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, LP, FOR APPROVAL OF A PILOT SEQUESTRATION INJECTION WELL PROJECT, SAN JUAN COUNTY, NEW MEXICO	)	CASE NO. 13,933

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

June 21st, 2007

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Jr., Legal Examiner, and RICHARD EZEANYIM, Technical Examiner, on Thursday, June 21st, 2007, 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

June 21st, 2007
Examiner Hearing
CASE NO. 13,933

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A P P E A R A N C E S

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* * *

ALSO PRESENT:

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District Supervisor
Aztec District Office
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* * *

WHEREUPON, the following proceedings were had at 4:19 p.m.:

EXAMINER BROOKS: And at this time we will at long last call Case Number 13,933, the Application of Burlington Resources Oil and Gas Company, LP, for a pilot sequestration injection well project, San Juan County, New Mexico.

MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of the Santa Fe law firm of Kellahin and Kellahin, appearing on behalf of the Applicant, and we've revised our presentation so that we hopefully can bring to you just a single witness.

EXAMINER BROOKS: Okay, and --

MS. MUNDS-DRY: Mr. Examiner, Ocean Munds-Dry with the law firm of Holland and Hart, here appearing for BP America Production Company. We have no witness, we simply say we support the project and hope Burlington will share their information with us as this project progresses. We're all very keenly interested in it.

EXAMINER BROOKS: Any other appearances?

Very good. Would the witness identify himself for the record?

MR. SCHLABAUGH: Yes, my name is James Lee Schlabaugh.

EXAMINER BROOKS: Please swear the witness.

(Thereupon, the witness was sworn.)

EXAMINER BROOKS: You may proceed when ready, Mr. Kellahin.

MR. KELLAHIN: Thank you, Mr. Examiner.

We're going to attempt to do this with a PowerPoint presentation. Associated with that is a hardbound copy of the hearing exhibits. And because we have reorganized the presentation, I have prepared a crib sheet, if you will, that allows you to look at a slide and then later correspond the slide to the exhibit book, exhibit number. So our plan is to go through the slides, which are a little out of sequence, but with the engineer's help we'll get our way through that.

In addition, we have disc copies of the presentation so that we can leave you a disc of the data and all of the slides, if you care to see that, and we'll provide that data to other parties that appeared, Ms. Munds-Dry's client and others, if they care to have a copy of that.

EXAMINER BROOKS: Okay.

MR. KELLAHIN: If you'll give me a moment, I'll hand out the hard-copy books.

EXAMINER BROOKS: I'm sorry, Mr. Hall, you were out of the room when I called for appearances. Are you appearing in this case?

MR. HALL: Yes, Mr. Examiner, I apologize. Scott Hall, Miller Stratvert, PA, Santa Fe, on behalf of Koch Exploration Company. I have no witnesses.

EXAMINER BROOKS: No witnesses.

MR. HALL: No witnesses.

EXAMINER BROOKS: Thank you.

(Off the record)

JAMES LEE SCHLABAUGH,

the witness herein, after having been first duly sworn upon his oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. All right, sir, would you please state your name and occupation?

A. My name is James Lee Schlabaugh, I'm a reservoir engineer.

Q. Mr. Schlabaugh, on prior occasions have you testified before the Division?

A. Yes, I have.

Q. Summarize for us your technical experience.

A. I graduated from the Colorado School of Mines in 1974, I've worked for various companies and industries since then in Denver and Midland and finally Farmington areas.

Q. What has been your involvement in this project?

A. I am an engineer that works -- a reservoir engineer that works the Fruitland Coal for Burlington Resources.

Q. Is there a team associated with your effort?

A. Yes, there is. If you're referring to Burlington Resources we have a coal team, resource assessment team. If you're referring to this particular project there is an organization called the Southwest Partnership for Carbon Sequestration.

Q. In terms of the Burlington technical people available today in the hearing room to answer questions, if there are any, would you go ahead and identify the other parties to the hearing team? You have a drilling engineer, Mr. Frank Fernandez?

A. That's correct.

Q. Is there a geologist associated?

A. David Clark.

Q. And do you have a landman in the project?

A. Yes, Brian -- Dart?

MR. DART: Yeah.

THE WITNESS: Yes.

Q. (By Mr. Kellahin) We're going to attempt to present this all through the engineering witness.

As part of this project, have you satisfied yourself that you have utilized the available data in order

to reach certain conclusions and opinion?

A. Yes, I have.

Q. Are you the spokesman for your company for this project?

A. Yes, I am.

MR. KELLAHIN: We tender Mr. Schlabaugh as an expert petroleum engineer.

EXAMINER BROOKS: Okay, are you a registered engineer in New Mexico or elsewhere?

THE WITNESS: No, I'm not.

EXAMINER BROOKS: He is so qualified.

Q. (By Mr. Kellahin) Let's use the first slide in the PowerPoint slide to give us a general orientation, Mr. Schlabaugh.

The green colors are associated with what, sir?

A. The green colors are the basins within the eight-state study area that the Southwest Partnership works in.

Q. How do we see the CO_2-associated pipelines with that infrastructure for those Basins?

A. The CO_2 pipelines are the red lines here going generally from southwest Colorado, southern Colorado, through New Mexico and into the Permian Basin, and then there's also a small line up in Wyoming.

Q. You've identified on the slide a star associated with various portions of the area.

A. Yes, there are three stars.

Q. What do those mean?

A. The one star in the Paradox Basin is a project that the Southwest Partnership is pursuing for injection into the formations in the Aneth Unit. The other star down here in the Permian Basin is another injection project near the SACROC Unit. The third star here represents actually two projects. One is a surface mitigation project which I'm not representing today, the other is our injection project into the Fruitland Coal.

Q. When we specifically look at what we're asking Examiner Brooks to approve for you, what is the basic request? What are you trying to do?

A. We're requesting permission to drill a CO_2 injector and to inject CO_2 into the Fruitland Coal formation at that location.

Q. In order to accomplish that, have you had prepared a Division Form C-108?

A. Yes, we have.

Q. And you have followed the process associated with the filing of that information?

A. Yes, we have.

Q. What is your proposed purpose? What are you trying to do?

A. What we're trying to do is, in association with

the Southwest Partnership we wanted to look at two factors in this project. One is for Burlington Resources, we wanted to investigate the commercial potential of injecting CO_2 into the Fruitland Coal formation. For the Southwest Partnership interest in the project, we wanted to look at long-term CO_2 or carbon sequestration in the Fruitland Coal.

