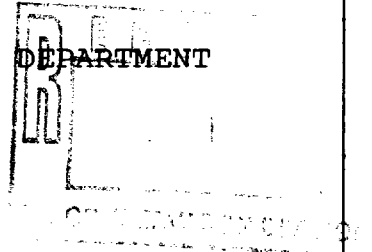


STATE OF NEW MEXICO  
 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
 OIL CONSERVATION DIVISION



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

CASE NO. 11,089

APPLICATION OF BURLINGTON RESOURCES OIL )  
 & GAS COMPANY TO REOPEN CASE 11,089 AND )  
 AMEND ORDER NO. R-46-A TO CONFORM TO )  
 BLM ORDER NO. UMU-1, SAN JUAN COUNTY, )  
 NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

October 17th, 1996

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, October 17th, 1996, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*

STEVEN T. BRENNER, CCR  
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## I N D E X

October 17th, 1996  
 Examiner Hearing  
 CASE NO. 11,089

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<u>DAVID DEAN PRICE</u> (Landman)	
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\* \* \*

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## 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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P.O. Box 2265  
Santa Fe, New Mexico 87504-2265  
By: W. THOMAS KELLAHIN

\* \* \*

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1           WHEREUPON, the following proceedings were had at  
2   8:18 a.m.:

3           EXAMINER CATANACH: At this time we'll call Case  
4   11,089.

5           MR. CARROLL: Application of Burlington Resources  
6   Oil and Gas Company to reopen Case 11,089 and amend Order  
7   No. R-46-A to conform to BLM Order No. UMU-1, San Juan  
8   County, New Mexico.

9           EXAMINER CATANACH: Are there appearances in this  
10  case?

11          MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of  
12  the Santa Fe law firm of Kellahin and Kellahin, appearing  
13  on behalf of the Applicant, and I have one witness to be  
14  sworn.

15          EXAMINER CATANACH: Are there additional  
16  appearances?

17                 Okay, will you swear in the witness?

18                 (Thereupon, the witness was sworn.)

19          MR. KELLAHIN: Mr. Examiner, by way of  
20  introduction, back in November of 1994 Mr. Price and I and  
21  others with Burlington, then known as Meridian Oil, Inc.,  
22  presented to you a request to subdivide the Barker Creek-  
23  Paradox. It's a Pennsylvanian pool in San Juan County.

24                 We have before you a package of exhibits this  
25  morning. The order that you caused to be entered after

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1 your hearing is found behind Exhibit Tab Number 3. That  
2 order involves a Pennsylvanian pool that crosses the state  
3 line between Colorado and New Mexico, and so the Division  
4 order deals with that portion of the reservoir in the State  
5 of New Mexico.

6 You granted our application in part and  
7 subdivided the Pennsylvanian into four distinct pools,  
8 adopted well spacing and well-location requirements for  
9 each of those pools and described an area for wells within  
10 these formations to be subject to these pool rules.

11 Immediately thereafter, Mr. Price and other  
12 members of Burlington's team that were dealing with this  
13 project provided testimony before the Colorado Conservation  
14 Commission in a hearing held on February -- probably about  
15 the week following, I think, the issuance of your order.  
16 The Colorado Commission, in most part, tracked and adopted  
17 the solutions you had in New Mexico for application in  
18 Colorado.

19 Therefore, the two state Commission orders were  
20 submitted to the Bureau of Land Management, who has the  
21 trust obligations for the Ute Mountain Ute Reservation that  
22 crosses both states, and thereafter the Bureau of Land  
23 Management issued an order which we have referred to as  
24 UMU-1. And in issuing that order, the Bureau of Land  
25 Management has come to some different rules for management

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1 of the pool.

2 That matter was brought to our attention when  
3 several months ago, back in August, Peggy Bradfield with  
4 the Burlington Resources team in Farmington filed an  
5 application for an unorthodox well location in the pool.  
6 It's referred to as the Ute 22. She filed for an  
7 unorthodox well location, and Mr. Stogner of this agency in  
8 processing it recognized that that well was located in a  
9 nonstandard proration unit that had not yet been approved  
10 by this agency.

11 The nonstandard proration units for the pool are  
12 caused by the township differences as the townships  
13 approach the common state line, and so there's some short  
14 sections. The solution used in Colorado and by the BLM  
15 approved nonstandard proration units which have not been  
16 approved by you, and as a consequence of Mr. Stogner's  
17 action we filed this Application before you today.

