### STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

APPLICATION OF BURLINGTON RESOURCES OIL AND GAS COMPANY FOR THREE NONSTANDARD GAS SPACING AND PRORATION UNITS IN SAN JUAN COUNTY, NEW MEXICO CASE NO. 12,993

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# ORIGINAL

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#### REPORTER'S TRANSCRIPT OF PROCEEDINGS

#### EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

January 23rd, 2003

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, January 23rd, 2003, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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# INDEX

January 23rd, 2003 Examiner Hearing CASE NO. 12,993

PAGE

3

10

APPEARANCES

REPORTER'S CERTIFICATE

\* \* \*

## EXHIBITS

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

\* \* \*

STEVEN T. BRENNER, CCR (505) 989-9317 2

## APPEARANCES

FOR THE DIVISION:

DAVID K. BROOKS, JR. Attorney at Law Energy, Minerals and Natural Resources Department Assistant General Counsel 1220 South St. Francis Drive Santa Fe, New Mexico 87505

FOR THE APPLICANT:

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

\* \* \*

STEVEN T. BRENNER, CCR (505) 989-9317 3

1       WHEREUPON, the following proceedings were had at         2       8:57 a.m.:         3       EXAMINER STOGNER: Okay, I believe now we're         4       going to call Case Number 12,993, which is the Application         5       of Burlington Resources Oil and Gas Company for three         6       nonstandard gas spacing and proration units in San Juan         7       County, New Mexico.         8       At this time I'll call for appearances.         9       MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of         10       the Santa Fe law firm of Kellahin and Kellahin, appearing         11       on behalf of the Applicant.         12       EXAMINER STOGNER: Any other appearances?         13       Mr. Kellahin?         14       MR. KELLAHIN: Thank you, Mr. Examiner. This         15       case was advertised in the absence of objection. I'm not         16       aware of any objection.         17       I do have some maps to submit to you so that you         18       can understand what Burlington is seeking to do. This is         19       on the Ute Mountain Ute Indian tribal lands. We're along a         20       tier of irregular sections on the north edge of New Mexico         21       as it approaches the boundary with Colorado, so let me show         2		
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25 the Dakota wells and highlight the three nonstandard	24	Burlington has prepared at my request to identify for you
	25	the Dakota wells and highlight the three nonstandard

1	proration units that they would like you to approve for
2	wells to be drilled in the Dakota.
3	This area has been subject to rules by the
4	Division for other reservoirs, and we work in association
5	with the Ute Mountain Ute Tribe to satisfy their desires
6	for well locations and spacing unit sizes, and we largely
7	take our direction from the BLM.
8	In doing so, I want to alert you to the fact that
9	despite the acreages located on this map, the BLM in prior
10	orders relied on by the Division has used a different
11	acreage number. I will tell you, I don't think the acreage
12	differences when I show them to you are of importance.
13	We're dealing with the same entity, the tribal lands, which
14	are these spacing units and all lands around it, so there's
15	no one else involved. Burlington is the only operator and
16	working interest owner.
17	But to tell you where the difference came from,
18	the map today is based upon Exhibit Number 2, which is an
19	official survey of this area, and it shows the irregular
20	sections on the north line. This survey was prepared in
21	1997 and was accepted by the BLM then, in 1997. It was in
22	existence before that. I think it was in existence in
23	1986.
24	In prior cases Let me continue. If you look
25	at Exhibit 3, just so you can see what our plan is, Exhibit

	,
1	10 [ <i>sic</i> ] shows you one of the three nonstandard proration
2	units. It specifically locates Burlington's proposed Ute
3	Mountain Ute Number 69 well. That well will be at a
4	standard location. There's no reason for an exception.
5	We've talked to the tribal people about where
6	they suggest lines, and we've talked to their consultant,
7	Jerry Simon, who's talked to Burlington repeatedly about
8	well locations. But this is where the tribe says they want
9	us to put it, and that's where we've agreed to do it.
10	Exhibit 4 is a short written summary of the
11	differences in the surveys.
12	Exhibit 5 is the copy of the rules on well
13	locations from the Division.
14	Exhibit 6 is the BLM order. It's Order UMU-1.
15	This is the order that Mr. Catanach used when he issued
16	Exhibit 7, which is Division Order R-46-B. And when you
17	thumb through the order you'll see that Mr. Catanach relied
18	upon what we were relying on, which was the BLM order. And
19	when you try to match some of the acreage totals, you're
20	going to find out they're different than what I'm giving
21	you today. So I wanted you to be aware of the difference.
22	My conclusion is, it doesn't matter.
23	Back on Exhibit 4, we've also summarized the
24	tribe's comments to us. They have no objection to the
25	spacing unit configurations. They have asked us, and