Q. To the best of your knowledge, has there been a prior injector to be utilized as a CO_2 sequestration well, approved by the Division?

A. Not strictly for that purpose, no.

Q. There have been approval for injection of CO_2 for flood purposes, have there not?

A. Yes, for enhanced recovery.

Q. Are you familiar with any enhanced oil recovery projects that have attempted to introduce CO_2 into the reservoirs?

A. I am not personally, no.

EXAMINER EZEANYIM: Who is Southwest Partnership?

THE WITNESS: The Southwest Partnership is -- I can go through it a little bit. And actually, should I go to the --

MR. KELLAHIN: Yeah, that's the next question. Let's go to that slide.

THE WITNESS: Okay. In essence, it's a

partnership of some governmental and nongovernmental organizations that covers about an eight-state area in the Southwest, as we state, and that partnership includes several major universities, some geologic surveys, state agencies, the Western Governors Association, some utilities, energy companies such as Burlington Resources, federal agencies such as the NETL, Navajo Nation and other private and public partners.

And the purpose of the Partnership is to investigate the potential for identifying and controlling greenhouse gases in the region.

Q. (By Mr. Kellahin) We're working with a group of slides associated with Exhibit Number 4, but let's turn to Slide 37 and see that slide.

A. Okay. Yeah, this is the chronology of the formation and the work that the Southwest Partnership has done.

Q. Take your time, and let's go through the pieces of the chronology.

A. Okay, in essence, the original Partnership was put together in 2003, in order to characterize the eight-state region, both the carbon emissions, the pipeline network and the carbon sinks or potential sinks. They did that work during the period 2003-2005. They came up with four pilot -- potential pilot projects that they

identified, and in 2005 the Partnership approached Burlington Resources -- in a meeting in February of 2005, actually -- and proposed the project in the San Juan Basin to inject into the Fruitland Coal.

After that meeting Burlington Resources agreed to be the implementer of the project, and an application was made to the DOE for a contract. A contract was awarded in June of '05, and since then we've had several meetings and quite a bit of planning work to try to implement the project, and we are now at this hearing to try to go forward with the project itself.

Q. If you'll turn to Slide 38, please.

A. Okay. This slide here represents the work product for Phase 1 of the partnership, and it is a general map of the sources and pipelines in the San Juan -- or actually in the Southwest Partnership area. You can look at the San Juan Basin here.

The two large red dots here represent the two major sources of CO_2 in the area, which are both coal-fired power plants.

If you look at this blue-green dot up here, this is a natural source of CO_2, the McElmo Dome, in the Paradox Basin. And then from that McElmo Dome there's an interstate transmission line that runs down to the Permian Basin and carries CO_2 down here. And the partnership

wanted to utilize both this natural source and the existing pipeline in their project.

Q. Let's go to Slide 39, please.

A. Okay. This again is just a copy of the first slide we showed, that shows the four pilot projects in the inventory of the Southwest Partnership. Again, the Paradox Basin Project at Aneth, the Permian Basin project near SACROC, and the two projects in the San Juan Basin.

Q. Let's go now to Exhibit 5 in the exhibit book, which is going to be Slide 41.

A. Okay. Okay, here what I'd like to do for you is provide you our project definition, the objectives and requirements of the project. The objectives, we had three main objectives. One is to investigate the injectivity rates that we might obtain in the -- or might be able to obtain in the Fruitland Coal formation.

One of the issues that we have seen in previous projects of this type has been a problem with coal swelling and other issues in the coal that has restricted our injectivity, and we feel that this project area probably is the most likely area to get maximum injectivity.

We also wanted to take a look at methane production and confirm that we can produce methane from the coal in response to the injection.

And we also wanted to look at the long-term CO_2

storage capabilities of the Fruitland Coal.

As far as our requirements for the project, the main requirement was that the project be in the Fruitland Coal fairway. We feel that based on historical production here and the data that we have, this is probably the pre-eminent coalbed methane producing formation in the world, and it is probably our best shot at being able to sequester CO_2 in coal.

We wanted to use existing lines to keep our costs under control.

We wanted the project to be operated and controlled by BR for purposes of simplicity.

We wanted the project to be environmentally acceptable.

And we also wanted the project to be acceptable to our offset operators.

We've gone through all of these requirements, have had to change our locations several times in order to come up with a location that will satisfy all five of these requirements, and that is -- that's the location we're applying for today.

Q. Let's go to Slide 42 and look at the locator.

A. Okay, this is a locator map. This is a map that we use quite a bit internally. It shows the current production rate for the coal wells in-basin. The highest

production rates are represented by these warmer colors, the yellows, greens and oranges, and you can see that is predominantly in the Fruitland Coal fairway.

You can also see that there's a green outline on here. That shows the extent of the coal to the outcrop.

There's also a red outline on here, and that delineates the boundary between the Fruitland Coal fairway, which we internally call the overpressured coal, and the non-pressured coal, -overpressured coal, or non-fairway coal outside of it.

Q. And that would be what we characterize the underpressure?

A. Yes, that's correct.

Q. Now where's the proposed injector site in relation to the overpressured coal line?

A. The proposed site is here on the edge of the fairway. Actually, it is just north of the high-productivity area outline that was defined by the State previously. It's in Section 32 of 31 North, 8 West.

Q. What of your requirements are you satisfying with a well at that location?

A. At this location we are within about a mile and a half of our existing CO_2 source line. We are just inside the Fruitland Coal fairway. We have again satisfied offset operators, we have seen no objection from any environmental

groups on it. So I think we've satisfied all five of our requirements.

Q. Let's skip back to Slide 23 now.

A. Okay. This slide is a slide showing the leases within the project area.

Q. When you mean project area, what are we specifically saying?

A. I'm looking specifically at Section 32. That would be an area that would be within a half a mile of the proposed injector. And then also there would be a sliver of the south portion of Section 29 within that half-mile radius.

Q. If Section 32 is designated as the project area, will that give you an area large enough that you can drill your injector well and have sufficient monitoring wells offsetting that, so that you can do your appropriate studies and tests?

A. That's correct, we have -- the injector well is at roughly the center of the section, and we have three offset coal producers, one in the northwest, one in the southwest, and the other one I believe is in the northeast, but it's very close to the center of the drill block here.