18 We are bringing to your attention what Mr. Price  
19 and I have determined to be the differences between this  
20 agency's order and the BLM order, so that you may direct us  
21 on how you propose to resolve any of those differences.  
22 Mr. Price and I will go through those differences so that  
23 you can be aware of them.

24 Our immediate concern is to request your approval  
25 to modify the New Mexico order, particularly with regards

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1 to two items. One would be to obtain approval through this  
2 case hearing for all the nonstandard proration units. We'd  
3 like to do it one time rather than case by case.

4 In addition, because certain of these nonstandard  
5 proration units are substantially oversized from a standard  
6 spacing unit, we would like a ruling in these pool rules to  
7 make it clear that the operator has the option to drill a  
8 second well in the oversize spacing units at a location to  
9 be determined in the future, and should it be unorthodox,  
10 then we'll follow the necessary procedure to accomplish  
11 that.

12 We do not believe there is a conflict or a  
13 dispute among all the regulators. We think that this  
14 continues to be an example of cooperation among all the  
15 jurisdictional agencies to allow this operator and this  
16 industry to have a common solution so that it might  
17 effectively and efficiently develop this resource. So  
18 we're not suggesting to you by this presentation that there  
19 is a conflict.

20 We are suggesting to you that it's an opportunity  
21 for you and the other regulators to provide for us a  
22 comprehensive solution for this pool, for which there is no  
23 differences. But if you continue to have differences, we  
24 want you to be aware of those, and so you can tell us how  
25 to manage them.

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1           With that introduction, then, Mr. Price and I  
2 will begin his presentation.

3                     DAVID DEAN PRICE,  
4 the witness herein, after having been first duly sworn upon  
5 his oath, was examined and testified as follows:

6                     DIRECT EXAMINATION

7 BY MR. KELLAHIN:

8           Q.    Mr. Price, for the record, sir, would you please  
9 state your name and occupation?

10          A.    My name is David Dean Price. I work for  
11 Burlington Resources. I'm employed there as a senior  
12 landman.

13          Q.    Mr. Price, on prior occasions have you qualified  
14 before this agency as an expert in petroleum land  
15 management?

16          A.    Yes, I have.

17          Q.    And have you been involved as the principal  
18 Meridian landman with regards to the rules and regulations  
19 for what we have characterized as the Barker Dome Pool?

20          A.    Yes.

21                MR. KELLAHIN: We tender Mr. Price as an expert  
22 witness.

23                EXAMINER CATANACH: He is so qualified.

24          Q.    (By Mr. Kellahin) Mr. Price, let's have you go  
25 through the exhibit book with me and, as we do that,

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1 provide the Examiner a chronology of what's occurred.

2 First of all, for the record would you identify  
3 what's marked as Exhibit Number 1?

4 A. Exhibit Number 1 is a copy of the Application  
5 which was filed on Burlington Resources' behalf by Thomas  
6 Kellahin Law Firm, and it gives the Application that was  
7 sent out for advertising to the various affected parties.

8 Exhibit 2 is a chronology of events which  
9 occurred, marking the dates of the various hearings which  
10 Mr. Kellahin has just previously described.

11 Exhibit 3 is a copy of the pooling order granted  
12 by the State of New Mexico on the State of New Mexico-side  
13 of the Barker Dome field.

14 Exhibit 4 is a copy of the Colorado order from --  
15 the Colorado Commission's order for the Colorado side of  
16 the Barker Dome field.

17 And Exhibit 5 is the combination of the BLM order  
18 covering both the Colorado and New Mexico side, giving  
19 their rendition of the spacing orders and rules.

20 Also, as part of that is -- The last page of  
21 Exhibit 5 is an addendum to BLM Order Number UMU-1, which  
22 specifies and amends the nomenclature used initially in the  
23 UMU-1 order, to match that of the NMOCD order, so that the  
24 nomenclature is common language.

25 Exhibit 6 is a copy of a letter from the NMOCD to

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1 Burlington Resources' representative, Mr. Kellahin, in  
2 reference to our Application for the NSL well location for  
3 the Ute 22 well. Also it indicates that it's a nonstandard  
4 production unit.

