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STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION  
CASE 9907, CASE 9911, CASE 9889,  
CASE 9439, CASE 9912, CASE 9918,  
CASE 9919

EXAMINER HEARING  
CONTINUED AND DISMISSED CASES

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO

April 18, 1990

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I N D E X

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Case 9911	3
Case 9889	4
Case 9439	4
Case 9912	5
Case 9918	5
Case 9919	5
Certificate of Reporter	7

\* \* \*

1           WHEREUPON, the following proceedings were had  
2 at 8:20 a.m.:

3           EXAMINER STOGNER: This hearing will come to  
4 order for Docket Number 11-90. I'm Michael E. Stogner,  
5 appointed Hearing Officer for today, April 18, 1990.

6           I'll call first case, Number 9907, which is  
7 the Application of Enron Oil and Gas Company for  
8 compulsory pooling, Eddy County, New Mexico.

9           At the Applicant's request, this case will be  
10 continued and will need to be advertised for the  
11 hearing scheduled -- readvertised for the hearing  
12 scheduled for May 2nd, 1990.

13   \* \* \*

14           WHEREUPON, the following proceedings were had  
15 at 10:24 a.m.:

16           EXAMINER STOGNER: Call Case Number 9911,  
17 which is the Application of Union Oil Company of  
18 California for a highly deviated directional drilling  
19 pilot project and an unorthodox coal gas well location,  
20 Rio Arriba County.

21           At the Applicant's request, this case will be  
22 continued to the Examiner's Hearing scheduled for May  
23 2nd, 1990.

24   \* \* \*

25           EXAMINER STOGNER: Call the next case, Number

1 9889, which is the Application of Meridian Oil,  
2 Incorporated, for temporary well testing allowable for  
3 certain wells in the Parkway-Delaware Pool, Eddy  
4 County, New Mexico.

5 At the Applicant's request, this case will be  
6 dismissed.

7 \* \* \*

8 EXAMINER STOGNER: I'll call Case Number  
9 9439, which is in the matter of said case being  
10 reopened pursuant to the provisions of Division Order  
11 Number R-8770, which order promulgated temporary  
12 special rules and regulations including 80-acre spacing  
13 for the Vada-Devonian Pool in Lea County, New Mexico.

14 I'm going to call for appearances at this  
15 time.

16 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin  
17 of the Santa Fe law firm of Kellahin, Kellahin and  
18 Aubrey. I'm appearing today on behalf of Union Pacific  
19 Resources Company, which was the original Applicant in  
20 the case that resulted in the order that established  
21 the special rules for the pool.

22 In addition, Mr. Examiner, I'm appearing  
23 today on behalf of Western Reserves Oil Company, Inc.

24 On behalf of those companies, I would request  
25 that this case be continued to the next regular

1 examiner docket.

2 EXAMINER STOGNER: Thank you, Mr. Kellahin.

3 In that case, said case number 9439 will be  
4 continued to the Examiner's Hearing scheduled for May  
5 2nd, 1990.

6 \* \* \*

7 EXAMINER STOGNER: I'll call Case Number  
8 9912, which is the Application of Conoco, Incorporated,  
9 for an unorthodox oil well location in Lea County, New  
10 Mexico.

11 The Applicant has requested that this case be  
12 continued to Examiner's Hearing scheduled for May 2nd,  
13 1990.

14 \* \* \*

15 WHEREUPON, the following proceedings were had  
16 at 2:41 p.m.:

17 EXAMINER STOGNER: I'll at this time call  
18 Case Number 9918, which is the Application of Mesa  
19 Operating Limited Partnership for compulsory pooling,  
20 San Juan County, New Mexico.

21 At the Applicant's request, this case will be  
22 continued to the Examiner's hearing scheduled for May  
23 2nd, 1990.

24 \* \* \*

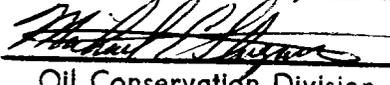
25 EXAMINER STOGNER: Call Case Number 9919,

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which is the Application of Mesa Operating Limited Partnership for another compulsory pooling, San Juan County, New Mexico.

The Applicant has also requested that this case be continued to the May 2nd, 1990, hearing.

\* \* \*

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 9918 heard by me on 18 April 1990.  
 , Examiner  
Oil Conservation Division



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STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION  
CASE 9923, CASE 9924, CASE 9926,  
CASE 9927, CASE 9911, CASE 9930,  
CASE 9931, CASE 9918, CASE 9919,  
CASE 9907, CASE 9898

EXAMINER HEARING

IN THE MATTER OF:

Continued Cases

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

May 2, 1990

1           WHEREUPON, the following proceedings were had  
2 at 8:20 a.m.:

3           EXAMINER CATANACH: Call the hearing to order  
4 this morning for Docket Number 12-90.

5           At this time we'll call the continuances.

6           At this time I'll call Case 9923, the  
7 Application of Santa Fe Energy Operating Partners,  
8 L.P., for surface commingling, Lea County, New Mexico.

9           At the Applicant's request, this case will be  
10 continued to the May 16th, 1990, docket.

11                           \* \* \*

12           EXAMINER CATANACH: Call Case 9924, the  
13 Application of Strata Production Company to amend  
14 Division Order No. 9097, Eddy County, New Mexico.

15           At the Applicant's request, this case will be  
16 continued to the May 16th, 1990, docket.

17                           \* \* \*

18           EXAMINER CATANACH: Call Case 9926, the  
19 Application of Mewborn Oil Company for compulsory  
20 pooling and an unorthodox gas well location, Eddy  
21 County, New Mexico.

22           At the Applicant's request, this case will be  
23 continued to May 30th, 1990.

24                           \* \* \*

25

1           EXAMINER CATANACH: Call Case 9927, the  
2 Application of Pacific Enterprises Oil Company (USA)  
3 for compulsory pooling, Eddy County, New Mexico.

4           At the Applicant's request, this case will be  
5 continued to the May 16th, 1990, docket.

6                           \* \* \*

7  
8           EXAMINER CATANACH: At this time we'll call  
9 Case 9911, Application of Union Oil Company of  
10 California for a highly deviated directional drilling  
11 pilot project and unorthodox coal gas well location,  
12 Rio Arriba County, New Mexico.

