

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:

ORIGINAL

APPLICATION OF BP AMERICA PRODUCTION CASE NO. 14318
CO. TO AMEND DIVISION ORDER R-10604 FOR
SURFACE COMMINGLING, SAN JUAN COUNTY,
NEW MEXICO.

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REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Legal Examiner
DAVID K. BROOKS, Technical Examiner

May 14, 2009

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Legal Examiner, and DAVID K. BROOKS, Technical Examiner, on Thursday, May 14, 2009, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91
Paul Baca Professional Court Reporters
500 Fourth Street, N.W., Suite 105
Albuquerque, NM 87103 505-843-9241

1 A P P E A R A N C E S

2 FOR THE APPLICANT:

3 OCEAN MUNDS-DRY, ESQ.
 4 Holland & Hart
 110 North Guadalupe, Suite 1
 Santa Fe, New Mexico 87501

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1 MR. EZEANYIM: At this time I call Case
2 Number 14318, application of BP America Production Co. to
3 amend Division Order R-10604 for surface commingling in
4 San Juan County, New Mexico. Call for appearances.

5 MS. MUNDS-DRY: Good morning, Mr.
6 Examiner. Ocean Munds-Dry from the law firm of Holland &
7 Hart here representing BP American Production Company
8 this morning. I'm presenting this case by affidavit.

9 MR. EZEANYIM: Any other appearances? You
10 may continue.

11 MS. MUNDS-DRY: Thank you. Mr. Examiner,
12 BP seeks to amend Division Order R-10604 with this
13 application. The original order authorized surface
14 commingling of three wells. BP originally attempted to
15 amend this order administratively. Of course, because it
16 was a Division order, it was sent back, and so this is an
17 effort simply to add an additional well under that order.

18 And you will see in the Affidavit of Cherry
19 Hlava, who is the regulatory analyst for BP, she has
20 given you the well information which is the -- for the
21 well that they seek to add under this order, which is the
22 Sammons Gas Com F Well No. 1S, and the API number is
23 listed there in her Affidavit. This is Exhibit 1, by the
24 the way. It gives you the footage locations, as well the
25 section, township and range.

1 Attached to her Affidavit, which was also
2 attached to the application for your reference, is the
3 C-103 which provides you the information in terms of how
4 they plan to separately meter the production for each of
5 the wells. That's also made clear by Attachment B, which
6 is a schematic showing you how each of the wells are
7 metered. That production is then, for each of the wells,
8 separated and then compressed before it goes to the sales
9 meter.

10 And then Attachment C is the C-107-B, giving
11 you additional information required by Division rules for
12 applying for surface commingling when there's diverse
13 ownership. Then, finally, Attachment D is the list of
14 interest owners that were notified of this application.
15 The interest is not common, so each of these interest
16 owners were notified by being provided a copy of the
17 C-103 and, of course, were told to object or contact BP
18 if they had any questions or concerns.

19 And, finally, Attachment E is the copy of
20 publication, Affidavit of Publication, giving notice of
21 this application. This matter was advertised in such a
22 manner that it would be taken under advisement in the
23 absence of objection. With that, Mr. Examiner, we would
24 ask that Exhibit Number 1 and its attachments be admitted
25 into evidence, and unless you have any questions, we ask

1 that this be taken under advisement.

2 MR. EZEANYIM: Exhibit 1 will be admitted
3 into evidence.

4 Do you have any questions?

5 (Exhibit 1 was admitted.)

6 MR. BROOKS: No questions.

7 MR. EZEANYIM: I know you just ran through
8 this. This is what I understand you are trying to ask.
9 Order R-10604 did a surface commingling. There are
10 several pools there. Most of them are -- all of them are
11 fee leases; right?

12 MS. MUNDS-DRY: Yes.

13 MR. EZEANYIM: Okay. The first one -- the
14 first order approved Blanco Pictured Cliffs, Basin Dakota
15 and Blanco Mesaverde and those are the three wells?

16 MS. MUNDS-DRY: That's correct.

17 MR. EZEANYIM: This is what you are trying
18 to do from what the application says. BP now wants to
19 add Basin Fruitland Coal, so we are going to have four
20 pools then maybe four wells. Is that what you are
21 asking?

22 MS. MUNDS-DRY: That's correct. Mr.
23 Examiner, the requirement in R-10604 was that they
24 annually test the production. In addition to the annual
25 tests, they also have now, since January of this year,

1 added meters so that all that production is separately
2 metered and allocated.

3 MR. EZEANYIM: That's what I wanted to
4 argue with you because it's very diverse. That case, in
5 order to protect correlative rights, it says here that
6 hopefully they should be metered before commingling,
7 because you have very complicated -- four different
8 pools, four different wells, and each of them have their
9 own diversity. So the best way is to meter. I think it
10 may be settled. They are going to meter it?

11 MS. MUNDS-DRY: Yes, sir. They are going
12 to separately meter the production, and then in the
13 C-103, it states that those meters were installed in
14 January of '09.

15 MR. EZEANYIM: They are already installed.
16 Okay. At this point Case Number 14318 will be taken
17 under advisement.

18 MS. MUNDS-DRY: Thank you, Mr. Examiner.

19 MR. EZEANYIM: That's it.

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14318
heard by me on 5/14/09.


Examiner
Oil Conservation Division

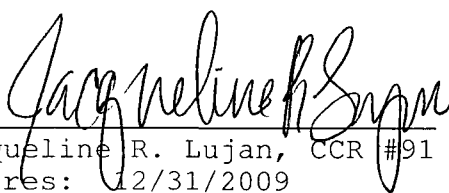
REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on May 14, 2009, proceedings in the
above captioned case were taken before me and that I did
report in stenographic shorthand the proceedings set
forth herein, and the foregoing pages are a true and
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by
nor related to nor contracted with any of the parties or
attorneys in this case and that I have no interest
whatsoever in the final disposition of this case in any
court.

WITNESS MY HAND this 22nd day of May, 2009.


Jacqueline R. Lujan, CCR #91
Expires: 12/31/2009