5 The next page is a map spotting that well in the  
6 north half of Section 17 of Township 32 North, Range 14  
7 West, and it also shows the various spacing -- the  
8 differences between the NMOCD order and the BLM spacing  
9 order.

10 And then Exhibit 7 is a map indicating -- the  
11 first page is a map indicating the boundaries of the pool  
12 for -- as set forth in the BLM order which covers both --  
13 covers the Barker Dome field in both Colorado and New  
14 Mexico, and that's shown in green. And in pink or fuchsia  
15 is the picture of the NMOCD pool boundary as delineated in  
16 the NMOCD order.

17 The following pages are shown and delineated  
18 within the State of New Mexico, the special pool units, as  
19 designated in the BLM order, which we would like to  
20 highlight, show you which -- just exactly where they are,  
21 the differences.

22 Q. Let's use two parts of the exhibit book, Mr.  
23 Price, to highlight for the Examiner the differences as you  
24 have noted them.

25 Let's look at page 3 of the Application behind

1 Exhibit Tab Number 1. There's a summary contained on that  
2 page.

3 And then if you'll hold your place in the book  
4 there, we'll flip back and forth and use the locator map,  
5 which is the first display behind Exhibit Tab Number 7.

6 A. Okay.

7 Q. So that will give us a map that gives us visual  
8 reference to the acreage. And let's start, then, with page  
9 3 of the Application.

10 A. Okay.

11 Q. First of all, Mr. Examiner, let me note on the  
12 Application that I have transposed the order of two of  
13 these pool names. And so when you look on page 3 and look  
14 under the column that has "OCD Name", the second name down,  
15 Barker Dome-Akah, that should be the third name down, and  
16 the Barker Dome-Desert Creek should be the second. So if  
17 you'll make a note to reverse those, then the rest of the  
18 information is correct.

19 Let's start off with the Pool nomenclature, Mr.  
20 Price. When you read through the orders, there will be a  
21 difference in the BLM's naming of these pools versus what  
22 the Oil Conservation Division named these pools; is that  
23 not correct?

24 A. That's true.

25 Q. Has that matter been resolved?

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1           A.    Yes, it has, with the help and assistance of the  
2 BLM changing their nomenclature to match the NMOCD's.

3           Q.    So at this point, that part of our Application  
4 that asks the Division Examiner to attend to the naming of  
5 the pools is no longer necessary because the BLM now uses  
6 the OCD names?

7           A.    Correct.

8           Q.    When we read across and look at the footage  
9 intervals the Division has utilized to describe each of the  
10 pool boundaries in a vertical sense --

11          A.    Yes.

12          Q.    -- are there any differences in the vertical  
13 limits as described by the Division, when you compare it to  
14 either the Colorado or the BLM order?

15          A.    Yes.

16          Q.    And where does that difference occur?

17          A.    It occurs in the Barker Dome-Paradox Pool. The  
18 interval is listed on the OCD interval as being between  
19 9134 and 91- -- or, excuse me, 9430. Under the BLM order,  
20 that interval is described as 9134 to 9444, a difference of  
21 14 feet.

22          Q.    All right. Have you discussed with Burlington's  
23 technical personnel the -- an understanding of why that  
24 difference has occurred?

25          A.    We believe it's just -- We submitted for all

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1 hearings a type log, and we believe that this reading was  
2 determined from that type log, and there just was a  
3 difference in the reading between the BLM and the OCD.

4 Q. Though each of the three orders issued by the  
5 regulators described the vertical limits of the pools as to  
6 a footage, as opposed to describing them as being the  
7 stratigraphic equivalent of these footages on a particular  
8 type log?

9 A. Yes.

10 Q. Okay. Would your recommendation to the Examiner  
11 be that this issue be resolved so that the Division order  
12 is amended to be the stratigraphic equivalent to identify  
13 these vertical limits for the pools using a particular type  
14 log?

15 A. Yes, that would clear it up.

16 Q. And in fact, that's the preferable way to  
17 describe these pools, is it not, sir?

18 A. Yes, it would.

19 Q. All right. Did the agencies utilize the same  
20 spacing for each of the pools?

21 A. Yes, they did.

22 Q. Did the three agencies utilize the same well  
23 setbacks for well locations?

24 A. Yes, they did.

25 Q. So those are all consistent?

1 A. All consistent.

2 Q. Did the agencies utilize the same horizontal  
3 area, if you will, for the pools?

4 A. No, there were differences within those pools.

5 Q. Insofar as New Mexico is concerned, let's look at  
6 the plat behind Exhibit Tab Number 7, and identify for  
7 Examiner Catanach where that difference occurs.