13           At the Applicant's request, this case will be  
14 continued to the May 16th, 1990, docket.

15                           \* \* \*

16  
17           EXAMINER CATANACH: Case 9930, the  
18 Application of Union Oil Company of California to amend  
19 Division Order Number R-6375, as amended, Rio Arriba  
20 County, New Mexico.

21           At the Applicant's request, this case will be  
22 continued to the May 16th, 1990, docket.

23                           \* \* \*

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1                   EXAMINER CATANACH: Case 9931, Application of  
2 Arco Oil and Gas Company for a pressure maintenance  
3 expansion, Eddy County, New Mexico.

4                   At the Applicant's request, this case will be  
5 continued to the May 16th, 1990, docket.

6   \* \* \*

7

8                   EXAMINER CATANACH: Case 9918, Application of  
9 Mesa Operating Limited Partnership for compulsory  
10 pooling, San Juan County, New Mexico.

11                   At the Applicant's request, this case will be  
12 continued to the May 16th, 1990, docket.

13   \* \* \*

14

15                   EXAMINER CATANACH: Case 9919, Application of  
16 Mesa Operating Limited Partnership for compulsory  
17 pooling, San Juan County, New Mexico.

18                   At the Applicant's request, this case will be  
19 continued to the May 16th, 1990, docket.

20   \* \* \*

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1                   EXAMINER CATANACH: Case 9907, Application of  
2 Enron Oil and Gas Company for compulsory pooling and an  
3 unorthodox location, Eddy County, New Mexico.

4                   At the Applicant's request, this case will be  
5 continued to the May 16th, 1990, docket.

6                   \* \* \*

7  
8                   EXAMINER CATANACH: And Case 9898,  
9 Application of Doyle Hartman for compulsory pooling, a  
10 non-standard gas proration unit and simultaneous  
11 dedication, Lea County, New Mexico.

12                   At the Applicant's request, this case will be  
13 continued to the May 16th, 1990, docket.

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STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION  
CASE 9937, CASE 9924, CASE 9918, CASE 9919,  
CASE 9938, CASE 9927, CASE 9939, CASE 9941,  
CASE 9942, CASE 9943, CASE 9930

EXAMINER HEARING

IN THE MATTER OF:

CONTINUED AND DISMISSED CASES

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

May 16, 1990

A P P E A R A N C E S

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FOR THE DIVISION:

ROBERT G. STOVALL  
Attorney at Law  
Legal Counsel to the Divison  
State Land Office Building  
Santa Fe, New Mexico

1 HEARING EXAMINER: This hearing will come  
2 to order for Docket Number 13-90. I'm Michael E.  
3 Stogner, appointed hearing officer for today's docket,  
4 May 16, 1990. I'll run through the continuances and  
5 dismissed cases first.

6 At this time I'll call Case No. 9937.

7 MR. STOVALL: Application of Exxon  
8 Corporation for a unit agreement, Eddy County, New  
9 Mexico.

10 Applicant requests this case be continued  
11 to May 30, 1990.

12 HEARING EXAMINER: Case No. 9937 will be so  
13 continued.

14 \* \* \* \* \*

15 HEARING EXAMINER: Call next case, No.  
16 9924.

17 MR. STOVALL: Application of Strata  
18 Production Company to amend Division Order No. R-9097,  
19 Eddy County, New Mexico.

20 Applicant requests this case be continued  
21 to May 30th.

22 HEARING EXAMINER: Case No. 9924 will also  
23 be continued to the Examiner's hearing scheduled for  
24 May 30, 1990.

25 \* \* \* \* \*

1 HEARING EXAMINER: Call next case, No.  
2 9918.

3 MR. STOVALL: Application of Mesa Operating  
4 Limited Partnership for compulsory pooling, San Juan  
5 County, New Mexico.

6 Applicant requests this case be continued  
7 to the Examiner docket of June 13, 1990.

8 HEARING EXAMINER: Case 9918 will be so  
9 continued.

10 \* \* \* \* \*

11 HEARING EXAMINER: Call next case, No.  
12 9919.

13 MR. STOVALL: Application of Mesa Operating  
14 Limited Partnership for compulsory pooling, San Juan  
15 County, New Mexico.

16 Applicant also requests this case be  
17 continued to June 13th.

18 HEARING EXAMINER: Case No. 9919 will also  
19 be continued to the Examiner's hearing scheduled for  
20 June 13, 1990.

21 \* \* \* \* \*

22 HEARING EXAMINER: Call next case, No.  
23 9938.

24 MR. STOVALL: Application of Petroleum  
25 Production Management, Inc., for compulsory pooling,

1 Lea County, New Mexico.

2 Applicant requests this case be dismissed.

3 HEARING EXAMINER: Case 9938 will be  
4 dismissed.

5 \* \* \* \* \*

6 HEARING EXAMINER: Call next case, No.  
7 9927.

8 MR. STOVALL: Application of Pacific  
9 Enterprises Oil Company (USA) for compulsory pooling,  
10 Eddy County, New Mexico.

11 Applicant requests this case be dismissed.

12 HEARING EXAMINER: Case No. 9927 will be  
13 dismissed.

14 \* \* \* \* \*

15 HEARING EXAMINER: Call next case, No.  
16 9939.

17 MR. STOVALL: Application of Santa Fe  
18 Energy Operating Partners, L.P., for compulsory  
19 pooling and a nonstandard gas proration unit, Eddy  
20 County, New Mexico.

21 Applicant requests this case be continued  
22 and readvertised for May 30, 1990.

23 HEARING EXAMINER: Case No. 9939 will also  
24 be continued to the Examiner's hearing scheduled for  
25 May 30, 1990, at which time it will be readvertised.

\* \* \* \* \*

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HEARING EXAMINER: Call next case, No.

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9941.

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MR. STOVALL: Application of Osborn Heirs  
Company for compulsory pooling, Lea County, New  
Mexico.

7

Applicant requests this case be dismissed.

8

9

HEARING EXAMINER: Case 9941 will be  
dismissed.

10

\* \* \* \* \*

11

HEARING EXAMINER: Call next case, No.

12

9942.

13

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15

MR. STOVALL: Application of Osborn Heirs  
Company, for compulsory pooling, Lea County, New  
Mexico.