	,
1	Burlington has agreed, to make their best efforts to locate
2	these wells central to certain boundaries, best be
3	described as looking at Exhibit 3.
4	You see Section 10 has Lots 1, 2, 3 and 4. They
5	perceive that if it's ever infill drilled, that the first
6	well is where they want it, which is approximately the
7	center of the east half of 10. The second well, if ever
8	drilled, would be in the approximate center of the west
9	half of 10, somewhere in either Lot 4 or 3.
10	We've talked with Mr. Simon about this. I said
11	we're doing this consistent with Division Rules, I don't
12	see any further need to stipulate well locations with the
13	OCD. We can do that with the tribe. But that's where we
14	are at this point, is trying to comply with the tribal
15	wishes, as well as the BLM rules.
16	And we would ask your permission, then, to
17	approve the three nonstandard spacing units.
18	EXAMINER STOGNER: Let's see, I notice that your
19	Exhibit Number 5 refers to the Basin I'm sorry, that's
20	the Blanco-Mesaverde Pool Rules?
21	MR. KELLAHIN: Maybe I copied the wrong one, it
22	was supposed to be the Dakota portion. I'm a page off.
23	EXAMINER STOGNER: Okay. Well
24	MR. KELLAHIN: They're the same as to setbacks.
25	EXAMINER STOGNER: But isn't this pool subject to

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the Barker Creek-Dakota Pool? 1 MR. KELLAHIN: We've talked to the District 2 Let me try to remember what Aztec told us. 3 Office. You're correct, Aztec Office tell us the Barker 4 5 Creek-Dakota Pool is under 160-acre statewide spacing, and 6 so it is, in fact, not part of the Basin Dakota, that's my 7 mistake. EXAMINER STOGNER: So other than that --8 9 MR. KELLAHIN: Yeah. 10 EXAMINER STOGNER: -- the facts are still straight, and the reason we're here today is because the 11 limitation set on administrative approvals limits 12 administrative authorization of nonstandard units to be 13 14 within quarter sections --MR. KELLAHIN: Yeah --15 16 EXAMINER STOGNER: -- per se --17 MR. KELLAHIN: -- you're correct. EXAMINER STOGNER: -- and once you start crossing 18 lines, quarter-section lines, that's whenever I am limited 19 at that point. 20 But because of the obvious -- obvious in this 21 case because we have that upper tier of quarter-quarter 22 sections between the standard 640-acre sections and the 23 state line of Colorado, and we're essentially forming these 24 25 three nonstandard units using those sections, that's the

<ul> <li>the Barker Creek is under statewide 160-acre spacing.</li> <li>If there's nothing further, then this matter with</li> <li>be taken under advisement and an order issued.</li> <li>MR. KELLAHIN: Thank you.</li> <li>(Thereupon, these proceedings were concluded at 9:04 am.)</li> <li>* * *</li> <li>* * *</li> <li>14</li> <li>* * *</li> <li>15</li> <li>16</li> <li>17</li> <li>18</li> <li>19</li> <li>1 do hereby cartify that the foregoing is a complete record of the proceedings to the Examiner hearing of Case No. /279.3, heard by me on 2.3 Jenseny 2003.</li> <li>20</li> </ul>	1	reason we're here today?
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6       MR. KELLAHIN: Yes, sir.         7       EXAMINER STOGNER: And other than the fact that         8       the Barker Creek is under statewide 160-acre spacing.         9       If there's nothing further, then this matter wi         10       be taken under advisement and an order issued.         11       MR. KELLAHIN: Thank you.         12       (Thereupon, these proceedings were concluded at         13       9:04 am.)         14       * * *         15       .         16       .         17       .         18       .         19       I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. /2943., heard by me on _23 Jenseny 2003.         21       .	4	advertised in the absence of objection, but the facts
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<ul> <li>18</li> <li>19</li> <li>1 de hereby certify that the foregoing is</li> <li>a complete record of the proceedings in</li> <li>the Examiner hearing of Case No. <u>12943</u>, heard by me on <u>23 January 2003</u>.</li> <li>22</li> </ul>	16	
<ul> <li>19</li> <li>1 de hereby certify that the foregoing is</li> <li>a complete record of the proceedings in</li> <li>the Examiner hearing of Case No. 1299.3,</li> <li>heard by me on 23 January 2003.</li> <li>22</li> </ul>	17	
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22 Mattelles, Examiner	20	the Examiner hearing of Case No. 1299.3
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	22	Oil Conservation Division
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# CERTIFICATE OF REPORTER

STATE OF NEW MEXICO ) ) ss. COUNTY OF SANTA FE )

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

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

WITNESS MY HAND AND SEAL January 23rd, 2003.

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STEVEN T. BRENNER CCR No. 7

My commission expires: October 16th, 2006