8 A. As I earlier identified, the NMOCD pool  
9 boundaries are shown in the light red or fuchsia color and  
10 in their order the boundaries were defined.

11 The BLM went and outlined additional lands, which  
12 are not all productive but which may -- There was some sort  
13 of inference that they may have a geological implication  
14 that they may exist. So that's where the two differences  
15 in the lands appear.

16 Q. Let's go back and set the stage in which that  
17 difference occurred.

18 In our technical case before Examiner Catanach,  
19 when we presented the New Mexico case to him back in  
20 November of 1994, there was a request that the horizontal  
21 boundaries of the pool have a certain size and shape.

22 A. Yes.

23 Q. Did he grant that request?

24 A. No.

25 Q. All right. Was that same request then made of

1 Colorado and the BLM as to the horizontal area for the  
2 pool?

3 A. Yes.

4 Q. So the difference lies in -- This Division did  
5 not include the entire acreage Burlington proposed to all  
6 the agencies?

7 A. Yes, but I believe it was based on a policy that  
8 they follow, and so we are aware of that reason for it.

9 Q. All right. And that difference is not a problem  
10 for you as an operator in the pool?

11 A. No.

12 Q. The fact that New Mexico chooses not to commit  
13 acreage in a pool that does not yet have a well in that  
14 area?

15 A. No.

16 Q. All right, that's not a problem?

17 A. That's not a problem.

18 Q. All right. Let's go to the nonstandard proration  
19 unit question, then, Mr. Price. If you'll look behind the  
20 first plat on Exhibit 7, let's identify for the record your  
21 request for a solution as to the nonstandard proration  
22 units, starting first of all with the 160-acre-spaced pool.

23 A. The plat shows the Ismay Pool, Barker Dome-Ismay  
24 Pool, special spacing units under the BLM order. We were  
25 -- and the NMOCD.

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1           We were seeking 160-acre equivalent spacing units  
2   for that, under these sections which are partial sections  
3   up against the Colorado and New Mexico state line. They  
4   average about 205 -- Well, they range from 202 acres up to  
5   209 acres. So, you know, a little bit larger, but they're  
6   essentially equivalent to 160 acres.

7           Q.   And if the State of New Mexico approves these  
8   nonstandard proration units shown on pages 2 and 3 --

9           A.   Yes.

10          Q.   -- then we'll have that approval consistent with  
11   the BLM order?

12          A.   With the BLM order, yes, they would.

13          Q.   Let's turn to the 320-acre-spaced pools. There  
14   are two of those, are there not, sir?

15          A.   Yes, there are. There are the Barker Dome-Desert  
16   Creek and the Barker Dome-Akah/Upper Barker Creek Pools,  
17   and also -- Well, that's it. That's it. There's just two  
18   different -- What the plats show is, there's special units  
19   within Township 32 North, Range 14 West, and also within 32  
20   North, Range 15 West. This is what's been included in the  
21   BLM order.

22          Q.   And there are two plats showing the nonstandard  
23   proration units requested for those two pools?

24          A.   Yes, there are two plats.

25          Q.   And you have a total of six nonstandard proration



1 units that --

2 A. Yes.

3 Q. -- would otherwise be 320-acre-spaced pools?

4 A. Yes, and they range from 522 acres to 531 acres  
5 across that northern line.

6 Q. With regards to these spacing units, did the BLM  
7 allow Burlington the option to drill an additional well in  
8 these oversized spacing units?

9 A. Yes, upon administrative review.

10 Q. So there is at least a determination by the BLM  
11 that an additional well in these spacing units would be  
12 approved once requested?

13 A. Yes.

14 Q. And do you make that same request of this agency?

15 A. Yes, we do.

16 Q. Let's turn to the 640-spaced pool and have you  
17 identify for the record the nonstandard proration units  
18 that apply to that pool and show us how they're proposed to  
19 be configured.