16

Applicant requests this case be dismissed.

17

18

HEARING EXAMINER: Case 9942 will be  
dismissed.

19

\* \* \* \* \*

20

HEARING EXAMINER: Call next case, No.

21

9943.

22

23

24

MR. STOVALL: Application of Osborn Heirs  
Company for compulsory pooling, Lea County, New  
Mexico.

25

Applicant requests this case be dismissed.

1 HEARING EXAMINER: Case No. 9943 will be  
2 dismissed.

3 \* \* \* \* \*

4 HEARING EXAMINER: On the third page, I'll  
5 call Case No. 9911.

6 MR. STOVALL: Application of Union Oil  
7 Company of California for a highly-deviated  
8 directional drilling pilot project and unorthodox coal  
9 gas well location, Rio Arriba County, New Mexico.

10 Applicant requests this case be dismissed.

11 HEARING EXAMINER: Case No. 9911 will be  
12 dismissed.

13 \* \* \* \* \*

14 HEARING EXAMINER: Call next case, No.  
15 9930.

16 MR. STOVALL: Application of Union Oil  
17 Company of California to amend Division Order No.  
18 R-6375, as amended, Rio Arriba County, New Mexico.

19 Applicant requests this case be continued  
20 to the Examiner docket set for June 13, 1990.

21 HEARING EXAMINER: Case No. 9930 will be  
22 continued to the Examiner's hearing scheduled for June  
23 13, 1990.

24 \* \* \* \* \*

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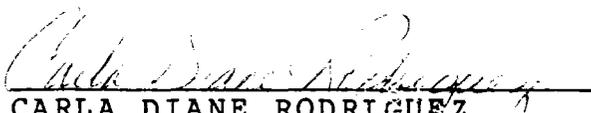
1 CERTIFICATE OF REPORTER

2  
3 STATE OF NEW MEXICO )  
4 COUNTY OF SANTA FE ) ss.

5  
6 I, Carla Diane Rodriguez, Certified  
7 Shorthand Reporter and Notary Public, HEREBY CERTIFY  
8 that the foregoing transcript of proceedings before  
9 the Oil Conservation Division was reported by me; that  
10 I caused my notes to be transcribed under my personal  
11 supervision; and that the foregoing is a true and  
12 accurate record of the proceedings.

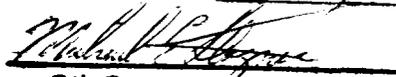
13 I FURTHER CERTIFY that I am not a relative  
14 or employee of any of the parties or attorneys  
15 involved in this matter and that I have no personal  
16 interest in the final disposition of this matter.

17 WITNESS MY HAND AND SEAL May 23, 1990.

18   
19 CARLA DIANE RODRIGUEZ  
20 CSR No. 91

21 My commission expires: May 25, 1991

22  
23 I do hereby certify that the foregoing is  
24 a complete record of the proceedings in  
the Examiner hearing of Case No. 99-18,  
25 heard by me on 16 May 1990.

  
Michael W. Stogner, Examiner  
Oil Conservation Division

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Mesa Operating  
Limited Partnership for  
compulsory pooling, San Juan  
County, New Mexico

Case 9918  
and 9919

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

June 13, 1990

**ORIGINAL**

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FOR THE DIVISION:        ROBERT G. STOVALL  
                                 Attorney at Law  
                                 Legal Counsel to the Divison  
                                 State Land Office Building  
                                 Santa Fe, New Mexico

FOR THE APPLICANT:       MILLER, STRATVERT,  
                                 TORGERSON & SCHLENKER, P.A.  
                                 125 Lincoln Avenue, Suite 303  
                                 Santa Fe, New Mexico  
BY:    J. SCOTT HALL, ESQ.

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5	Cross-Examination by Hearing Examiner	10
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7	Direct Examination by Mr. Hall	15
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8	Cross-Examination by Mr. Stovall	25
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1 HEARING EXAMINER: This hearing will come  
2 to order. The General Counsel for the next applicant  
3 has asked me to consolidate Cases 9918 and 9919. At  
4 this time I'll call both these cases.

5 MR. STOVALL: They are both styled the  
6 Application of Mesa Operating Limited Partnership for  
7 compulsory pooling, San Juan County, New Mexico.

8 HEARING EXAMINER: Are there any other  
9 appearances in either or both of these cases?

10 Will the witnesses please stand and be  
11 sworn.

12 MR. STOVALL: Have you introduced an  
13 appearance in this case yet?

14 MR. HALL: I gave her a card.

15 MR. STOVALL: Is that close enough?

16 MR. HALL: I think so.

17 MR. STOVALL: Why don't you put it on the  
18 record anyway, Scott?

19 MR. HALL: Scott Hall from the Miller,  
20 Stratvert, Torgerson & Schlenker law firm on behalf of  
21 Mesa.

22 MARK WESLEY SEALE,  
23 the witness herein, after having been first duly sworn  
24 upon his oath, was examined and testified as follows:

25 DIRECT EXAMINATION

1 BY MR. HALL:

2 Q. For the record, state your name and place  
3 of residence.

4 A. My name is Mark Wesley Seale, and I live in  
5 Amarillo, Texas.

6 Q. By whom are you employed and in what  
7 capacity?

8 A. Mesa Operating Limited Partnership, as a  
9 senior landman.

10 Q. If you would, please, give the Examiner a  
11 brief summary of your work experience and educational  
12 background.

13 A. I graduated from the University of Colorado  
14 in 1972 with a Bachelor of Science in marketing. I've  
15 been in the oil industry approximately 14 years, two  
16 years with Amoco, two years with Tierra Resources, and  
17 going on ten years with Mesa.

18 Q. And you're familiar with the application  
19 and the area in general?

20 A. Yes.

21 MR. HALL: At this point, Mr. Examiner,  
22 we'd submit Mr. Seale as a qualified expert landman.

23 HEARING EXAMINER: Are you kin to the other  
24 petroleum engineer that testified today by the name of  
25 Seale?

1 THE WITNESS: No, I'm not.

2 HEARING EXAMINER: Let the record show that  
3 he's not the same Mr. Seale. This Mr. Seale is so  
4 qualified.

5 Q. (BY MR. HALL) We've consolidated both  
6 cases. Would you please briefly state what Mesa is  
7 seeking in each case.

