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. 12,651
APPLICATION OF BURLINGTON RESOURCES OIL AND GAS COMPANY FOR APPROVAL OF A PILOT PROJECT INCLUDING UNORTHODOX WELL LOCATIONS AND AN EXCEPTION FROM RULE 4 OF THE SPECIAL RULES AND REGULATIONS FOR THE BASIN-FRUITLAND COAL GAS POOL FOR PURPOSES OF ESTABLISHING A PILOT INFILL DRILLING PROGRAM TO DETERMINE PROPER WELL DENSITY FOR FRUITLAND COAL GAS WELLS, SAN JUAN AND RIO ARRIBA COUNTIES, NEW MEXICO	)	ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

May 17th, 2001

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, May 17th, 2001, 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

May 17th, 2001
Examiner Hearing
CASE NO. 12,651

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A P P E A R A N C E S

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* * *

ALSO PRESENT:

STEVE HAYDEN
Geologist
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NMOCD

* * *

WHEREUPON, the following proceedings were had at 10:28 a.m.:

EXAMINER STOGNER: I believe at this time we will call Case Number 12,651, which is the Application of Burlington Resources Oil and Gas Company for approval of a pilot project that includes unorthodox well locations and an exception from Rule 4 of the Special Rules and Regulations for the Basin-Fruitland Coal Pool for purposes of establishing a pilot infill drilling program to determine proper well spacing for the Fruitland Coal Gas wells in San Juan and Rio Arriba Counties, New Mexico.

Okay, that will just affect only the Fruitland Coal Gas Pool in those two counties, not the others?

MR. KELLAHIN: That's not what I intended to say, Mr. Stogner. The five off-pattern wells are located in Rio Arriba and San Juan Counties --

EXAMINER STOGNER: Okay.

MR. KELLAHIN: -- but we're intending to affect the whole pool.

EXAMINER STOGNER: And this is just getting the information together. It's only -- Are these wells in San Juan and Rio Arriba County, or this area?

MR. KELLAHIN: I believe so.

EXAMINER STOGNER: Oh, okay. Okay.

MR. KELLAHIN: That may be a little confusing.

EXAMINER STOGNER: Now it's not. It was, but now it's not. This is to gather information that will come back later and affect the whole pool in the whole San Juan Basin.

MR. KELLAHIN: Yes, sir.

EXAMINER STOGNER: Okay, at this time I'll call for appearances.

MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of the Santa Fe law firm of Kellahin and Kellahin, appearing on behalf of the Applicant. I have three witnesses to be sworn.

EXAMINER STOGNER: Any other witnesses?

MR. CARR: May it please the Examiner, my name is William F. Carr with the Santa Fe office of the law firm Holland and Hart, L.L.P. We represent Williams Production Company and BP Amoco Production Company. I do not have any witnesses. I have a statement at the end of the hearing.

EXAMINER STOGNER: Any other appearances?

MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe, representing Cross Timbers Oil Company. I have no witnesses. We have a statement at the end of the case.

EXAMINER STOGNER: Did your witnesses leave, Mr. Bruce?

MR. BRUCE: They were the southeast New Mexico witnesses.

EXAMINER STOGNER: Oh, that was the southeast Cross Timbers group, not the northwest Cross Timbers group.

MR. BRUCE: I do have someone here for the northwest.

EXAMINER STOGNER: Okay, but you do not plan to put them on as a witness?

MR. BRUCE: Correct.

EXAMINER STOGNER: Any other appearances?

Okay, will the three witnesses pleases stand to be sworn?

(Thereupon, the witnesses were sworn.)

EXAMINER STOGNER: Just for the record, so the other parties in this case -- There's an imaging project going on, to image our records, and Burlington Resources is up in the Farmington area, and the person in the Division that's heading this project up is Frank Chavez in Aztec. And this would be a good example of a typical-type case with a lot of information, a multi-colored large exhibit. How is things like this going to be imaged? Can we assure to our customers later on, that comes in behind us, that want to review the whole record, that this is the kind of imaging that he's looking at.

So I was just talking to Mr. Kellahin that this would be a good example to take to Mr. Chavez of what the record looks like in a case such as this, since they're up

there in the northwest, next door, and they visit him. This would be a very good one.