20 Q. Yes, the last two pages show the Barker Dome-  
21 Lower Barker Creek/Alkali Gulch Pool, special spacing units  
22 across the northern tier of the State of New Mexico. They  
23 are larger than 640 acres, as specified in the NMOCD order.  
24 They range from 842 acres up to 851 acres. And these are  
25 described in the BLM order, as shown on these two pages.

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1           Q.    And again, does the BLM order provide an  
2 opportunity to the operator for an additional well in these  
3 spacing units?

4           A.    Yes, it does.

5           Q.    And would you request a similar solution of this  
6 agency?

7           A.    Yes, we would, please.

8           Q.    Let's go back now to Exhibit Tab Number 6, and  
9 specifically show us the Ute 22 situation.

10          A.    Where this came up, we have the response on page  
11 1 to our nonstandard location, and on page number 2 we have  
12 a plat which demonstrates photographically how the  
13 situation -- the two orders currently are in conflict.

14                The spacing order for the NMOCD currently would  
15 be described as the north half of Section 17, Township 32  
16 North, Range 14 West. Upon the NMOCD's granting of the  
17 nonstandard location for the Ute 22 well, that would be the  
18 production unit, as prescribed by the NMOCD order.

19                The BLM spacing order presently has already  
20 specified a special spacing unit for the -- any well  
21 proposed within either all of Section 8 or the north half  
22 of Section 17. And so therein, when we make the  
23 Application, the two production units, although they  
24 overlap, are in conflict because there's additional acreage  
25 in the BLM order.

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1           Q.    By this Application, are you seeking Division  
2 approval so that the spacing unit dedicated to the Ute 22  
3 conforms to the spacing unit previously approved by the  
4 Bureau of Land Management?

5           A.    Yes.

6           Q.    Let's go back to the chronology now, Mr, Price.  
7 If you'll look at Exhibit Tab Number 2 as a reference, take  
8 us through the chronology of events, insofar as the three  
9 agency orders are involved.

10          A.    Okay. In November -- on November 10th, the --  
11 Meridian Oil employees' team of geologist, engineer and  
12 landman presented testimony to the NMOCD here in Santa Fe  
13 and -- giving the reason why we wanted to contract the  
14 vertical limits of the original pool, which has been in  
15 establishment for many years.

16                   And we defined that there were various other  
17 pools within the existing pool and identified that it had  
18 separate sources of supply.

19                   And by doing that, the NMOCD amended its present  
20 order to the present -- present order, and that came out  
21 February 17th, it was issued February 17th.

22          Q.    Is there any other operator in the pool?

23          A.    Excuse me, it was issued February 13th, I  
24 apologize.

25          Q.    Mr. Price, is there any other operator in the

1 pool?

2 A. No, there is not.

3 Q. And this is all Ute Mountain -- it's all  
4 indian --

5 A. Ute Mountain Ute Reservation.

6 Q. -- reservation --

7 A. Yes.

8 Q. -- oil and gas reserves?

9 A. Yes, Meridian owns 100 percent of the gas rights  
10 within the leases contained within the Barker Dome field.  
11 There are numbers -- There are additional interest holders  
12 within the oil rights, but it is primarily a gas field.

13 Q. After the issuance of the Oil Conservation  
14 Division order, what then happened?

15 A. We took the same team and gave the same --  
16 presented the same testimony to the Colorado Oil and Gas  
17 Commission, and on February 17th we were in Denver and made  
18 the same testimony, and using the same exhibits -- same  
19 format and gave the same testimony in an administrative  
20 hearing. And at that time we requested that they also give  
21 us the same type of order.

22 However, in our order, because we knew -- because  
23 of the NMOCD order, the State of Colorado was more  
24 acceptant of -- In other words, it was pretty evident that  
25 the various pools were there, they had separate sources of

1 supply.

2           So in addition we added to the request for the  
3 special -- to deal with the -- there were numerous special  
4 spacing units on the Colorado side, just because they  
5 were -- had previously been unsurveyed. And so there --  
6 where the sections come together there were more, many  
7 more, irregular spacing units. So we went through in that  
8 order and specifically requested for those spacing units to  
9 be identified at that point.

10           Q.    The Colorado agency had benefit of seeing and  
11 reading the order issued by the Oil Conservation Division  
12 of New Mexico?