8 A. In each case, Mesa is seeking the OCD to  
9 issue an order pooling all mineral owners underlying  
10 or in the Basin-Fruitland Coal Gas Pool underlying the  
11 east half of Section 2, Township 29 North, Range 9  
12 West, in Case No. 9918, and the east half of Section  
13 33 in Township 30 North, Range 10 West, in Case 9919,  
14 who have not as of this date committed their interest  
15 to the drilling of the wells proposed by Mesa.

16 Q. You've prepared certain exhibits in  
17 connection with both cases, have you not?

18 A. Yes, I have.

19 Q. Let's look at Exhibit 1 from each of the  
20 cases, and why don't you explain what they're intended  
21 to reflect?

22 A. Exhibit 1 in each case is a land plat  
23 depicting, in Case 9918, Section 2 of Township 29  
24 North, Range 9 West, San Juan County, New Mexico. The  
25 working interest ownership is reflected by tract on

1 the exhibit. The east half of Section 2 is identified  
2 as the proposed proration unit for Case 9918.

3 Mesa's well location is identified by the  
4 circle in the northwest of the northeast quarter. The  
5 location is 1,105 feet from the north line, 1,720 feet  
6 from the east line of Section 2, Township 29 North,  
7 Range 9 West.

8 In Case 9919, the plat depicts Section 33  
9 of Township 30 North, Range 10 West, San Juan County,  
10 New Mexico. Again, the tract ownership is  
11 identified. The proposed proration unit is identified  
12 as the east half, and Mesa's well location being  
13 identified by the circle is shown. The location is  
14 2,405 feet from the north line, 1,725 feet from the  
15 east line of Section 33.

16 Q. Let's look at Exhibit 2 for each case.  
17 What does that exhibit show?

18 A. Exhibit 2 for Case 9918 is a listing of all  
19 working interest owners that would have an interest in  
20 the east half proration unit of Section 2, Township 29  
21 North, Range 9 West. The parties that we are wishing  
22 to pool at this hearing are Amoco Production Company  
23 with 62.6 percent and El Paso Production Company with  
24 21.77 percent.

25 Q. And for each well how much acreage is

1 committed to the well at this point?

2 A. Approximately -- oh, committed to the  
3 well?

4 Q. Yes.

5 A. For the FC State Com 18 located in Section  
6 2, approximately 15 percent.

7 Q. All right. And the other one?

8 A. Approximately 50 percent, 49.88 percent, to  
9 be exact.

10 Q. Let's look at Exhibit 3 from each of the  
11 cases. What is Exhibit 3?

12 A. Exhibit 3 in each case is a letter dated  
13 March 15, 1990, through which Mesa notified the  
14 working interest owners under each of these wells that  
15 proposing the well, included with each of the letters,  
16 was Mesa's AFE cost estimate, which is Exhibit 4, and  
17 an operating agreement under which we propose drilling  
18 these wells.

19 Q. Why don't you summarize in each case your  
20 efforts to obtain the joinder of the parties shown on  
21 the exhibits?

22 A. In Case 9918, we have had several telephone  
23 conversations with both Amoco and Meridian Oil Inc.,  
24 as agent for El Paso.

25 In the case of Amoco, we know Amoco is

1 farming out their interest to Richmond Petroleum.  
2 However, as of this date neither Amoco, Richmond, or  
3 El Paso have committed their interests.

4 In Case 9919, we have had discussions with  
5 Amoco pertaining to their joinder in this well, and as  
6 of this date, their interest has not been committed.

7 Q. In your opinion, have you made a good faith  
8 effort to obtain voluntary joinder of all of these  
9 parties?

10 A. Yes, we have.

11 Q. And Mesa seeks to be designated operator of  
12 the wells; is that true?

13 A. That is correct.

14 Q. Mr. Seale, in your opinion, would the  
15 granting of this application be in the interests of  
16 conservation, the prevention of waste, and the  
17 protection of correlative rights?

18 A. Yes, they would.

19 Q. Were Exhibits 1 through 4 prepared by you  
20 or at your direction?

21 A. Yes, they were.

22 MR. HALL: That concludes my examination of  
23 this witness. We'd move the admission of Exhibits 1  
24 through 4.

25 HEARING EXAMINER: Exhibits 1 through 4

1 will be admitted into evidence.

2 CROSS-EXAMINATION

3 BY HEARING EXAMINER:

4 Q. Mr. Seale, you mentioned that Amoco has  
5 farmed out to Richmond; is that correct?

6 A. Yes.

7 Q. Have you had conversations with Richmond or  
8 any correspondence with them or what is Richmond's  
9 stand in this procedure today?

10 A. I talked to Richmond on Monday. They are  
11 uncommitted at this time. I found out Monday that  
12 they had finally and formally finalized their  
13 discussions with Amoco and finalized their agreement.  
14 During our conversation, it was not discussed one way  
15 or the other whether or not they were going to  
16 participate or exactly what their position was going  
17 to be on the drilling of this well. I do imagine that  
18 they will participate with Amoco's interest.

19 Q. Now, The way I understand it, Richmond  
20 finalized --

21 A. Finalized their farmout agreement with  
22 Amoco.

23 Q. On Monday?

24 A. No. I found out on Monday that it had  
25 previously been finalized.

1 Q. Do you know when that was finalized?

2 A. No, I do not.

3 Q. When was your last conversation, or have  
4 you had a telephone conversation with Amoco?

5 A. Yes.

6 Q. Could you relate those to me?

7 A. The telephone conversations with Amoco  
8 started taking place shortly after the well was  
9 proposed. This is one of many wells that we have  
10 proposed to Amoco in which we have requested their  
11 joinder. In this well we were told early on that they  
12 would not be participating in this well and that they  
13 would be farming out their interest to Richmond.  
14 However, I was requested not to contact Richmond until  
15 their negotiations and their agreement was finalized.

16 Q. Who told you that with Amoco?

17 A. Michael Cuba, their landman.

18 MR. STOVALL: When did Richmond find out  
19 that you wanted to drill this well; do you know?

20 THE WITNESS: I don't know exactly. Under  
21 Amoco's request, we did not contact Richmond. I only  
22 hope that Amoco, since they were aware of the  
23 proposal, notified Richmond at an early date of our  
24 proposal.

