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

**ORIGINAL**

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

CASE NO. 14324

APPLICATION OF BURLINGTON RESOURCES  
OIL AND GAS COMPANY, LP FOR COMPULSORY  
POOLING, SAN JUAN COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

June 2, 2009  
Santa Fe, New Mexico

RECEIVED OCD  
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BEFORE: WILLIAM JONES: Hearing Examiner  
TERRY WARNELL: Technical Advisor  
DAVID BROOKS: Technical Advisor

This matter came for hearing before the New Mexico  
Oil Conservation Division, David Brooks Hearing Examiner,  
on June 2, 2009 at the New Mexico Energy, Minerals and  
Natural Resources Department, 1220 South St. Francis  
Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Peggy A. Sedillo, NM CCR NO. 88  
Paul Baca Court Reporters  
500 Fourth Street, NW, Suite 105  
Albuquerque, NM 87102

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I N D E X

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A P P E A R A N C E S

FOR THE APPLICANT:	W. THOMAS KELLAHIN, ESQ. Kellahin and Kellahin 706 Gonzales Road Santa Fe, NM 87501
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1 HEARING EXAMINER: Let's call Case 14324,  
2 Application of Burlington Resources Oil and Gas Company,  
3 LP, for Compulsory Pooling, San Juan County, New Mexico.  
4 Call for appearances.

5 MR. KELLAHIN: Mr. Examiner, Tom Kellahin from  
6 the Santa Fe law firm of Kellahin and Kellahin. I'm  
7 appearing on behalf of the Applicant.

8 We're presenting this, with your permission,  
9 Mr. Examiner, by affidavit.

10 HEARING EXAMINER: Okay. No other appearances?  
11 Okay.

12 MR. KELLAHIN: Mr. Examiner, I have distributed  
13 before you a package of exhibits.

14 Exhibit 1 shows the western side of Section 19.  
15 There's an existing nonstandard spacing unit. It is  
16 currently set up for Mesa Verde, Dakota and PC wells.

17 The oil references are after Exhibit No. 1.

18 Exhibit No. 2, then, is an R-35 Order that was  
19 entered by the Commission.

20 And then following that, Exhibit 3 is going to  
21 be R-2046-B, which revises and expands some of the  
22 provisions.

23 So when you read those two orders, you're going  
24 to find a description for this tract as shown on the  
25 docket and as displayed on Exhibit No. 1.

1           Currently, the northern circle is a Mesa Verde  
2 well. And in the south, there's a double circle, those  
3 are Mesa Verde wells. One's a surface location, the other  
4 is a bottom-hole location. Their machine does funny  
5 things and so it shows like it's two wells in one.

6           Just north of that there's a plugged well, PC  
7 well. Those two Mesa Verde wells were originally drilled  
8 on a joint operating agreement with BP and Burlington.

9           And Burlington wants to then take the same  
10 spacing unit and now drill the subject well, which will be  
11 a directional well bore.

12           And this will be a Mesa Verde-Dakota well.  
13 They're calling it the Massfield 2-B well.

14           And the reason the surface location is there is  
15 to accommodate the Bureau of Land Management's minimize  
16 surface use to drill directionally.

17           At some point, they'll intersect the Mesa Verde  
18 and Dakota, and those setbacks, when encountered in the  
19 reservoir, will be standard. They will file those things  
20 administratively with the district office as is.

21           For the purpose of this case, Burlington was not  
22 able to get Four Star Oil and Gas Company and Koch  
23 Exploration to sign the new joint operating agreement.

24           Koch and Four Star have no interest in the Mesa  
25 Verde. Their percentage interests are shown on the

1 application. Four Star has little more than 8 percent  
2 interest. Koch has 58 plus percent. Both in the Dakota.

3 So the plan is to assist the Applicant, grant a  
4 pooling order that will allow this to go forward by  
5 compelling those interests to join.

6 Exhibit No. 4 is Mr. Terry Simcoe's affidavit.  
7 He's done this in person in other cases and by affidavit.  
8 And as you go through here, he narrates the different  
9 components of what's been done.