13           A.    Yes, they did. It was issued, in fact -- They  
14 received it the day we gave -- presented our testimony.

15           Q.    Okay, after the Colorado Commission order is  
16 issued, what then happened?

17           A.    We -- There was an order issued July 10th -- it  
18 was effective March 2nd -- from the Colorado Oil and Gas  
19 Commission on -- giving their side of the spacing order.  
20 And the -- What happened after that, the BLM took both  
21 orders and attempted to put them together into a -- into  
22 one spacing order that would cover both sides of the field,  
23 Barker Dome field.

24           Q.    In doing that, did the Bureau of Land Management  
25 institute its own hearing procedure to hear this case, or

1 did they rely upon the hearing process conducted in both  
2 the states?

3 A. They relied on the hearing processes conducted in  
4 both states. They were in the audience at both hearings.

5 Q. Was there any objection or protest filed by any  
6 participant at any of these hearings?

7 A. None, none received.

8 Q. The Bureau of Land Management's action was an  
9 administrative action, then, when they issued their order?

10 A. Yes, it was.

11 Q. As a result of issuing that order, then, you have  
12 determined there are a number of differences between the  
13 BLM order and the Oil Conservation Division of New Mexico's  
14 order?

15 A. Yes.

16 Q. And they're as we've already described?

17 A. As we've described.

18 Q. All right. Summarize for us, then, what you're  
19 seeking to accomplish, Mr. Price, in the hearing today.

20 A. We're seeking to request of the NMOCD to grant to  
21 the order or amend the present order so that it will  
22 reflect or bring together, update or amend the special  
23 spacing orders, special spacing units, so that they reflect  
24 those listed in the BLM UMU Number 1 order.

25 We would like also for the -- It's pretty well

1 lined out in the Application, to -- We no longer request to  
2 amend the pool names, because the BLM has agreed to change  
3 the pool names to reflect the NMOCD order.

4 We wish to utilize the same vertical limits, and  
5 we want -- we request that the horizontal boundaries of the  
6 pools be enlarged to conform to the BLM order, and we wish  
7 to define the vertical limits as the stratigraphic  
8 equivalent of the interval so that there won't be -- so it  
9 will be easier to administer, so that when we -- we have --  
10 well, so it will account for geologic differences within  
11 the pool boundaries.

12 And we wish to adopt the nonstandard spacing and  
13 proration units that are shown in our exhibits, and we wish  
14 to adopt an administrative procedure for unorthodox well  
15 locations and to allow for the drilling of certain optional  
16 infill wells for the four pools listed within the field.

17 MR. KELLAHIN: That concludes my presentation of  
18 Mr. Price, Mr. Examiner.

19 One small supplement to his summary is that we  
20 recognize the Division practice of not extending the  
21 horizontal boundaries of a pool, except with the drilling  
22 of the well, and that certainly is a practice that we're  
23 well familiar with, and it does not create a problem for us  
24 if you choose not to make that change.

25 Finally, then, Mr. Examiner, we have submitted to

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1 you our certificate of notice where we have notified all  
2 the same parties that we originally notified when we first  
3 brought this matter to you back in November of 1994.

4 EXAMINATION

5 BY EXAMINER CATANACH:

6 Q. Mr. Price, am I correct in understanding that the  
7 -- you're seeking approval to drill infill wells only  
8 within the nonstandard proration units or within the whole  
9 field?

10 A. Only within the NSP units at this point in time.  
11 We feel that the -- presently the order is sufficient. But  
12 the NSP order, what will happen is, there may be additional  
13 drainage situations where we feel we would like an  
14 additional well within that unit, and so we would like to  
15 be able to come to the Commission and request to be able to  
16 put a well within that special spacing unit.

17 Q. Do you have any recommendations on -- Should  
18 there be any restrictions on where the second well is  
19 located, or do you feel like you need the option to locate  
20 it anywhere within the unit or --

21 A. Well, one of the main reasons the BLM, I believe,  
22 made the units larger was to try and minimize, since we are  
23 in the reservation, it's a culturally sensitive area, and  
24 it's a very contrasting -- I mean, it's a peak-and-valley  
25 type topography, and so the big limits on placing wells out

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1 there are cultural and topographic, and so we need the  
2 additional flexibility.