25 MR. STOVALL: Let me ask you a question

1 again, which I suspect Mr. Stogner already asked you  
2 but I was out of the room for a moment, when did you  
3 find out that Richmond was in the process of acquiring  
4 this.

5 THE WITNESS: Shortly, as I say, towards  
6 the end of March, first part of April.

7 MR. STOVALL: Amoco told you they were  
8 farming out to Richmond.

9 THE WITNESS: Yes, or that they were hoping  
10 to, and that they were in the negotiations of a  
11 contract. This is one of many wells that they will be  
12 farming out to Richmond. So I understand that  
13 negotiations were quite lengthy.

14 HEARING EXAMINER: Did Richmond also take  
15 over the Amoco interests on the #10 well.

16 THE WITNESS: No, they did not.

17 HEARING EXAMINER: So that's still force  
18 pooling Amoco on the 9919?

19 THE WITNESS: Yes.

20 MR. HALL: Mr. Examiner?

21 HEARING EXAMINER: Yes, sir?

22 MR. HALL: One follow up.

23 REDIRECT EXAMINATION

24 BY MR. HALL:

25 Q. Mr. Seale, to your knowledge, Richmond has

1 no titular interest of record in this tract; in other  
2 words, you have seen no evidence indicating to you  
3 that Richmond has filed any sort of documentation in  
4 San Juan County or at the State Land Office of an  
5 ownership interest; is that correct?

6 A. That is correct.

7 Q. And you have no commitment from Richmond to  
8 participate in the well?

9 A. No, we do not.

10 HEARING EXAMINER: Are there any other  
11 questions of Mr. Seale?

12 MR. STOVALL: Just one question for Mr.  
13 Hall. What is your opinion as to the adequacy of the  
14 notice given in this case based on the record which  
15 you presented here?

16 MR. HALL: I think it's adequate. Amoco is  
17 the interest owner of record both at the State Land  
18 Office and in San Juan County. There are many other  
19 instances in San Juan County where we're going to be  
20 seeing conveyances of interest. We don't know when  
21 those will be documented of record, at the courthouse  
22 or at the Land Office or at the BLM.

23 There's an immediate need to drill these  
24 Fruitland wells because of an expiring tax credit. I  
25 don't think Mesa had any choice but to go forward with

1 the application.

2 MR. STOVALL: I just want to get your  
3 input. I feel the same way. I feel Amoco is the  
4 owner of record of the properties, that they are the  
5 proper party to negotiate with, that although they may  
6 have advised Mesa that they were in the process of  
7 negotiating with another party to acquire those  
8 interests, that, as you stated, there was no actual  
9 interest on behalf of Richmond or any other party at  
10 the time you provided notice.

11 And I recommend to the Examiner that my  
12 opinion is that the notice is adequate as having been  
13 given, and that no further action need to be taken  
14 with respect to that particular issue in this case.

15 MR. HALL: I'd also point out that it is  
16 apparently Amoco's position that it is the only one  
17 with power to negotiate the commitment of the interest  
18 in that they have asked Mesa to withhold any sort of  
19 communications to Richmond.

20 MR. STOVALL: This has come up before. I  
21 certainly agree that Amoco is the party entitled to  
22 notice, and Richmond, having no record interest or  
23 even known firm interest other than knowledge of a  
24 farmout, I think that Amoco was the party to notify in  
25 this case.

1           MR. HALL: Yes. We make every effort to  
2 try to notify everybody, but if somebody acquires an  
3 interest the morning of the hearing, what do you do?

4           MR. STOVALL: Exactly. It's record holder  
5 as of the time or constructive notice of an actual  
6 interest, not a deal pending.

7           HEARING EXAMINER: Thank you, Mr. Hall,  
8 Mr. Stovall. I'll take both of your comments under  
9 consideration.

10           If there's no other questions of Mr. Seale,  
11 he may be excused.

12           Mr. Hall?

13                         STEWART L. SAMPSON,  
14 the witness herein, after having been first duly sworn  
15 upon his oath, was examined and testified as follows:

16                                 DIRECT EXAMINATION

17 BY MR. HALL:

18           Q.     For the record, state your name.

19           A.     Stewart Sampson.

20           Q.     Where do you live, Mr. Sampson?

21           A.     In Amarillo, Texas.

22           Q.     By whom are you employed and in what  
23 capacity?

24           A.     Mesa Operating Limited Partnership. I'm  
25 supervisor of geophysics.

1 Q. You've not previously testified and had  
2 your credentials accepted before the New Mexico  
3 Division, have you?

4 A. That's correct.

5 Q. Why don't you give the Examiner a brief  
6 summary of your educational background and  
7 experience.

8 A. I graduated from the Colorado School of  
9 Mines in 1977, bachelor's degree in geophysical  
10 engineering. I've worked since that point in time  
11 two-and-a-half years with Union in California and a  
12 little over ten years with Mesa Limited Partnership.

13 Q. Is any of your experience in the San Juan  
14 Basin?

15 A. Yes. The past five years have been  
16 specifically working the geology of the Pictured  
17 Cliffs and Fruitland formations in the San Juan Basin.

18 Q. And you're familiar with the two  
19 applications and the lands affected?

20 A. Yes, I am.

21 MR. HALL: Are the witness's credentials  
22 accepted?

23 HEARING EXAMINER: They are.

24 Q. (BY MR. HALL) Mr. Sampson, let's look at  
25 Exhibits 5, 6 and 7, in Case 9918 and 5, 6 and 7 and

1 also Exhibit 8 in 9919. Why don't you just explain  
2 what all of those exhibits are intended to show?

3 A. In each case, Exhibit 5 is a coal isopach  
4 of the entire basin with a red dot indicating the  
5 location of the well in question.

6 Exhibit 6 in each case is also a map of the  
7 basin in this case showing the bottom hole pressure in  
8 the Fruitland formation, once again with a red dot  
9 indicating the location of the well.

10 For Case 9918, the plat of Exhibit 7 shows  
11 the location of the well, and the red dots indicate  
12 all offset Fruitland coal completions. That's in both  
13 cases.