And so that's what I was talking about, we were not planning anything against Williams, BP or Cross Timbers.

Thank you, Mr. Kellahin.

MR. KELLAHIN: Mr. Examiner, Mr. Carr advised me on Friday that he would represent Amoco and Williams today. Mr. Bruce also within the time provided advised me that he represented Cross Timbers. I've arranged to bring enough exhibit books so that the parties of record will have the exhibit books.

In addition, we have additional copies. If there are companies appearing today that are not parties of record, I'll ask Mr. Alexander to distribute as many as he has. If there are companies that don't get a book, if they'll leave their business card with Mr. Alexander, we'll arrange for them to get copies of the book.

EXAMINER STOGNER: Thank you. What I had mentioned earlier is something extra that not necessarily has to do with this case, but if Burlington could work with Mr. Chavez on the separate issue of a typical case such as this, it would be greatly appreciated for him and also for me.

This is a very colorful exhibit in which I'm

looking at, which is -- measures about five by five. These are the kind of exhibits that people want to look at and want to see. And I think it would not be very good if we had this imaged in black and white. I'm sure that the witness is going to be talking about the colors today. I've already ran into this in the old imaging system.

But enough of that, let's get back to this, and Mr. Kellahin, I'll turn it over to you.

MR. KELLAHIN: Mr. Stogner, with your permission let me give you a brief introduction of what we're proposing to show you this morning.

First of all, the exhibit book is arranged so that, should you choose to do so, there is an executive summary for the land portion, a separate one for the geologic presentation, and last one for the petroleum engineering simulation. The purpose was to have that summary so that parties that were not in attendance here could read the book and figure out the project.

You may recall that Mr. Chavez, the Aztec supervisor for the Division, has a work-study group. This proposal presented by Burlington this morning evolves from that work-study group discussion.

Burlington desires to go forward with a reservoir simulation project that includes simulating in different areas of what is called the underpressured area of the

pool, to develop the appropriate reservoir data for simulation of those five areas. We'll talk to you about our reasons why we pick those areas and what we attempt to obtain as a result of drilling these wells.

There are five wells in five different areas, all in the underpressured area. Four of them are off-pattern. The footages are consistent with footage requirements of the pool, but four will be infill in that they are off-pattern, which means that they will be either in the southeast quarter of the northwest quarter of the section.

In addition, there is a fifth well which is on pattern but represents the second well in the GPU. We therefore docketed the case to demonstrate that they were exceptions from the well density, and they were off-pattern in terms of well location.

You may remember that in 1991 the Division entered a comprehensive order establishing on a permanent basis the rules for the Basin-Fruitland Coal Gas Pool. That work was based upon reservoir within the overpressured area. The terminology in the San Juan Basin is to refer to the overpressured area as the fairway.

We're going to describe to you what is generally believed to be the range of the overpressured area. There is a transition zone, if you will, between the overpressured and the underpressured, and the fact that up

until now there has not been reservoir simulation of the underpressured area. And when you look at the 1991 order, you'll see that there is a strong bias towards reservoir simulation, to help address well density in the pool.

We have a time-line for you that we are proposing. It is our hope and expectation that if we can stay on the time-line, that by the spring of next year we'll be in a position, with the cooperation of the rest of the operators in the pool that have shown an interest in participating in this work-study group, to bring back to the Division a comprehensive presentation to address well density in the overpressured area, well density in the underpressured area and, if there is there is a difference in spacing, then how to handle that.

While Burlington currently believes that the well spacing in the fairway at one well per 320 is appropriate and will continue to be so, that is a subject of debate among the work group. We don't propose to engage in that debate this morning.

We are seeking your permission for a science project, and that project is in the underpressured area involving five wells. It's necessary to drill the new wells in order to obtain discrete pressure data for each of the layers of the coal. That is something that hasn't been done. We need that data.

In addition, we want the opportunity to produce those wells and periodically test them.

Our plan is to ask your permission to produce these wells for a period not to exceed 180 days, at which point they'll be shut in. If we deem it necessary to ask to continue to produce these pilot test wells longer than the 180-day period, we'll come back and ask you, and we'll give you the reasons to do that.