Q. Let's go to the next slide, I think it's 43.

A. Okay, the next slide is --

Q. What is this now? It's an aerial photograph?

A. This is an aerial photograph of the project area. This area right here is Section 32, this --

Q. Stop again now.

A. Yes.

Q. The area for Section 32 has got the legend that shows "Injector Location"?

A. Yes, that's correct.

Q. And outside that area there's a square, and the square you track with your pointer is the outline of the section?

A. That's correct, this area right here.

Q. Now explain that display to us.

A. Okay, the display shows again the proposed location of our injector, which is roughly in the center of the section.

They're a little difficult to see, but there are three green dots, here, here and -- or actually here in the northwest, here in the southwest, and here east of our proposed injector. Those represent existing Fruitland Coal producers.

Q. What is your plan for those producers?

A. Our plan for those producers is to continue producing them as we currently do, to monitor both the injection rate, the pressures, and the gas compositions of those wells over the life of the project.

Q. And Burlington operates all those wells?

A. Yes, we do. Burlington operates the two here -- Actually ConocoPhillips operates the one in the east, but that would be associated with our current -- the current company situation.

Q. You mentioned earlier a tie into a -- a CO_2 line tie-in?

A. That's correct.

Q. How do we see the line?

A. The line is this red line on the map here, going from the northeast of the map to the southwest, down through a draw here. This is the original CO_2 line that supplied the Allison Unit project. Portions of this are now being used for saltwater disposal. The area -- or the line from this area here in Section -- northwest of Section 7 to the north is currently being used for saltwater disposal. Our plans are to run a 2-inch line parallel to this existing line, back down to a tie-in point here at which we can again gain access to Kindermorgan's CO_2 transmission line.

Q. And so you acquire the CO_2 at that point?

A. We will acquire the CO_2 -- actually, we have a tie-in at their transmission point, and that's where we will change custody of the CO_2.

Q. Is that CO_2 produced from coalbed gas wells?

A. That CO_2 actually comes from McElmo Dome, which is a natural source of CO_2.

Q. Okay, I think we're ready to look at the geologic displays --

A. Okay.

Q. -- if you'll turn to Slide 45.

A. This slide is a net coal thickness map for the lower coal zone. There are actually three coal packages within the area of interest. This one represents only the lower coal zone. You can see that the coal within Section 32 area here on the map is roughly 25 to 30 feet thick. This little red triangle -- this little red triangle is the proposed injector location. I lost my projector.

Q. Yes, you did. Are there hard copies of the geologic displays in the book?

A. Yes, they are.

Q. Let's do that. Turn us to the tab that's got the --

A. That would be Exhibit 6, and it would be the first slide in Exhibit 6.

Q. Okay, let's turn to the exhibit book, Exhibit 6. The first slide is the isopach that we've just looked at?

A. Yes, it is.

Q. Give us a general understanding of the geology. What are the important geological components --

EXAMINER BROOKS: Excuse me, I don't have any labels on anything in this book.

MR. KELLAHIN: Well then, you've got the wrong book. That was on purpose.

Q. (By Mr. Kellahin) Exhibit 6?

A. Yes, first slide in 6.

EXAMINER BROOKS: Thank you.

THE WITNESS: I apologize. Okay, looking at this slide you can see again, the little red triangle is the approximate location of our proposed injector. There is also a blue line on here, and that represents a log cross-section that I can show you next.

Q. (By Mr. Kellahin) Let's take a moment before we move past this --

A. Yes.

Q. -- and give us a general geologic description of the geologic components that are relevant to the project.

A. In this immediate area we have a Fruitland Coal zone that is roughly 25 to 30 feet thick. It's very high quality. It has a density in the range of about 1.5 to 1.6 grams per centimeter, per cubic centimeter, and it has very high permeability. It has been very -- extremely productive over time. And it is the target of our project.

Q. What are the driving parameters, then, for making this suitable for the injector well?

A. What we'd like to do is, there are three packages in the area, and what we'd like to do is isolate the very basal coal -- that is the highest quality coal -- and inject into it.

Q. Are your current offsetting producing wells, those three wells, are they completed in such a fashion that you have access to all the coal members throughout the pool?

A. Yes, the three offsets are open-hole completions, and they have all three of those members open, particularly the basal coal.

Q. Where do you stand in the dewatering component of the project area?

A. Right now we're -- this area has been dewatered. It actually did not produce a lot of water originally. We had very high rates for the wells even to start with, in the range of 4 to 5 million cubic feet a day. Currently the bottomhole pressure in the area is very low. We believe it to be under 100 p.s.i.

Q. And the range again on your permeabilities?

A. The range of permeabilities is probably in the 10s to 100 millidarcies.

Q. Let's go to the next slide, which is the cross-section.

A. Okay.

Q. We've seen the line of cross-section. Now show us the wells.

A. Okay, the cross-section is the next slide, and again there are four logs on here represented, the four points on our little blue line. And you can see that there are three coal packages through here. And if you look at them closely, the basal coal is again the highest quality coal, it has the best gamma-ray signature, the best density. It is the thickest of the three, and it is the most consistent of the three in the project area.

Q. Mr. Schlabaugh, let's use one of those slides from the cross-section, and give us an understanding of the separation that we'll have within the pool between the basal coal and anything below the basal coal.

A. Yes, in the -- I guess in the slide just to the left of our proposed injector, that would be the southeast northwest -- northwest of Section 32. Well, if you look at that, the distance between the base of that main package of our basal coal and the top of the Pictured Cliff is roughly, I believe, about 30 feet. There is a small stray coal in there, but we have no plans to drill below that main-package coal there.

Q. Describe for me how you'll maintain the separation between the basal coal and the Pictured Cliff.

A. What we plan on doing is to topset right above

that basal coal, drill through the basal coal, and only penetrate the clastics below the coal by one or two feet.

Q. Above the upper coal, is there production above the top of the Fruitland Coal?

A. Of the very upper --

Q. Uh-huh.

A. -- Fruitland Coal, there is no production there, as far as I'm aware.

Q. Within the coal members themselves, your project intends to inject the CO_2 into the basal coal?

A. That's correct.

6 Monitoring

Q. And how will you monitor how that is affected in the offsetting wells?

A. In the offsetting wells, as I mentioned earlier, what we plan on doing is again monitoring the gross production rates from the wells. We will probably do some pressure work with them, and then we'll also be looking at the gas components -- gas composition of the gas that's coming out of those wells, and we'll be looking for the composition and the portion of CO_2 that's coming out of those wells.

7 Pressure gradient

Q. Do you have a general range in mind of what would be the surface pressure limitation associated with CO_2 injection that the Division can utilize?

