.

1 Q In your opinion, Mr. Bowman, would
2 approval of this application be in the best interest of
3 conservation, the prevention of waste, and the protection
4 of correlative rights?

5 A Yes, it would.

6 MR. KELLAHIN: That concludes
7 my examination of Mr. Bowman, Mr. Stogner.

8 We would at this time move the
9 introduction of Exhibits Five, Six, Seven and Eight. Six,
10 Seven and Eight are the notice certificates.

11 MR. STOGNER: Are there any
12 objections?

13 MR. CARR: No objection.

14 MR. STOGNER: Exhibits Five,
15 Six, Seven and Eight are admitted into evidence at this
16 time.

17 Thank you, Mr. Kellahin.

18 Mr. Carr, your witness.

19

20 CROSS EXAMINATION

21 BY MR. CARR:

22 Q Mr. Bowman, how long have you been with
23 Quinoco?

24 A I've been there, I started at the be-
25 ginning of 1988, a little over a year and a half.

1 Q Are you familiar with the new rules that
2 were developed and adopted for the Basin and Fruitland coal
3 gas pools?

4 A In general, yes.

5 Q You were not involved in the hearing or
6 process that resulted in the adoption of these rules?

7 A Oh, no, I was not.

8 Q You talked about four wells on the three
9 proration units that currently are producing from the
10 Fruitland formation.

11 A Yes. Maybe I should clarify, when I say
12 they're producing, they have been completed and they are
13 capable of limited production. These are wells that have
14 been perforated in the coal but have not been stimulated in
15 any manner and they are not on pump and so, as is typical
16 for a Fruitland coal well, they produce a lot of water and
17 these will actually have enough -- they actually have
18 enough pressure to, after shut in for a period of time,
19 they will flow and produce a little bit of gas, but we
20 don't -- due to the water problem, we don't produce them on
21 a regular basis.

22 Q Okay, let's go to the -- I think it's
23 State No. 2. It's the southeastern -- or I'm sorry, south-
24 westernmost well in the proration unit which is involved in
25 Case 9751?

1 A Yes.

2 Q And just use that as an example.

3 A Okay.

4 Q You indicated that it was perforated in
5 the Fruitland coal, is that right?

6 A Yes.

7 Q Was that well, has that well been
8 classified as a -- as producing from the Basin Fruitland
9 Coal Gas Pool?

10 A I don't know the answer to that ques-
11 tion. I maybe can indirectly answer it. I don't know
12 when the Basin Fruitland Coal Pool was officially formed.

13 The coal was perforated many years ago
14 so I suspect it is not classified as such, but I don't
15 know.

16 Q In making your study of the --

17 A You're asking how it's classified --

18 Q Yes.

19 A -- not whether -- I know it's perforated
20 in the coal. How it's classified is what I'm not certain
21 of.

22 Q In making your study did you -- are you
23 aware of whether or not the -- any production from the
24 Fruitland is reported as being from the Basin Fruitland
25 Coal Gas Pool or is it from South Los Pinos Fruitland Sand?

1 Do you know?

2 A I don't know, sir.

3 Q Do you know if any action was taken by
4 Quinoco to go to the Commission and have the Fruitland from
5 this well determined to be a, in fact, a coal gas well?

6 A No, we have not.

7 Q Do you know that you have not done that?

8 A Yes, I know we have not because our
9 plans were to come for this hearing and cease production
10 from those Fruitland coal completions.

11 Q And you would -- how would you go about
12 ceasing production from the Fruitland Coal interval in this
13 existing well?

14 A From a technical standpoint?

15 Q Yes, sir. Yes, sir.

16 A The first logical opportunity, we would
17 squeeze off the Fruitland Coal perforations.

18 Q Do you know if this is a cased
19 completion or an open hole completion?

20 A This is a cased completion.

21 Q So you would physically be able to go in
22 and squeeze off the Fruitland interval.

23 A Yes, we would.

24 Q And you would propose to do that?

25 A We'd propose to do that at the first

1 convenient time. The State 2 is really not in issue. The
2 other wells that are dual completions in the Pictured
3 Cliff, it would be our preference to not produce those and
4 then we would go squeeze those perforations the first time
5 we had a logistical reason to do so, simply because we do
6 have commercial production in the Pictured Cliff right now.

7 Q What -- are each of the four wells that
8 you talked about as being wells that have Fruitland poten-
9 tial or are capable of producing from the Fruitland, that's
10 the well we just talked about and which is the State No. 2.