3 That's why they granted us the ability to come  
4 back to talk with them. But they, you know, wanted us to  
5 consult with them, so that we didn't just willy-nilly put  
6 one up against another well.

7 The other thing also is, we don't want to -- we  
8 wouldn't -- I don't think we would put another well right  
9 next to each other, just because the cost of the well and  
10 the drainage patterns that we're -- we're doing a lot of  
11 infill drilling at this point, and, you know, we don't want  
12 to set up a bad drainage situation. We want to make the  
13 best use of each well drilled.

14 So we're looking for maximal flexibility, but yet  
15 -- not necessarily looking for lots of restrictions.

16 Q. Mr. Price, did Colorado define vertical limits of  
17 these pools?

18 A. No, they didn't. They --

19 MR. KELLAHIN: Yeah.

20 THE WITNESS: Well, it's rule number 2 in the  
21 order, excuse me. It's not -- It's rule number 2. The  
22 Ismay, Desert Creek, Upper Barker Creek, Akah and Lower  
23 Barker Creek formation, it gives the definition of each  
24 right there.

25 We used the same type well log to identify those

1 vertical formations when we gave the testimony. It's hard  
2 to read.

3 Q. (By Examiner Catanach) Do the vertical limits as  
4 defined by Colorado, do those agree with the ones we  
5 defined?

6 A. No, they do not. That's why we're requesting the  
7 stratigraphic equivalent.

8 Q. Okay, they -- Colorado had 9444 as the bottom?

9 A. As the bottom, yes.

10 Q. We had 9430.

11 A. And I think it was just a matter -- it wasn't  
12 listed. We had a log and it was like you had to go down  
13 and pick a point, and I think that's -- it was just a  
14 matter of interpretation. It might have been a scale  
15 reading. That's how it was -- a typo.

16 Q. Okay.

17 A. A situation that occurs, that I wanted -- Like on  
18 the Ute 22, where the elevation where we were drilling to,  
19 proposing to drill, it's a designated Desert Creek well,  
20 and yet the probable total depth of that well wouldn't fall  
21 within -- under the NMOCD order, almost would make it an  
22 Ismay-classifiable well. And yet it was, you know,  
23 definitely a Desert Creek target, and that's why we were  
24 thinking we needed to amend the order to correctly identify  
25 these wells.

1 Q. Within your proposed nonstandard proration units  
2 for the 160-acre pool, the Ismay Pool --

3 A. Yes.

4 Q. -- are you also seeking to drill an infill well  
5 in those proration units?

6 A. Yes, the likelihood is -- It's not very likely,  
7 but yes, we would request that.

8 Q. Now, you're seeking to establish these  
9 nonstandard proration units, even though we don't currently  
10 classify some of this acreage as being in these pools; is  
11 that correct?

12 A. Yes.

13 Q. Sections 7, 8 and Section 12, we don't currently  
14 have that acreage within the pools, which you're seeking to  
15 establish those?

16 A. That's why we have not requested to change --  
17 that you expand the boundaries. But we are -- That's why  
18 we're still, you know, trying to be consistent in our  
19 appeal. Yes, we are asking those to be included, at least  
20 identified.

21 Q. Are those units going to be drilled any time in  
22 the near future?

23 A. Not -- There are no proposals for wells right  
24 there at the present.

25 Q. On Exhibit Number 7, where you have the pool

1 boundaries defined --

2 A. Yes.

3 Q. -- on the Colorado side of the border there's a  
4 -- it looks like an open space in Section 24?

5 A. It's an error in the map. These maps are done by  
6 CAD map. They're done laid -- The units are laid down in  
7 there, and for some reason when this printed off, it did --  
8 that was an error on the east half of 24.

9 Q. Okay.

10 A. It did not pick it up.

11 Q. It should be in the pool though?

12 A. Yes.

13 Q. Does Meridian or Burlington also operate all of  
14 the offset acreage in Colorado?

15 A. Yes, we do.

16 Q. So all of the offset acreage to your proposed  
17 nonstandard proration units, that's all operated by  
18 Meridian?

19 A. Yes, on both sides of the state line, yes.

20 Q. And there are no other offset operators to any of  
21 these proration units?

22 A. No, not presently.

23 Q. The Ute Number 22, what pool is that in, Mr.  
24 Price?

25 A. It's being drilled to the -- and has been drilled

1 to the Desert Creek, and we're presently at the time  
2 completing the well.