A. Yes, I looked at the surface pressure limitations

based on some work that was done in the Allison Unit. My base premise was that we would use a pressure gradient, limiting pressure gradient, of .633 for this well. We actually have some frac logs in the overpressured area that indicates that the pressure gradient may be as high as .75. For this purpose here, we're requesting a gradient of .633. That calculates out to a bottomhole pressure in the middle of the formation, that basal coal, to about 1995 p.s.i., 1995.

Because we are -- and I calculated that because one of the things that we will -- are trying to line up for the project is a continuous surface readout of bottomhole pressure. If we have that capability after completing the well, we would like to utilize that 1995 pounds as our limiting pressure for the coal at depth.

But I also went and calculated a surface pressure based on some measurements that were taken -- again, at Allison Unit -- of surface pressure and BHP concurrently, and I used that data to try to calculate a potential surface pressure that would correspond to that 1995, and I came up with a pressure of -- I believe it was 1135 p.s.i. at the surface. And those would be our maximum pressures that we will be requesting from the State.

Q. Are you satisfied that that pressure range is appropriate for implementation of the project as a control

7A Pressure range with confine CO_2

so that injected CO_2 will remain confined to the pool?

A. Yes, I do. What we do plan on doing when we start up is not starting up at maximum rate. We do also plan to start up at lower rates and increase our rates and our pressure over time. But I think the limiting pressure, I think, is probably a fairly conservative number.

Q. We're accustomed to using water for injection wells and having the ability to file step rate tests and obtain the Division's approval to increase the surface injection pressure. How do we make that work for CO_2 injection?

A. My estimation is that we would probably -- in this case, we would probably be looking at trying to measure the bottomhole pressure directly itself, if we have that capability in place, and then stepping our injection rates up and down in order to find our inflection point.

Q. Let's turn now -- I think the next slide behind Exhibit 6 is going to be a production curve?

A. Yes, it is.

Q. Let's turn to the production curve.

A. Yes, the production curve shows the three Fruitland Coal producers within Section 32.

The one in the southwest is the EPNM Com A 300. That well had an original peak production rate of about 4 million cubic feet per day. It's produced somewhere in the

neighborhood of a little bit over 9 BCF of gas over its lifetime.

The one in the east -- to the east of our proposed injector is the FC State Com 1. That well is a little bit better. It had a peak rate of 5 million cubic feet per day. It's produced a little over 10 BCF of gas over its lifetime.

And we also have an infill well in the northwest of Section 32 called the EPNM Com A 300S. That well has come on -- I think it was about 300, a little -- roughly 300 MCFD, peak rate. It's making about 200 a day right now, and it's cum'd about 165 million cubic feet of gas.

The range of current production for those three wells is between about 150 and 500 MCFD.

Q. Put that in perspective, Mr. Schlabaugh. Why are we showing that data? What's the relevance?

A. The data here is to indicate the quality of the production in the area, the permeability and the capability of these wells to respond to our CO_2 injection.

Q. Let's turn to your desorption curve. Do you have that?

A. Yes, that would be the next slide. Why I put this slide in was to try to demonstrate the reasons that we think that this project will work for us. This data, or actually these curves, were put together by taking actual

(8) Has desorption curve

measurements from about 60 wells in the OPE area, and back-calculating that data and producing these desorption curves from that data. And what they depict is the amount of gas content that the coal would have at varying pressures.

And we have a curve for both the methane and the CO_2. The importance of the curves is, if you'll notice, that roughly -- at about any pressure between what was the original bottomhole pressure of roughly 1700 pounds out here, down to zero, or very near zero, the CO_2 is about twice as likely to be adsorbed onto the coal as the methane is.

EXAMINER EZEANYIM: But both lines are the same color.

THE WITNESS: Yes, the colors didn't come out. The CO_2 curve would be the one on the top. The methane curve would be the one on the bottom. So at, say, 1500 pounds we would have about 450 standard cubic feet per ton for the methane and about 800 for the CO_2.

What we would like to do is take advantage of this relationship and inject close to pure CO_2 into the formation at our injection well, and this will displace the methane around the injection well and adsorb the CO_2 onto the coal preferentially. We will be able to produce the desorbed methane out of the offset producers, and the CO_2 would then be sequestered in the injection well area.

Q. (By Mr. Kellahin) Is this Langmuir curve associated with data specific to the area?

A. Yes, it is.

Q. And has that general concept or procedure proved reliable by people in your profession doing this kind of work?

A. Yes, it is, we rely on this data -- this type of data all the time.

Q. Give me as a layman a sense of what you're trying to accomplish when you talk about CO_2 sequestration.

A. With the CO_2 sequestration portion of the project what we want to do is be able to take CO_2 from any source on the surface, inject it into our well, inject it into the -- actually into the Fruitland Coal formation, and the Fruitland Coal formation, then, would adsorb the CO_2 onto the coal, its surface, and the CO_2 would remain there indefinitely. So...

Q. As opposed to simply filling the structural voids or spaces between the coal particles?

A. That's correct. Actually, the coal works in a little bit different manner than a traditional, conventional sandstone. The CO_2 or methane or whatever gases are in it are not -- they are not floating in pore space between the rock; they're actually adsorbed onto the surface of the coal itself. So in essence we're able to --

at most pressures here we're able to hold significantly more of any gas, CO_2 or methane, than we would in a conventional reservoir of a reasonable porosity.

Q. Let's turn to the project time line.

A. Okay.

Q. I think you're going to find that behind Exhibit 7.

A. That's it. I think it's the only -- actually the only slide in Exhibit 7. And this time line depicts the rough time line that we have come up with in the Southwest Partnership for our project. You can see the work started in 2005, planning and that phase of the project.

Our permitting we've been undertaking here in 2007. We're hoping to have our permitting process completed by late third quarter, early fourth quarter, and be able to drill our well during that period of time.

And then after completing the well and laying our pipeline, we would like to start our injection sometime in the fourth quarter of this year. Our plans are to inject for either a one-year period of time or until we've injected 1.2 BCF of CO_2 into the ground, whichever comes first.

Q. In terms of reporting back to this agency or others within the partnership or elsewhere, what's the time frame for being able to have put this project in place, run

(9) Project plan - injection reporting

it, reached conclusions and generated a report?

A. For a technical report, our plans are to inject for a year, to monitor for an additional year, and then at that point in time to put together all of our modeling work, all of our data and conclusions, and deliver a report to the DOE and other agencies.

