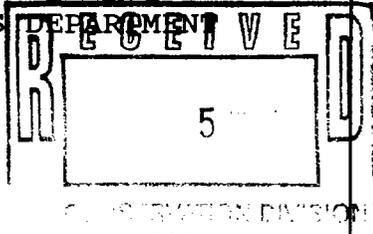


STATE OF NEW MEXICO

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 FOR THE ESTABLISHMENT OF )
A DOWNHOLE COMMINGLING REFERENCE CASE )
PURSUANT TO DIVISION RULE 303.E AND THE )
ADOPTION OF SPECIAL ADMINISTRATIVE RULES )
THEREFOR, SAN JUAN AND RIO ARRIBA )
COUNTIES, NEW MEXICO )

CASE NO. 11,600

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

August 22nd, 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, August 22nd, 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.

\* \* \*

## I N D E X

August 22nd, 1996  
Examiner Hearing  
CASE NO. 11,600

PAGE

REPORTER'S CERTIFICATE

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\* \* \*

## A P P E A R A N C E S

## FOR THE DIVISION:

RAND L. CARROLL  
Attorney at Law  
Legal Counsel to the Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

KELLAHIN & KELLAHIN  
117 N. Guadalupe  
P.O. Box 2265  
Santa Fe, New Mexico 87504-2265  
By: W. THOMAS KELLAHIN

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   8:20 a.m.:

3           EXAMINER CATANACH: At this time we're going to  
4   skip over Case 11,598, Enron, and go right to 11,600.

5           MR. CARROLL: Application of Burlington Resources  
6   Oil and Gas Company for the establishment of a downhole  
7   commingling reference case pursuant to Division Rule 303.E  
8   and the adoption of special administrative rules therefor,  
9   San Juan and Rio Arriba Counties, New Mexico.

10          EXAMINER CATANACH: This case is styled such that  
11   in the absence of objection, this case will be taken under  
12   advisement.

13          Are there appearances in this case at this time?

14          MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of  
15   the Santa Fe law firm of Kellahin and Kellahin, appearing  
16   on behalf of the Applicant.

17          EXAMINER CATANACH: Are there any additional  
18   appearances?

19          Mr. Kellahin?

20          MR. KELLAHIN: Mr. Examiner, by way of summary,  
21   we have provided you with a copy of Burlington's exhibits  
22   -- they were then known as Meridian Oil Company -- at the  
23   Commission hearing back in January of 1996. I'm having the  
24   relevant portions of the Commission transcript copied, and  
25   we'll have those delivered to you sometime this morning.

1           You may recall that Scott Daves, the petroleum  
2 engineer with Meridian, testified before the Commission  
3 with regards to the rule changes for Rule 303. As part of  
4 his presentation, he went into a rather extensive  
5 presentation with regards to some technical points that we  
6 would like you to consider being adopted as reference cases  
7 for subsequent downhole commingling applications in the San  
8 Juan Basin.

9           Specifically, it is our conclusion and belief  
10 that based upon Mr. Daves' testimony, that you now have  
11 appropriate documentation whereby you can be satisfied that  
12 the downhole commingling of production from the Dakota  
13 formation or the Pictured Cliff formation in all instances  
14 in the Basin would be marginal.

15           So when you saw a downhole application that  
16 involved either one of those pools or reservoirs, then you  
17 could eliminate with the necessity of having the applicant  
18 supply to you economic information to show that either or  
19 both of those pools was marginal.

20           If you choose to do so, then the order entered in  
21 this case would allow Burlington and any other operator in  
22 the Basin to simply reference this order to satisfy that  
23 criteria as set forth in the application form and in the  
24 rules themselves.

25           In addition, if you choose to do so, Mr. Daves'

1 testimony is extensive with regards to some pressure  
2 information. We would request that you consider using a  
3 reference case for the pressure criteria with regards to  
4 the downhole commingling of Mesaverde or Pictured Cliffs  
5 reservoirs.

6           You may recall that we have changed the pressure  
7 criteria with this rule. The current rule now requires  
8 that the applicant provide evidence that the pressure of  
9 the highest pressured reservoir to be commingled will not  
10 exceed the original reservoir pressure of the lowest-  
11 pressured reservoir.

12           The testimony is extensive that in the San Juan  
13 Basin, both the Mesaverde and the Pictured Cliff have been  
14 substantially pressure-depleted, and so if you have a  
15 commingling of either one of those you can recognize that  
16 that is not to be the highest-pressured reservoir, and you  
17 have no concern.

18           His testimony, I believe, will show that the  
19 Dakota continues to be a higher-pressured reservoir where  
20 you have to pay attention to that issue.

21           Those are the items that we would like you to  
22 consider with regards to this Application in developing  
23 what we hope is going to be a reference case order that we  
24 can then refer to as we file subsequent applications, and  
25 so that's the extent of our presentation.

1           We'll provide you with Mr. Daves' complete  
2 transcript of his testimony, and you can look at the  
3 specific details of what he had to say.

4           We are not aware of any opposition to having you  
5 grant this request for the establishment of reference case.

6           EXAMINER CATANACH: Mr. Kellahin, was there any  
7 notice required or given in this case?

8           MR. KELLAHIN: No, sir.

9           EXAMINER CATANACH: Okay.

10          MR. KELLAHIN: Other than the public notice on  
11 the docket and the advertisement that was set forth in the  
12 Division. Notification in the newspaper, quite frankly, we  
13 didn't know how to otherwise do it.

14          EXAMINER CATANACH: Okay, so you're going to  
15 submit as evidence the transcript of the hearing in that  
16 case?

17          MR. KELLAHIN: Only that portion that had Mr.  
18 Daves' direct and cross-examination. It's about a hundred  
19 pages of testimony.

20          The rest of the hearing dealt with other matters  
21 with regards to the rule change, and I've chosen not to  
22 duplicate that.

23          EXAMINER CATANACH: Okay. Mr. Kellahin can I get  
24 you to submit a rough order on this case?

25          MR. KELLAHIN: Yes, sir, I'd be happy to.

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EXAMINER CATANACH: Okay, anything else?

MR. KELLAHIN: No, sir.

EXAMINER CATANACH: There being nothing further  
in this case, Case 11,600 will be taken under advisement.  
(Thereupon, these proceedings were concluded at  
8:28 a.m.)

\* \* \*

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 11600,  
heard by me on August 20 1986.

David R. Catanach, 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 August 22nd, 1996.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 14, 1998