

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

ORIGINAL

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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I N D E X

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Examiner Hearing
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E X H I B I T S

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

* * *

A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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Santa Fe, New Mexico 87504-2265
By: W. THOMAS KELLAHIN

* * *

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
22 you the maps and where we are.

23 The first map, Mr. Stogner, is a map that
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 [sic] 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

1 the Barker Creek-Dakota Pool?

2 MR. KELLAHIN: We've talked to the District
3 Office. Let me try to remember what Aztec told us.

4 You're correct, Aztec Office tell us the Barker
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.

8 EXAMINER STOGNER: So other than that --

9 MR. KELLAHIN: Yeah.

10 EXAMINER STOGNER: -- the facts are still
11 straight, and the reason we're here today is because the
12 limitation set on administrative approvals limits
13 administrative authorization of nonstandard units to be
14 within quarter sections --

15 MR. KELLAHIN: Yeah --

16 EXAMINER STOGNER: -- *per se* --

17 MR. KELLAHIN: -- you're correct.

18 EXAMINER STOGNER: -- and once you start crossing
19 lines, quarter-section lines, that's whenever I am limited
20 at that point.

21 But because of the obvious -- obvious in this
22 case because we have that upper tier of quarter-quarter
23 sections between the standard 640-acre sections and the
24 state line of Colorado, and we're essentially forming these
25 three nonstandard units using those sections, that's the

1 reason we're here today?

2 MR. KELLAHIN: Yes, sir.

3 EXAMINER STOGNER: So that's the reason it was
4 advertised in the absence of objection, but -- the facts
5 still hold true?

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 will
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 * * *

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18
19 I do hereby certify that the foregoing is
20 a complete record of the proceedings in
the Examiner hearing of Case No. 12993,
21 heard by me on 23 January 2003.

22  , Examiner
Oil Conservation Division
23
24
25

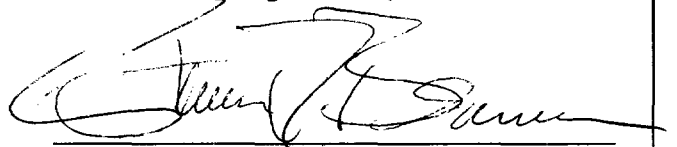
CERTIFICATE OF REPORTER

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

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

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

WITNESS MY HAND AND SEAL January 23rd, 2003.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006