Q. In terms of regulatory requirements to monitor the project --

A. Yes.

Q. -- will you follow the process set out in Rule 701 about filing reports associated with injection?

A. Yes.

Q. There's a monthly report of injection rates and --

A. Yes.

Q. -- volumes associated with it?

And then you're going to monitor the pressure?

A. Yes, we plan on monitoring the pressure. As I said, hopefully we would like to monitor the pressure at bottomhole conditions. But lacking that, what we would do would be to monitor our bottomhole pressure with a bomb that is timed and pull it, and then monitor directly on a daily basis the surface pressure.

Q. Do you think there -- as an expert petroleum engineer are -- do you see a need for any specific

(10) Pressure monitoring

requirements other than those that you just described?

A. The only other requirement that I can think of is probably related to the casing integrity, and because we do have the ability to monitor our pressures out there on a daily basis, we would probably include the casing pressure at the same time.

Q. Well, let's move into the transition to the C-108 and look at the main parts of that, and then we'll talk about how the well is to be constructed and what the data is associated with the drilling completion and production.

Can you -- I think it should be under Exhibit 9. Somewhere you've got the C-108.

A. Yeah, Exhibit 9, yes.

Q. Exhibit 9. If you'll turn to Exhibit 9 and find the cover sheet for the C-108 --

A. Yes.

Q. -- let's start at that point and flip through that. And you're going to find a locator map. The copy of the C-108 filed with the Division has half-mile radius map --

A. Yes.

Q. -- and a two-mile radius map, and somewhere among all these you've got at least that map?

A. Yes.

Q. Within -- Can you turn the page to find the map?

A. I think it's -- I'm not sure that it's --
Q. You're familiar with what I'm trying to describe, Jim?
A. Yes. I think I found that in Exhibit 1, actually, if I remember correctly.
Q. Well, attached as one of the attachments in Exhibit 1, I think you'll see the original filed C-108.
A. Yes.
Q. And with the original filed C-108 there is the half-mile radius map.
A. Yes.
Q. Should be just ahead of the page you're on.
A. This one here, the lease map, or --
Q. I think there was a radius on that.
A. Yes, there's a two-mile radius on the lease map.
Q. Let me start at the beginning.
A. Okay.
Q. Have you reviewed the original C-108 that was filed with the Division when we filed the Application?
A. Yes.
Q. Are there some modifications to be made to that filing?
A. Yes.
Q. And those modifications are now contained in the exhibit book?

A. Yes, they're Exhibit 9.

Q. Okay, let's go to Exhibit 9 --

A. Yes.

Q. -- and as we find a modification, let's alert the Examiner as to what was changed.

A. Okay.

Q. First of all, when you look at the tabulation of the wellbore data --

A. Yes.

Q. -- for wells within the half-mile radius --

A. Yes.

Q. -- find that display.

A. I think that that actually was not one of the corrected ones. I think that the tabulation is still a portion of Exhibit 1.

Q. Okay, so when we look at the tabulation associated with Exhibit 1 --

A. That should be correct.

Q. We should have numbered the pages.

A. There it is.

Q. There you go. That's this one, isn't it?

A. Yes.

Q. When we look at the tabulation that was originally filed of wellbore data, have you and others under your control gone back and calculated cement tops for

any of these wells for which there was simply a calculation made?

A. Yes, we did.

Q. Is there a change in the display that shows that information?

A. The display that we made is -- actually, we didn't make a change in the display. We did calculate those numbers and confirm what was already in the display. For those that did not have a calculation I think we do have that calculation available, and it is -- it's right here. Yes. There were two that had calculations and no tops --

Q. Okay, let's complete the record then. Going back to that spreadsheet --

A. Yes.

Q. -- let's find the wellbores for which you have supplemented them.

A. Yes, the State Com K Number 7R, when you look at the 7-inch casing there --

EXAMINER EZEANYIM: Page what?

THE WITNESS: We're on that tabulation still, that tabulation.

EXAMINER EZEANYIM: Exhibit?

THE WITNESS: That would be --

EXAMINER BROOKS: The tabulation is only in

Exhibit 1 --

THE WITNESS: It's only in Exhibit 1, yes.

EXAMINER BROOKS: -- Exhibit 9.

THE WITNESS: Yes.

EXAMINER BROOKS: The one you just handed Mr. Ezeanyim, is that the same as the one in Exhibit 1, or is that different?

THE WITNESS: I think that actually the one that's in Exhibit 1 right now may be a little bit different. It's about -- the one in Exhibit 1 is about four pages from the back of the exhibit.

EXAMINER BROOKS: Right, I have that one.

THE WITNESS: Yes.

EXAMINER BROOKS: Is that -- That's different, though, from the one --

THE WITNESS: I think that one may have been actually the one that was previously submitted, and the new one may have gotten into Exhibit 1, instead of into Exhibit 9. I'm not sure. But that one is the one that has the most data on it, that is the most up-to-date.

EXAMINER EZEANYIM: Which one?

THE WITNESS: The one that's actually in Exhibit 1 --

EXAMINER EZEANYIM: Oh, okay.

THE WITNESS: -- currently.

MR. KELLAHIN: Mr. Examiner, subsequent to the hearing we'll reconfirm this and make sure that you have a correct table so that --

EXAMINER BROOKS: Okay.

MR. KELLAHIN: -- Mr. Ezeanyim can work with the right table.

EXAMINER EZEANYIM: Yeah, that --

Q. (By Mr. Kellahin) Just for the record, then, let's verbally describe what you've done to add more information to that table.

A. Yes, what we've done is, for the -- again, for the State Com K Number 7R, if you look at the data for the 7-inch casing, the record indicates that that was cemented with 470 sacks of cement --

EXAMINER BROOKS: And which well is this?

THE WITNESS: That would be the State Com K Number 7R.

EXAMINER BROOKS: State Com K Number 7R.

THE WITNESS: Yes.

EXAMINER BROOKS: That's number 8 on this list?

THE WITNESS: That's correct.

EXAMINER BROOKS: Okay, go ahead.

THE WITNESS: Okay. If you'll notice that -- the records that we had indicated the amount of cement that was put into the well, but it did not give us -- no one had

calculated any tops. What we did was go ahead and calculate a top for that cement. What we did was calculate the volume of the cement, the volume of the annulus. And then we used a factor of .5, and we came up with a probable cement top of about 1535 feet on that well.

And we also had the same situation with the State Com AL Number 36, and that is actually 9 and 10 on the table here. That well has two completions in it, so it got duplicated in this table.