10 When we get down to the depth of the well bore,  
11 total well bore is going to be 7,369 feet.

12 Mr. Simcoe proposes to allocate costs. The  
13 allocation of costs would be a drilling well rate of  
14 \$6,500 a month drilling, and a producing well rate of \$650  
15 a month.

16 He's also attached to his affidavit a schedule,  
17 which is Exhibit D, which we've used in other hearings,  
18 that shows the cost allocations between the Dakota and  
19 Mesa Verde.

20 The Dakota to be allocated 60 percent of the  
21 cost, and the Mesa Verde 40 percent of the cost. That is  
22 commonly done now among the major operators utilizing a  
23 format and cost allocation developed by BP, adopted by  
24 Burlington and ConocoPhillips.

25 The whole content of that agreement was attached

1 as Exhibit D. So if you care to see it, you can walk  
2 through the calculations and cost factors.

3 In addition, Mr. Simcoe has attached as  
4 Exhibit C information where he's got a copy of the letter  
5 to Koch as Exhibit C-1. It sets out percentages. He sent  
6 them the AFP as required.

7 When you look at C-2, that's the letter to Four  
8 Star. Again, the AFP was sent to those people.

9 Following that, C-3 then, is a written  
10 chronology of all of Mr. Simcoe's subsequent efforts to  
11 get voluntary participation. He didn't simply send a  
12 letter, he did a lot of work to try to get people to join  
13 in that were out there.

14 Attached finally as the last exhibit, you'll  
15 have the AFE that's associated with the well bore. It's  
16 the same AFE that went to the parties.

17 The total estimated well costs for a completed  
18 well will be \$1,644,000 plus.

19 Exhibit 5, Mr. Examiner, is my affidavit of  
20 notice in which we sent copies of the application to Koch  
21 and Four Star.

22 The notice letters attached and copies of the  
23 green cards showing delivery to both companies is also  
24 appended.

25 With your permission, we would ask you to move

1 the introduction of Exhibits 1 through 5.

2 HEARING EXAMINER: Exhibits 1 through 5 will be  
3 admitted.

4 MR. KELLAHIN: I'll stand for questions, and  
5 that concludes our presentation.

6 HEARING EXAMINER: Okay. David, any questions?

7 MR. BROOKS: Four Star and Koch are the only  
8 people being pooled in this proceeding and they own only  
9 in the Dakota?

10 MR. KELLAHIN: Correct.

11 MR. BROOKS: And this is going to be a Mesa  
12 Verde and Dakota compulsion. Koch and Four Star are hard  
13 to find, so I assume they've had actual notice.

14 MR. KELLAHIN: Well, they're easy to find. They  
15 tend to get distracted, and if they're not interested in  
16 the project, they don't care and --

17 MR. BROOKS: Yeah, but you sent them actual  
18 notice?

19 MR. KELLAHIN: Yes, they received actual notice.

20 MR. BROOKS: Okay. Let's see, you have an  
21 affidavit of notice here somewhere.

22 MR. KELLAHIN: It should be the last exhibit,  
23 Exhibit 5.

24 HEARING EXAMINER: Unless they've changed, Four  
25 Star was just one person.

1 MR. BROOKS: It all looks to be in good shape.

2 Thank you.

3 MR. WARNELL: No questions.

4 HEARING EXAMINER: Thank you. We'll take Case  
5 14324 under advisement.

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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. \_\_\_\_\_  
heard by me on \_\_\_\_\_.

\_\_\_\_\_, Examiner  
Oil Conservation Division



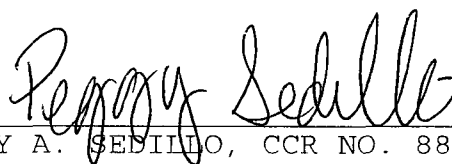
1 STATE OF NEW MEXICO )  
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REPORTER'S CERTIFICATE

I, PEGGY A. SEDILLO, Certified Court Reporter of the firm Paul Baca Professional Court Reporters do hereby certify that the foregoing transcript is a complete and accurate record of said proceedings as the same were recorded by me or under my supervision.

Dated at Albuquerque, New Mexico this 10th day of June, 2009.

  
PEGGY A. SEDILLO, CCR NO. 88  
License Expires 12/31/09