11 A Yes.

12 Q Then there were two wells on the Yeager
13 Lease, I believe. Are both of those wells cased comple-
14 tions?

15 A The two wells on the Yeager Lease being
16 the well in Section 3 and Section 10?

17 Q Yes.

18 A Uh-huh.

19 Q Both of those are cased completions?

20 A To the best of my knowledge, yes.

21 Q And so you would be able to physically
22 go in at some time and squeeze off the Fruitland.

23 A To the best of my knowledge, yes.

24 Q What about the -- the Federal No. 3 in
25 the unit involved in Case 9752? Is that also a cased com-

1 pletion?

2 A To the best of my knowledge every well
3 in these areas are cased completions.

4 Q Okay, when you indicate that you'd like
5 to do this when it was convenient, you would squeeze off
6 and assure that you weren't producing Fruitland coal gas
7 out of those wells before you commenced production from the
8 other, would you not?

9 A If required to do so by the Commission,
10 yes, we would.

11 Again, these are dual -- three of these
12 wells are dual completions and we would have no plans at
13 all to produce the Fruitland coal out of those completions,
14 since they are dual completions --

15 Q As opposed to downhole commingling?

16 A Yes. The State No. 2 is downhole com-
17 mingling; the other three are dual completions with two
18 tubing strings in the hole. Due to the work involved going
19 in and pulling two tubing strings to squeeze off the Fruit-
20 land coal, our preference, as I said, would be to not pro-
21 duce the Fruitland coal from these wells at any point in
22 the future if our application is granted and then the first
23 time we have a logistical reason to do so in the field, we
24 would squeeze the Fruitland coal perforations.

25 Q But it is your opinion that those per-

1 forations are in fact in the coal interval and not in the
2 Fruitland Sand?

3 A Yes.

4 Q And you have -- have you established
5 that by reviewing BTU contents on the gas? Have you look-
6 ed at that?

7 A Established where they are perforated?

8 Q Are you basing your determination that
9 this is Fruitland coal on just the perforated interval or
10 have you done an analysis of the gas and the water to
11 determine the source of it?

12 A I have not personally looked at the gas
13 analysis but I've looked at the logs and well records as to
14 where they were perforated and it would be my opinion they
15 were perforated in the Fruitland coal.

16 Q All right.

17 A And certainly the producing character-
18 istics of these wells would be indicative of the Fruitland
19 coal.

20 MR. CARR: That's all I have.

21 MR. STOGNER: Thank you, Mr.

22 Carr.

23 Mr. Kellahin, do you have any
24 redirect?

25 MR. KELLAHIN: No, sir.

CROSS EXAMINATION

BY MR. STOGNER:

Q Mr. Bowman, you knew that these wells were perforated in the coal but yet you did not bother abiding by the rules and regulations of Order No. R-8768, which was the Basin Fruitland Coal Gas Pool rules.

Why not?

A In terms -- I'm sorry --

Q Are you familiar with those pool rules?

A I'm familiar with them in general and certain aspects of them, I've --

Q Then you are familiar with the commingling aspect of Rule 12, are you not?

A Apparently I'm not, sir.

Q So these wells have been Fruitland Coal Gas Pool rules ever since the coal gas pool -- I'm sorry, so these wells have been producing from the coal gas pool since the coal gas pool rules have been enacted since November 1st of 1988, is that correct?

A I'd have to actually go back and look at our records. If they have produced at all, they have produced very minor amounts of gas into that point.

Q But they have produced.

A I'd have to go back and review our production records, sir.

1 Q You are familiar that there are two
2 separate pools out there, do you not, in the Fruitland?

3 A For the sand and the coal.

4 Q Yes.

5 A Yes, sir.

6 Q Don't you know that that is a violation
7 of the commingling rule?

8 A I was not aware of that, sir.

9 Q Okay.

10 A I guess I'd have to state that my -- I'm
11 a reservoir engineer at our company in charge of project
12 evaluations and things of that nature. There's a separate
13 part of our company responsible for compliance with state-
14 wide rules and that sort of thing from current producing
15 wells and that's why I'm stating that I'm not familiar with
16 that particular rule.

17 Q Let's refer now to Section 3.

18 A Okay.

19 Q And there is a portion of this section
20 up to the north and back to the west that is being blocked
21 out. Do you know if that is being dedicated to a coal gas
22 pool at this time?

23 A No, I do not.

24 Q Do you know if that -- the remainder of
25 that particular section is dedicated to any other Basin

1 Dakota or Blanco Mesaverde proration unit?

2 A No, sir, I do not.

3 Q But there is some discrepancy if this
4 application is approved at a 320-acre nonstandard prora-
5 tion unit in the remainder part of Section 3. How could we
6 go back to establish a regular pattern? How would you pro-
7 pose that?

8 A For the remainder of Section 3?

9 Q Yeah, you've -- by approving this appli-
10 cation we will have a pattern that is inconsistent.

11 A Uh-huh.

12 Q And we need to get back into the consis-
13 tency. How would you propose we do that? You've created
14 the inconsistency now, so let's hear a -- let's hear a
15 solution.