And you'll notice that the 7-5/8-inch casing in that has -- and actually, they had a calculation on that, for that particular well, and we confirmed -- or we did our own calculation, and we think rather than 500 feet, using the formula that I just described, we have a cement top of 986 feet.

EXAMINER EZEANYIM: Do you have those correct -- because it's not what is here. Do you have those -- information?

THE WITNESS: That's -- we've got the -- we've got the calculations that we've done. And actually what we did was -- our calculation differs from the calculation that was done by the original engineer, but we wanted to confirm and make sure that our cement top was above the Fruitland Coal in this case.

MR. KELLAHIN: Again, Mr. Examiner, with your

permission we'll provide the calculation and the spreadsheet --

EXAMINER BROOKS: Yes, thank you.

MR. KELLAHIN: -- so that you won't have to do our homework for us.

EXAMINER EZEANYIM: Okay.

THE WITNESS: And I believe that was the only one that -- Most of the other wells in here either circulated to surface or they had a temperature cased bond log to confirm the cement line.

Q. (By Mr. Kellahin) When you review the wellbores within the half-mile radius, do you have any wellbore that you would characterize as being a problem wellbore? By that I mean a wellbore in that area that is not properly cemented across the injection interval?

A. Based on the records and research we've done, no, we don't see any problems.

Q. Is there adequate cement above and below the injection interval so that it's not a conduit of injection fluids to that offsetting well --

A. Again, based --

Q. -- that could migrate somewhere else?

A. Yes, based on our calculations and the records that we have available to us, that's correct.

Q. Let's turn to Exhibit 9 and that portion of the

summary sheet that talks about searches for freshwater sources. There's a typed sheet of several pages that has that data in it.

A. Yes.

Q. Help us find that page in the exhibit book.

A. That would be item -- that would be what, about the -- I think about the eighth page, and it would be item number 11 on that sheet. Actually two from the back.

Q. You've reviewed all that information and satisfied yourself that it's correct?

A. Yes.

Q. And what's the conclusion about the depths of known freshwater sources in the area?

A. The freshwater sources in the area are actually fairly shallow. We have no active wells, freshwater wells, right now. We have one abandoned well that was drilled for purposes of oil and gas, and we have one that we believe is still active that was drilled for oil and gas. Both of those tested, if I remember correctly, over 10,000 parts per million. They were drilled, I believe, to the -- one of them, at least, the deepest, was drilled to the base of the Ojo Alamo, if I'm correct.

Q. Can you conclude that the proposed injector and the producing and plugged wells in the area of review have surface casing down through the deepest known freshwater so

(11) Fresh water sources

that it protects the freshwater sources?

A. Yes.

Q. Let's turn to the wellbore schematic for the injector well.

A. That would be the slide that is about fifth from the back.

Q. Okay, associated with that wellbore schematic is a data sheet --

A. Yes.

Q. -- just after that, that shows information on the construction of the well, the surface casing, intermediate, et cetera?

A. Yes.

Q. It was my understanding that Mr. Perrin in the District had looked at that and was concerned about how this well was going to be drilled, cased and cemented.

A. Yes.

Q. Let's walk through the wellbore. If you'll start with the schematic --

A. Yes.

Q. -- show us why you think that can be done in a prudent and safe manner.

A. Yes, our surface casing will be 9-5/8 set at 200. We plan to cement that back to surface. We'll drill out from there down to roughly -- somewhere around 10 feet

(12) Casing program

above the basal coal, and we will set 7-inch casing at that point and cement that back to surface.

Then our intent is to go in and drill out from that production casing down to, again, a point about a foot or two below that main basal coal package, into that clastic, and then to under-ream that portion of the hole. And then we will from there run and hang a 5-1/2-inch liner in that portion of the hole.

From there what we will do is go in with our tubing, which will be 2-7/8-inch J-55 tubing, and a packer. We would set the packer just above that tubing -- or that casing liner.

And then we would be at that point prepared to inject.

Q. Talk to me about the production casing. It's cemented above the coal, is it?

A. That would be correct, we would -- our plans are to cement back to surface.

Q. And that production casing does not penetrate through the base of the basal coal?

A. No, it does not. It would stop at the top of the basal, or the -- yes, at the top of the basal coal. And we would have an open hole with a liner through the basal coal itself.

Q. How would you further explain the data sheet when

you turn it over and part of the data sheet says production casing, it says cemented with, and it says none? Do you see that?

A. Where is that? Oh, excuse me, that would be -- I guess I'm confusing terms here. The casing, the 7-inch casing, we would consider intermediate casing. The actual production casing, we would consider that to be our liner.

Q. Okay. Is there any evidence of open faulting or hydrologic connections between the basal coal and production outside of the coal?

A. Not that I'm aware of.

Q. And you don't find any plugged or abandoned wells that are problem wells?

A. None that are problem wells. We do have one plugged well in the section. That would be, if I remember correctly, the -- what was it, the --

Q. We've added to the --

A. Yes. Yeah, the State Com K Number 7, and that well had a fish at the bottom of the hole and has been cemented back to -- over the Fruitland Coal producing formation, so we don't consider it a problem well.

Q. So you're supplementing the original filing with a schematic with a plugged and abandoned well?

A. That's correct.

Q. And that's what you're talking about now?

A. Yes.

Q. Are there any other revisions that you've made to the C-108 that you want to explain to Mr. Ezeanyim and Mr. Brooks?

A. I believe that is mostly it. The one that I haven't specifically mentioned but inferred is the fact that we intend to drill only to the base of that main coal, and we will have a maximum rathole below that coal of only a foot or two, rather than -- I think in the original application we had a significantly larger rathole that actually would have gone and penetrated the PC. We have no intention of doing that.

MR. KELLAHIN: Mr. Examiner, Mr. Alexander was not able to come down, and he's in possession of the notice information. So if you'll allow me, after the hearing I will submit our certificate of notification.

EXAMINER BROOKS: Okay, we'll allow you to supplement the record with that information.

Q. (By Mr. Kellahin) Let's go to the summary slide or the summary discussion, and there's two ways to find that. If you'll turn to the last page -- if you'll look at Exhibit 1, look at the Application and look at the third page of the Application in paragraph (10), I think it is.

A. Yes.

Q. Paragraph (10) of the Application is the pleading

that talks about the summary.

A. Yes.

Q. Take us through the pieces of the summary.

EXAMINER EZEANYIM: Where are you talking about?

MR. KELLAHIN: In Exhibit 1, there's an application.