14 And then in Case 9919, the final exhibit is  
15 a cross-section showing two wells within the section  
16 of our proposed well.

17 Q. Are you making a recommendation to the  
18 Examiner as to an appropriate risk penalty in each of  
19 these cases?

20 A. Yes, I am.

21 Q. What is that risk penalty that you seek?

22 A. 200 percent.

23 Q. What is the basis of that request?

24 A. Okay. At this point I'd like to kind of  
25 talk about each one separately.

1           For Case 9918, Exhibit No. 5 shows that,  
2 while we are not in the thickest trend of coal in the  
3 basin, we do have an adequate thickness of coal; so we  
4 don't feel like that's a large factor. However, the  
5 pressure map, which is Exhibit 6, indicates that we  
6 are out of the high-pressured area in the central part  
7 of the basin.

8           Consequently, we feel that's important  
9 because the permeability has shown to be lower in the  
10 areas of low pressure, and, indeed, the production in  
11 the area has demonstrated lower flow rates associated  
12 with low permeability.

13           The last exhibit there on 9918 just simply  
14 shows the location of our well with respect to the  
15 offset wells. And you can see where there are wells  
16 within a few miles radius, we are not directly  
17 offset. Mr. Hahn will discuss the pressures and flow  
18 rates of these offset wells, and we feel like that is  
19 a significant risk factor as these wells have not  
20 proven to be exceptional producers.

21           Q.     So as I understand it, there is little  
22 doubt that you will likely encounter the coal seam on  
23 the first well in Case 9918; is that correct?

24           A.     Right, that's correct.

25           Q.     But there are other mitigating factors

1 which you feel pose a substantial risk to a  
2 successfully commercial well?

3 A. Yes. We do not feel like simply  
4 encountering thick coals changes the risk that much  
5 because the productive characteristics of the coals  
6 vary widely depending on fracture intensity and  
7 permeability.

8 Q. Exhibit 6, your bottom hole pressure map,  
9 what is the source of information for that map?

10 A. That was a GRI-sponsored study that was  
11 published in 1988, sponsored by the Texas Department  
12 of Economic Geology, principal investigator was Ernest  
13 Ares, and there was about 100 control points on that  
14 map pressure information that they had secured from  
15 various operators.

16 Q. Do you have anything further you wish to  
17 add with respect to Case 9918 and these three  
18 exhibits?

19 A. No.

20 Q. Let's go to Case 9919 and look at those  
21 four exhibits.

22 A. The first exhibit, Exhibit 5 for Case 9919,  
23 indicates the coal thickness once again. And as you  
24 can see in this case, we're significantly out of the  
25 thickest coal trend, down in the range of 30 feet of

1 to show is the stratigraphic risk involved in this  
2 area. As I indicated earlier, this is a substantial  
3 drainage system or delta system developed in the  
4 Fruitland. Consequently, you have channel sands  
5 cutting through the Fruitland section. These two  
6 wells demonstrated on this cross-section, as you can  
7 see from Exhibit 7, are about half a mile apart, and  
8 yet there's significant stratigraphic variability on  
9 this cross-section.

10           You can see that the well in the northwest  
11 quarter of that section had a large channel sand  
12 developed in the Fruitland, whereas the well in the  
13 northeast did not. This is a significant  
14 stratigraphic risk in this area because these channel  
15 sands come in and can cut out coals in the section.

16           The other thing to note from this  
17 cross-section is that the coal zones, which are  
18 indicated by the black bars on the log, do not  
19 particularly correlate well across each well; so you  
20 can see that there is quite a bit of stratigraphic  
21 variability in this area.

22           Q.     So in either case, do you believe that  
23 there is a significant risk that the wells will not be  
24 commercially successful at each of the proposed  
25 locations?

1           A.       Yes, I think that is a risk. I think it's  
2 strongly demonstrated by the production in the area  
3 being less than excellent at this point, our offset  
4 production.

5           Q.       Do you have anything further you wish to  
6 add with respect to these exhibits?

7           A.       No.

8           Q.       Were Exhibits 5, 6 and 7 in Case 9918 and  
9 Exhibits 5, 6, 7, and 8 in Case 9919 prepared by you  
10 or at your direction?

11          A.       Yes, they were.

12          Q.       Mr. Sampson, in your opinion, will granting  
13 this application be in the interests of conservation,  
14 the prevention of waste, and the protection of  
15 correlative rights?

16          A.       Yes.

17                   MR. HALL: We'd move the admission of the  
18 aforesaid exhibits.

19                   HEARING EXAMINER: Exhibits 1 through 7 in  
20 Case 9918 and Exhibits 1 through 8 in Case 9919 will  
21 be admitted into evidence at this time.

22                                   CROSS-EXAMINATION

23 BY HEARING EXAMINER:

24          Q.       Mr. Sampson, in looking at Exhibit No. 7 in  
25 both cases, and on here you marked several red dots

1 representing Fruitland Coal gas completions.

2 A. Yes.

3 Q. Are there any unsuccessful coal gas  
4 completions not shown on here, or could you elaborate  
5 a little bit on that?

6 A. There are no reported dry holes in the coal  
7 formation within the area defined by these maps.

8 Q. These locations are within the  
9 Basin-Fruitland Coal Gas Pool; is that right?

10 A. Yes, they are.

11 Q. Did you utilize in your study of this area  
12 the existing logs on wells which penetrate the  
13 Fruitland but are producing from a deeper horizon?

14 A. Yes. Every well which you see on these  
15 maps which has either a triangle, a square, or a  
16 circle around them were actually used as control for  
17 the structure maps you see on these plats. I have  
18 looked at all of these wells in the area.

19 Q. From those existing logs, were you able to  
20 gather information on the fracture and permeability  
21 within the proration units which you're seeking today?

22 A. No.

23 Q. It just did not show that kind of  
24 information or what, or you can't get that information  
25 from these logs?

1           A.       Yes, you cannot get that kind of  
2 information.  What we did get from the logs was simply  
3 coal thickness.  A normal log for most of these wells  
4 out here are old ES logs, and the only permeability  
5 indicator is the SP log, but, unfortunately, since the  
6 waters in the coals are so fresh, many times they show  
7 no SP or even a positive SP; so they're not a good  
8 indicator of permeability.