16 A I guess without giving it some thought,
17 sir, I'm not certain how I would construct the spacing
18 solution to correct that.

19 Q Okay.

20 MR. STOGNER: Are there any
21 other questions of this witness?

22 If not, he may be excused.

23 Anything further in this case,
24 Mr. Kellahin?

25 MR. KELLAHIN: No, sir.

1 MR. STOGNER: Mr. Carr, do you
2 have any closing statement?

3 MR. CARR: Just a very brief
4 closing statement.

5 Blackwood & Nichols Company,
6 Limited, does not oppose Quinoco's plan to drill new coal
7 gas wells on these units. Our concern is that the proper-
8 ties need to be operated in accordance with the special
9 rules for the Basin Fruitland Coal Gas Pool.

10 In that regard, our real con-
11 cern is whether or not these existing wells have the
12 ability to produce from the coal gas and we are concerned
13 that there is a potential there for simultaneous dedica-
14 tion, intended or not. We're not suggesting they're trying
15 to, but we think that something must be done to assure that
16 there is only one well producing from the Basin Fruitland
17 Coal Gas Pool on each of these units; that the existing
18 zones that are in that correlative interval must be by your
19 order precluded from producing gas from this --

20 MR. STOGNER: Mr. Kellahin?

21 MR. KELLAHIN: Mr. Stogner, we
22 certainly desire to comply with all the Commission rules
23 and regulations. These properties were acquired from an-
24 other operator and we're still going through the exercise
25 of getting all the things cleaned up and I can assure Mr.

1 Carr that our intent is not to simultaneously dedicate coal
2 gas production from multiple wells. We've not sought that
3 in our application, nor is it our intent to accomplish that
4 purpose.

5 If you'll allow us to leave
6 the record open, I believe I can satisfy your concern about
7 Section 3. My belief is that the Northwest Pipeline
8 acreage in Section 3 will match and be dedicated to Mesa-
9 verde production in the area, but I can't document that for
10 you today and I'll simply have to supply you that informa-
11 tion.

12 As to compliance with Rule 12
13 of the Basin Fruitland Coal Gas Pool rules, obviously, Mr.
14 Bowman's unaware of those rules but that -- that doesn't
15 excuse Quinoco's compliance with the rules and we will have
16 that discrepancy resolved for you so that we will submit to
17 the District Office the appropriate documentation to -- to
18 get that issue resolved.

19 We believe that the proposed
20 solution here is -- is one that should be acceptable. It
21 allows us to continue to develop the property and utilize
22 standard well locations, dedicate acreage of reasonably
23 comparable 320's to these wells, and we've notified all
24 appropriate parties offsetting this, including Northwest
25 Pipeline. The absence of their appearance here to object

1 to what we have proposed for Section 3 leads me to believe
2 that there is no issue about correlative rights as far as
3 they're concerned.

4 Blackwood & Nichols here oper-
5 ates the Northeast Blanco Unit to the south of us. That
6 does include the Amoco lease that you asked a question
7 about and they are here to express their concerns which
8 you've heard.

9 We believe the end result
10 again will be that we can satisfy your concerns expressed
11 this morning; if you would leave the record open for about
12 seven days I think we can supply you the additional docu-
13 mentation that might satisfy you.

14 MR. STOGNER: Thank you, Mr.
15 Kellahin.

16 Also in that period I would
17 like to get some sort of correspondence from the District
18 Supervisor in Aztec to see that these three previous
19 drilled wells in the Los Pinos -- I believe it's Los Pinos,
20 is that correct, Mr. Bowman?

21 A Four wells.

22 MR. STOGNER: Thank you, four
23 wells that were previously drilled in that particular pool
24 will abide by the Basin Fruitland Coal Gas Pool rules and
25 all documentation and all such rules and regulations are --

1 are abided by.

2 MR. KELLAHIN: We'll take care
3 of it.

4 MR. STOGNER: I'll also take
5 notice of the memo dated July 27th, 1988, from Mr. William
6 J. LeMay, Director, which goes along with what Mr. Carr has
7 said about the simultaneous dedication in an nonprorated
8 gas pool.

9 At this time I will adjourn
10 these three cases and leave the record open pending this
11 additional information.

12 Thank you, gentlemen.

13

14 (Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C. S. R. DO HEREBY
CERTIFY that the foregoing Transcript of Hearing before the
Oil Conservation Division (Commission) was reported by me;
that the said transcript is a full, true and correct record
of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case Nos. 9751, 9752, & 9753
heard by me on 6 Sept 1953.

Michael E. Shaw Examiner
Oil Conservation Division