THE WITNESS: The fourth page from the front.

EXAMINER EZEANYIM: Okay.

THE WITNESS: And it's page 3 of the Application.

EXAMINER BROOKS: Okay.

THE WITNESS: And at the top it says, Approval of a pilot project will afford an opportunity to --

EXAMINER BROOKS: Okay.

Q. (By Mr. Kellahin) Okay, go ahead.

A. Are we set?

Q. Yes, sir.

A. At the top it says, Approval of a pilot project will afford an opportunity to: -- and in essence, what we're stating is that this project would allow us to achieve the objectives that I have earlier indicated for the project.

First of all, it would allow us to determine our maximum injectivity and what reservoir properties will affect that injectivity over time, such as coal swelling and changes in fracture gradient over time.

(12) Summary - cover

And the second item here, item b, is again a repetition of what I've indicated earlier. It will allow us to evaluate the sequestration potential of the Fruitland Coal. That will give us an idea of how much methane is released, again, by the CO_2 injection, what our injection conformance is on an areal basis and how that is working for us, and then the adsorption capacity of the coal at the pressures that we will be delivering in the reservoir.

Q. Would you turn to Tab 2 now? It should contain two letters over Mr. Alexander's signature.

A. That's correct.

Q. What was the purpose of the letters behind Exhibit Tab Number 2?

A. These letters are a notification of the project to the -- I think the first one is the Commissioner of Public Lands for New Mexico, and the second one is to BP America Production Company, and they notify those individuals of the project.

Q. I think the only exhibit we haven't talked about is behind Tab 3, and I'm not sure what that --

A. Okay.

Q. Tab 3 was simply what?

A. Let's see, Tab 3, I believe -- This one is just a locator map showing the location of the project in relation to some of the towns and other federal units in the area.

Q. After the project has been implemented and you've established the data, what is your plan for issuing some type of technical report?

A. The technical report will be issued, I believe, at the conclusion of the project, which right now is planned for 2009, and it will be a product of the Southwest Partnership.

Q. Is that Southwest Partnership pursuing other CO_2 sequestration wells in other states?

A. Yes, they have a project again in -- that would be in Utah, in the Aneth field, and then one in Texas near SACROC.

Q. And the one here in New Mexico is part of that partnership?

A. That's correct.

Q. And they're all being coordinated through this partnership concept?

A. That's correct. Actually, New Mexico Tech is the lead partner in the partnership.

MR. KELLAHIN: Mr. Examiner, that concludes our presentation on behalf of Burlington. We would move the introduction of Exhibits 1 through 9.

EXAMINER BROOKS: Exhibits 1 through 9 will be admitted.

This is a highly technical case, so I will invite

the Technical Examiner to lead off with the questions here.

EXAMINATION

BY EXAMINER EZEANYIM:

Q. Okay. First of all, let's examine -- How do you come up with your -- this pressure gradient of .633? How do you come up with that number?

A. Actually what I did was, I went back to the testimony that was given in the Allison Unit case. And in that case Burlington Resources and the Examiner agreed to use a gradient of .433, which will be the water gradient, plus a factor of .2 on top of that.

There was, again, some testimony given in that case that indicated that the actual gradient in several wells that were frac'd in the area was as high as .75 or .77, so the Examiner and the engineer that testified agreed that .633 would be a reasonable gradient to start with.

Q. Now what case are you talking about? What case is that?

A. I don't have the case number with me, but it was --

Q. The number --

A. -- it would be the case for the Allison unit CO_2 injection project.

Q. Do you know what year we issued that?

MR. KELLAHIN: Mr. Examiner, I think I can help

(7) Pressure gradient

you. I'm not sure this exhibit book is available on line with the files. This is the only one I was able to find, and it's the exhibit book from the case that we're talking about, along with the order, and I'm happy to present that to you for your research.

EXAMINER EZEANYIM: Yeah, I --

MR. KELLAHIN: It has all the data.

EXAMINER EZEANYIM: I just wanted to make sure we are giving the appropriate gradient. Is that --

MR. KELLAHIN: This is the exhibit book, and the order is in there too.

EXAMINER EZEANYIM: Oh, okay, thanks. Okay.

Q. (By Examiner Ezeanyim) And you will be injecting in the -- I think it's the lower coal, right?

A. Yes, that's correct.

Q. And your tubing will be plastic-lined tubing?

steel tubing

A. At this point we're anticipating we'd like to use just normal J-55 steel tubing.

Q. Steel tubing?

A. Yes, uh-huh.

Q. Okay, that's --

A. What we did, we've looked at -- we have talked with both our operations people in the area. We have a corrosion engineer that I've talked to, and we are producing about 20- to 25-percent CO_2 out of our producing

wells in the area. We're not having issues with corrosion when the gas is produced dry. The places that we do have issues with corrosion are where the gas is in association with water, and we do have some issues there.

What we are planning to do with our injector is, we will be injecting almost pure dehydrated CO_2 down into our injector. Our plans are to inject only, and if we do have shut-ins we would spot a pill of corrosion protection, inhibitor, at that time. And the -- because the project is a short-term project, we only plan to have the project in place for a maximum of two to three years. We're hoping that we can deal with our injection tubing as steel.

Q. Don't get me wrong, why I'm asking a lot of questions. This is a good project. But we want to make sure that it's done right.

A. Yes.

Q. Okay. This is a -- if you're going to give me a supplement -- the top of cement --

A. Yes, we can supplement that to give you our calculations for those two wells specifically.

Q. And these are all the area review wells in that area?

A. Yes, those are all the wells, with the exception of the plugged well, which is the diagram that is --

Q. Okay, it's --

A. -- behind --

Q. -- plugged and abandoned?

A. That's plugged and abandoned.

Q. If it's plugged and abandoned and we approved it, I don't want to see that. You know, one that I actually need to look at.

A. Okay.

Q. Okay. Did you check the casing integrity in these wells? The casing?

A. At this point, basically all I have is the data that's available in those wells and the fact that we're not aware of any issues with leaks or anything.

Q. But you haven't just checked? You haven't checked?

A. We have not gone out and done any pressure tests that I'm aware of, no.

Q. Now let's talk about water. You talked about water. I may have missed -- what -- tell me about -- you have water that's very shallow? And do you have any water that is from the other well?

A. We have -- if I remember correctly, we have water analyses from the two wells that were drilled for oil and gas injection purposes -- or -- and production purposes. Both of those -- or I think both of those, the analyses indicated that the TDS was greater than 10,000 parts per

million.