9           Q.       Is it your experience up there or your  
10 knowledge, does the fracture and permeability within  
11 the coals -- is there any kind of relationship from  
12 these factors with the thickness of these coals?

13          A.       Not that I have seen, no.  They seem to be  
14 totally independent of thickness.

15          Q.       When I look at your Exhibit No. 8 in Case  
16 9919 and you show that Pubco Development, Inc., Gage  
17 Federal #1 with the sand channel --

18          A.       Yes.

19          Q.       -- when I look at that, and you mentioned  
20 that sometimes these channels come in, and they cut  
21 through the coal-bearing zones, is that shown here  
22 that in fact one of these channels cut some of this  
23 coal out in this coal well?

24          A.       No, this particular channel did not;  
25 however, these channels come in at different

1 stratigraphic intervals and commonly do cut out the  
2 coals.

3           If you look at this from an environmental  
4 standpoint, environment of deposition, you know that  
5 if you have channel sands, that you're essentially out  
6 of the swamp environment. You have dropped down into  
7 the river system. And so, consequently, in general,  
8 areas where you find the Fruitland sand channels  
9 developed, the coal section is there.

10           HEARING EXAMINER: Are there any other  
11 questions of this witness?

12           MR. STOVALL: Yes, I've got a couple, once  
13 again venturing into fields about which I know  
14 nothing.

15                           CROSS-EXAMINATION

16 BY MR. STOVALL:

17           Q.     I'm looking at your Exhibits No. 7, your  
18 structure maps.

19           A.     Yes.

20           Q.     The one is marked as a contour interval of  
21 2,500 feet. I assume the other is the same interval?

22           A.     Yes, it is.

23           Q.     In which direction does that dip?

24           A.     It dips to the northeast.

25           Q.     Does that have any significance on the

1 risk?

2 A. No, it does not.

3 Q. The other question I've got is with respect  
4 to your Exhibits No. 6, that's the pressure contour?

5 A. Yes.

6 Q. You said that was prepared by the GRI in  
7 1988?

8 A. Yes.

9 Q. If I'm not mistaken, coal development was  
10 really just beginning to take place in 87-88 in terms  
11 of the number of wells being developed?

12 A. This is the latest publication I am aware  
13 of which has really looked at how the pressure varies  
14 throughout the basin. It was a detailed hydrologic  
15 study, and they are in continuing research in this,  
16 but this is the latest map they have come out with.

17 Q. These represent, to use -- probably using  
18 terms inaccurately, sort of a native pressure, if you  
19 will, because there hasn't been extensive production?

20 A. That's correct. And the reason for the  
21 pressure bulls eye there in the center of the basin is  
22 thought to be hydrologic conditions caused by artesian  
23 overpressuring up in the Durango area.

24 Q. Do you have an opinion as to whether the  
25 production that has occurred since 1987-88 to date,

1 what it has done to the pressure, and what effect that  
2 would have as far as the risk factor?

3 A. I do not feel like the pressures would be  
4 substantially different from what is shown here. This  
5 is what I would consider to be very current  
6 information, and there has not been sufficient  
7 productive history to have substantially altered the  
8 pressures.

9 MR. STOVALL: I didn't have to get in too  
10 deep. That's not too bad. No other questions.

11 HEARING EXAMINER: Are there any other  
12 questions of Mr. Sampson?

13 MR. HALL: No, sir.

14 HEARING EXAMINER: He may be excused.

15 Mr. Hall?

16 THOMAS LEE HAHN,  
17 the witness herein, after having been first duly sworn  
18 upon his oath, was examined and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. HALL:

21 Q. For the record, state your name and where  
22 you live.

23 A. My name is Thomas Lee Hahn. I live in  
24 Amarillo, Texas.

25 Q. By whom are you employed and in what

1 capacity?

2 A. I'm employed by Mesa Operating Limited  
3 Partnership as a reservoir engineer for the San Juan  
4 Basin.

5 Q. And you've not previously testified before  
6 the Division or its examiners or had your credentials  
7 made a matter of record, have you?

8 A. Right.

9 Q. Why don't you give the Examiner a brief  
10 summary of your educational background and work  
11 experience?

12 A. Okay. I graduated in 1984 from Oklahoma  
13 State University with a Bachelor of Science Degree in  
14 petroleum engineering technology, a Master of Business  
15 Administration Degree from West Texas State University  
16 in May of 1990. I've worked six years in the oil and  
17 gas industry and six years for Mesa. 4-1/2 of those  
18 years have been in the San Juan Basin as Mesa's  
19 reservoir engineer.

20 Q. And you're familiar with the applications  
21 in the subject acreage?

22 A. Yes, sir.

23 MR. HALL: Are the witness's credentials  
24 acceptable?

25 HEARING EXAMINER: They are.

1           Q.       (BY MR. HALL) Mr. Hahn, let's look at  
2 Exhibits 4 from each of the cases, the AFE's. If you  
3 could briefly summarize the costs on these for the  
4 Examiner?

5           A.       All right. Exhibit 4 -- let's see, start  
6 with the FC State Com 18 -- Exhibit 4 for this well is  
7 the AFE cost estimate that has been prepared and  
8 delivered to the working interest owners in this  
9 well. The gross cost is estimated at \$393,700. This  
10 cost is very comparable to AFE cost estimates for  
11 case-perforated and frac'd coal wells in the San Juan  
12 Basin. It compares favorably with what many of the  
13 other operators are showing to Mesa in some of the  
14 wells that they have proposed to us.

15                   The AFE for the FC Federal Com #10, very  
16 similar type AFE. Total gross drilled a completed  
17 cost of \$399,700. Once again, it's in the same range  
18 as the previous AFE and very typical for cased,  
19 frac'd, and perforated Fruitland coal wells in the San  
20 Juan Basin.

21           Q.       And Mesa has drilled or operates other  
22 Fruitland wells in the area, does it not?

23           A.       In the San Juan Basin, yes, we do.

24           Q.       And these costs compare with what Mesa is  
25 currently charging?

1           A.     Yes, that's right.

2           Q.     Have you made an estimate of the overhead  
3 and administrative costs while drilling and producing  
4 the well?