3 Q. And you've got an orthodox-location approval for  
4 that well, right?

5 A. Yes, the north half of 17? Yes.

6 Q. Is that going to be a singly completed well, just  
7 in the Desert Creek?

8 A. It possibly could be completed in multiple zones.  
9 It could be completed -- They're looking at completing it  
10 in the Desert Creek and possibly the Ismay.

11 Q. Within your proposed nonstandard proration units,  
12 is this the only one that's developed, the one in Section  
13 17?

14 A. Yes.

15 Q. There's no other wells in any of the units?

16 A. Except for the ones that were originally listed  
17 and accepted in the original order, but this is the most  
18 recent, yes, the only one drilled within the --

19 Q. So there are wells?

20 A. There are wells, but they -- Yes, there are  
21 wells.

22 MR. KELLAHIN: They're not in any of the NSPs,  
23 are they --

24 THE WITNESS: They're not in any --

25 MR. KELLAHIN: -- Mr. Price?

1 THE WITNESS: -- Excuse me. But they're not in  
2 any of the NSPs. Excuse me.

3 Q. (By Examiner Catanach) Okay. That's my  
4 question. None of the NSPs are developed at this point?

5 A. No. I was just trying to remember where the  
6 wells were located that were initially in there when we  
7 contracted the formation, but they're not in any of the  
8 NSPs in the State of New Mexico.

9 Q. In the advertisement for the case under Part F,  
10 what Meridian is seeking is -- It says, adopt an  
11 administrative procedure for unorthodox well locations.

12 Is there not a procedure in place to get an  
13 unorthodox location approved, or is that -- Can you  
14 elaborate on that or --

15 A. We would seek to be able to come to the  
16 Commission for unorthodox well locations for these  
17 nonstandard proration and spacing units.

18 Q. Okay. So that only applies to the infill wells  
19 within the -- the wells within --

20 A. That's correct.

21 Q. -- the nonstandard proration units?

22 You mentioned something about Meridian not owning  
23 all of the oil rights?

24 A. Amoco and Conoco own 40 percent each of the oil.  
25 Any oil produced in the -- a portion of -- not all, a

1 portion of the field. The original -- There were three  
2 leases granted by the tribe, which were consolidated into  
3 one lease. And under those, the original lease owners  
4 divided -- they made a settlement and divided up the  
5 interests.

6 Meridian's predecessors were interested in the  
7 gas, and at that time it wasn't known what the oil  
8 potential was for the reservoir. And the other partners or  
9 predecessors to Amoco and Conoco took a portion of the oil  
10 rights. They were interested in the oil rights and left  
11 Meridian's predecessor with 20 percent of the oil rights,  
12 and each of the -- they had kept 40 percent of the oil  
13 rights.

14 The field produces little oil or condensate. I  
15 mean, there's some. They are given their credit for it,  
16 and it's marketed.

17 Q. Does Meridian have -- are they the -- They're the  
18 sole operator, right?

19 A. Yes.

20 Q. Amoco and Conoco don't have the right to drill on  
21 the acreage?

22 A. No, no.

23 EXAMINER CATANACH: Okay, I believe that's all I  
24 have.

25 THE WITNESS: Thank you.

1 EXAMINER CATANACH: You may be excused.

2 Anything else?

3 MR. KELLAHIN: That concludes our presentation.

4 EXAMINER CATANACH: Okay. There being nothing

5 further in this case, Case 11,089 will be taken under

6 advisement.

7 (Thereupon, these proceedings were concluded at

8 9:03 a.m.)

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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the oral hearing of Case No. 11089,  
heard by me on October 17 1996.  
David M. Catnach, Examiner  
Oil Conservation Division

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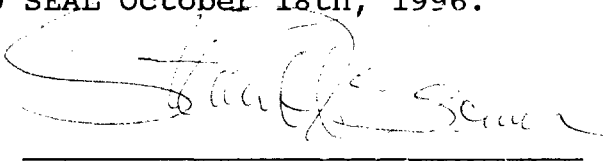
## CERTIFICATE OF REPORTER

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 October 18th, 1996.

  
\_\_\_\_\_  
STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 14, 1998

STEVEN T. BRENNER, CCR  
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