Q. What is the depth of those waters?

A. Those were -- let's see, go back to that.

EXAMINER BROOKS: It looks like you only gave from one well here --

EXAMINER EZEANYIM: Yeah.

EXAMINER BROOKS: -- the Pump Mesa water well.

THE WITNESS: Okay, I have to go back to --

Q. (By Examiner Ezeanyim) Approximately what the depth is.

A. Yeah, we have -- Let's see. Yeah, the Pump Mesa water well is as deep as 2034 feet, which is in the Ojo Alamo, and those -- yeah, the water samples from those were 10,000 parts per million.

Q. Okay --

A. I believe -- yes, I'm sorry, we did -- there was an old well that was drilled and abandoned, and I don't have an analysis on that.

Q. Okay. I don't know, the -- if you don't mind, the Examiner, the District Supervisor for District 3 is here. Do you mind if he asks you a question, if you have any questions? Mr. Perrin to ask questions? Because he might have some questions. I don't want to deny him the opportunity to ask you a question. Mr. Perrin, do you have anything to ask?

MR. PERRIN: I don't, Richard. I see the APD has been changed.

EXAMINER EZEANYIM: What do you say?

MR. PERRIN: I don't have any questions.

EXAMINER EZEANYIM: Okay. Okay, that's good. I just wanted to --

Do you have any more?

EXAMINATION

BY EXAMINER BROOKS:

Q. Do you have any conclusions as to how far this CO_2 will travel in the formation?

A. We made calculations ahead of time to try to come up with our proposed volume, and what we're hoping is that based on those calculations we'll be confined within the producing well pattern.

Q. Do you have -- Which means the three producing wells that are in Section 32, right?

A. The three, yes.

Q. Do you have any procedure to test, since this is an experimental project, to see if you detect it anyplace else?

A. Our plans are to -- at a minimum, to do analyses on a periodic basis of those three wells. And then we are also going to try to work with BP. They have a well in the southeast of Section 29. We will be looking at our well in

13 Travel of CO2

the southwest of Section 29.

And right now those are the main wells that we wanted to do periodic analyses on, but we may also institute it in some of the secondary offset wells around. The most frequent analyses, of course, will be on the three direct offsets.

EXAMINER BROOKS: Right.

I believe I did not give the other attorneys who appeared in the case an opportunity to examine. Ms. Munds-Dry, did you have anything?

MS. MUNDS-DRY: No questions, Mr. Examiner.

EXAMINER BROOKS: Mr. Hall?

MR. HALL: Mr. Brooks, you asked my very questions, actually. One more question, though, Mr. Schlabaugh.

EXAMINATION

BY MR. HALL:

Q. Does BR have any plans to inject a tracer with the injection fluid?

A. I'm thinking that the -- one of the methods that we're looking at to try to trace is analysis of the CO_2 itself. There'll be some different -- There'll be different atomic characteristics of the CO_2 in our injected CO_2 versus the produced CO_2 naturally from the Fruitland Coal. We're working on that, I'm not involved directly

with that.

Q. Will that data be available to other operators in the area?

A. That data -- as far as I'm aware, anything that is collected will be part of the public record for the report itself.

MR. HALL: Thank you, Mr. Examiner.

FURTHER EXAMINATION

BY EXAMINER EZEANYIM:

Q. And on that note, do you have any idea -- will you collect some CO_2 from other operators in the area to put down in the sequestered -- or just voluntary sources?

A. Oh, you're talking about the produced CO_2?

Q. Yeah, yeah, produced CO_2, you -- some -- operators, could they give it to you so you can put it down there?

A. I think BP is one -- I think BP may be the only operator that is outside of ConocoPhillips/BR, and at this point we haven't completely settled our sampling issues, you know, what our sampling procedures will be outside of Section 32, but we have talked specifically about Section 29 at this point. And again, we -- one of the operating partners is going to contact BP and see if we can get analyses from them.

Q. Okay. And you are going to do some monitoring

for a year of this project, and give us feedback what's happening?

A. Yes, we'll monitor for a year during the injection period, and then the plans are to monitor for an additional year after the well is shut in. And during that period we will be doing modeling analysis of the data that's collected up to that point in time. And then at the end of that time frame there will be a report.

EXAMINER EZEANYIM: Okay.

FURTHER EXAMINATION

BY EXAMINER BROOKS:

Q. Now, CO_2 -- there will be some CO_2 produced from the producing wells along with the gas, will there not?

A. That's correct. In fact, they currently produced -- somewhere between 20 and 25 percent of their total production stream is CO_2.

Q. And will that CO_2 be re-injected?

A. At this point that CO_2 is sold down -- or is transported down the line to the plants, and I think it is currently just separated and vented.

Q. So there are no plans to reinject the CO_2 that will --

A. Not that --

Q. -- come with the gas?

A. -- I'm aware of, no. The project is based -- the

essence of the project is to try to determine the sequestration potential, and then take those results and try to go forward with analyzing the economics and costs of that type of a project, where we would reinject.

EXAMINER BROOKS: Okay.

FURTHER EXAMINATION

BY EXAMINER EZEANYIM:

Q. See, that's one of the things I wanted to ask you, because you -- What is the economic incentive for doing this? What's the --

A. The economic incentive for Burlington Resources is, again, the fact that there will be methane released by the CO_2 in the formation, and we will be producing that out of the offset producers. And it's probably -- Again, this affords us an opportunity to do this work at a very minimal cost to us. So we think the project, you know, is good in all respects.

EXAMINER BROOKS: Anything further, Mr. Kellahin?

MR. KELLAHIN: No, sir.

EXAMINER BROOKS: Very good. Case Number 13,933 will be taken under advisement.

And you're going to supplement the record on --

MR. KELLAHIN: Yes, I am. We're going to supplement it with the notice certificate. We'll get you --

EXAMINER BROOKS: Notice of hearing.

MR. KELLAHIN: We're going to get you a new tabulation that has all the calculations on cement tops.

EXAMINER BROOKS: Revised tabulation on area-of-review wells.

MR. KELLAHIN: Yes.

EXAMINER BROOKS: Anything else?

MR. KELLAHIN: I believe that was it.

EXAMINER BROOKS: Thank you very much.

If there's nothing further, then, this docket will stand adjourned.

(Thereupon, these proceedings were concluded at 5:36 p.m.)

* * *

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 13933 heard by me on June 21 2007.

David K. Brooks Examiner
Oil Conservation Division

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 June 28th, 2007.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010