5           A.     Yes, we have.

6           Q.     What are those?

7           A.     For drilling the wells, the cost is \$3,831  
8 per month. For operating the well, the cost is \$382  
9 per month. These costs were adapted from  
10 publications, specifically the Ernst & Whinney  
11 publications on overhead rates.

12          Q.     Those costs are also set out in the JOA,  
13 Exhibit 3?

14          A.     This is right.

15          Q.     Mr. Hahn, you are also recommending that a  
16 200 percent risk penalty be imposed in each case, are  
17 you not?

18          A.     Yes, sir.

19          Q.     What is the basis of your recommendation in  
20 that regard?

21          A.     The basis of this recommendation, it's  
22 primarily from the economic standpoint. We have  
23 looked at the offset production, looked at the geology  
24 of drilling Fruitland coal wells in both cases. And  
25 in Exhibit 8 and Exhibit 9, we are showing offset

1 production detail for the two proposed wells.

2 I'd like to talk about those in some  
3 detail.

4 Q. And you're speaking of Exhibit 8 in 9918  
5 and Exhibit 9 in 9919?

6 A. Right.

7 Q. All right.

8 A. In Exhibit 8, what it shows, it shows the  
9 offset production information when available for the  
10 Fruitland coal wells shown in the map that Mr. Sampson  
11 demonstrated earlier.

12 As you look down through both the pressure  
13 and the production information, it's our opinion that  
14 the productive capabilities of the well is very  
15 marginal, and the economics will be very slim in these  
16 cases.

17 The pressure information that you're seeing  
18 indicates that the reservoir in this area is not  
19 overpressured; in fact, maybe normally or  
20 underpressured. And the production information  
21 indicates the same type of feature in the reservoir.

22 In Exhibit 8, the production information  
23 that we were able to obtain from Dwight's shows 93  
24 Mcfd and the A.L. Elliott J #1, and 25 Mcfd in the  
25 A.L. Elliott D #4, 25 Mcfd in the Turner #251, and 168

1 Mcfd in the Likins Gas Com A #4.

2 We believe that this production will make  
3 the economics of drilling a Fruitland coal in this  
4 area very marginal. We believe we're taking on a  
5 great deal of risk to see that we can actually make --  
6 drill and complete a well that will produce at rates  
7 that will make it economically attractive to continue  
8 drilling Fruitland coal.

9 Q. In either exhibits, you're reflecting  
10 little or no attendant water production. What does  
11 that tell you?

12 A. That tells us really two things, one good,  
13 one bad. The good feature of no water production, of  
14 course, is we'll have lower operating costs. It also  
15 shows that production in this area will probably not  
16 increase as you see in some of the other areas of the  
17 basin. The phenomena of decreasing water production  
18 and increasing gas production is very unlikely in  
19 these areas.

20 Q. Do you believe that there is a chance that  
21 each of the wells might be uneconomic?

22 A. Yes, very much so.

23 Q. Mr. Hahn, in your opinion, would the  
24 granting of each of the applications be in the  
25 interests of conservation, the prevention of waste,

1 and the protection of correlative rights?

2 A. Yes, sir.

3 Q. Was Exhibit 8 in Case 9918 and Exhibit 9 in  
4 9919 prepared by you or at your direction?

5 A. Yes, sir.

6 MR. HALL: We would move the admission of  
7 Exhibits 8 and 9 in each of those cases.

8 That concludes our Direct of this witness.

9 HEARING EXAMINER: Exhibits 8 and 9 in Case  
10 No. 9918 and 9919 will be taken under advisement --  
11 I'm sorry -- will be admitted into evidence.

12 CROSS-EXAMINATION

13 BY HEARING EXAMINER:

14 Q. Mr. Hahn, in Exhibit No. 4, line item No.  
15 205, well stimulation services, do you want to  
16 elaborate on that?

17 A. Yes. In each of these wells, we will case,  
18 perf, and fracture stimulate. The idea at Mesa is  
19 that we need a very extensive hydraulic fracture  
20 stimulation with proppant. In this case we're looking  
21 at close to 500,000 pounds of proppant. The high cost  
22 of making a stimulation like this is the basis for  
23 this AFE cost estimate.

24 Q. So the production zone in your wells will  
25 be cased; is that correct?

1           A.       That's right.

2           Q.       What will be done with the water?  How will  
3 that be disposed of?

4           A.       We really, based on the offset production,  
5 do not anticipate water production in these wells.  If  
6 the water production is say less than 5 barrels of  
7 water per day, I believe the OCD allows surface  
8 evaporation in a pit beside the location.  If the  
9 water were to be greater than that, we would haul to a  
10 commercial disposal facility or work out an  
11 arrangement with another operator in the basin to use  
12 their disposal well under a third party arrangement.

13          Q.       Does Mesa operate any of the coal gas wells  
14 in this general area?

15          A.       Not in this general area.  These wells are  
16 first wells right down in this township and range.

17          Q.       Basinwide, Mesa operates how many coal gas  
18 wells?

19          A.       Prior to 1990, we operated two wells.  In  
20 April of this year, we drilled five wells.  We have  
21 plans for drilling 16 more wells beginning the end of  
22 this week.  Then we have a continuing Fruitland Coal  
23 development program throughout the rest of 1990.

24                   HEARING EXAMINER:  Are there any other  
25 questions of Mr. Hahn?

1                   MR. STOVALL: I never get into the  
2 engineering questions.

3                   HEARING EXAMINER: In that case, Mr. Hahn  
4 may be excused.

5                   MR. HALL: Mr. Examiner, we'd also move the  
6 admission of Exhibit 9 in Case 9918 and Exhibit 10 in  
7 9919. Each of those are the Rule 1207 affidavits of  
8 mailing of notice by counsel.

9                   HEARING EXAMINER: Said exhibits will be  
10 admitted into evidence.

11                   MR. HALL: Also, in view of some immediate  
12 need to drill these wells before the end of the year,  
13 we would like to request expedited orders.

14                   HEARING EXAMINER: End of the year?

15                   MR. STOVALL: That's December, Mr. Hall.

16                   HEARING EXAMINER: Your request for  
17 expediency will be considered.

18                   Is there anything further in either Case  
19 9918 or 9919? These cases will be taken under  
20 advisement.

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