But we think in order to avoid any question about correlative rights, drainage of the test wells, the fact that they're increased density, we believe it appropriate to fix a producing limit, recognizing that these wells are marginally economic, that we're going to spend a substantial sum of money on the study, but we're not asking you to let us simply produce these without any restrictions at this time.

We want to gather the data, present it to Mr. Chavez's work group and other parties in the San Juan Basin that are interested, and continue our discussions about the appropriate spacing unit.

So that's our plan, and that's what we're asking for permission to do, Mr. Stogner.

EXAMINER STOGNER: Thank you, Mr. Kellahin.

MR. KELLAHIN: My first witness is Mr. James Strickler.

JAMES R.J. STRICKLER,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Mr. Strickler, for the record, sir, would you spell your last name for the court reporter?

A. S-t-r-i-c-k-l-e-r.

Q. And where do you reside, sir?

A. Farmington, New Mexico.

Q. And what is your occupation?

A. I'm a senior staff landman for Burlington Resources.

Q. On prior occasions, have you testified before the Division as a petroleum landman?

A. Yes, sir.

Q. Pursuant to your employment with Burlington, have you been assigned the responsibility to comply with the Division notice requirements for the five pilot wells that we're discussing this morning?

A. Yes.

Q. In order to satisfy that requirement, Mr. Strickler, did you make yourself knowledgeable about the notice rules?

A. Yes.

Q. In addition, have you provided in the exhibit book a summary of the various industry meetings that have taken place concerning well spacing in the pool?

A. Yes, sir.

Q. And you've provided that information for Mr. Stogner, should he care to review it?

A. Correct.

MR. KELLAHIN: We tender Mr. Strickler as an expert petroleum landman.

EXAMINER STOGNER: Mr. Strickler is so qualified.

Q. (By Mr. Kellahin) Mr. Strickler, let me ave you take a moment, let's turn to Tab 1 of the exhibit book. The first page is your certificate of notification where you believe you've complied with the notice requirements, correct?

A. Yes.

Q. Turn past the certificate, and let's look at the land summary. On the land summary you have provided Mr. Stogner with the names and the spacing of the 40-acre tract in which each of the pilot wells is located?

A. The 160-acre tract.

Q. I'm sorry, the 160-acre tract in which they're located?

A. Yes, sir.

Q. All right. Is it your understanding that four of

these wells are off-pattern wells?

A. That is correct.

Q. And that the fifth well is on pattern, but it will be the second well in its GPU?

A. That is correct.

Q. Is it also your understanding that these wells meet the footage requirements for wells in the pool?

A. Yes, they do.

Q. Let's turn now -- skip the rest of the information in that section for a moment, and let's turn to Tab 3 and look at the first display. What are we looking at here?

A. We have a San Juan Basin locator map. You can see the five wells in question highlighted in red, and that represents a nine-section area.

Q. The five pilot areas are displayed by the red code, and then there is a well name associated with each of the pilots?

A. That is correct.

Q. For each of those five areas, do you have individual land plat displays that will show us the offsetting operators that might be affected by that increased density well or off-pattern well?

A. Yes, sir.

Q. Turn past the Basin locator map. What's the next

display we're looking at?

A. What you see is an outline of the Basin-Fruitland Coal Gas Pool, San Juan, in purple. You'll also notice in the north end of that pool is the Fruitland Coal overpressured area, which was developed by the New Mexico Oil and Gas Commission out of Aztec.

Q. All right. The pool boundary shows an adjustment there on the eastern edge. You have re-examined this boundary to see if it is consistent with the acreage described in the Division orders for the pool?

A. Yes, sir.

Q. And you've made the necessary correction on that display?

A. We did make the necessary correction.

Q. All right. Let's go now to how you satisfied the notice requirements for each of the five wells. Starting first, if you'll turn to the next page, let's look at the plat that shows the Davis 505S. Do you have that one?

A. Sure do.

Q. All right, sir.

A. The Davis 505S is located in the east half of Section 12, Township 31 North, Range 12 west. You'll see it's crosshached for your convenience. Burlington's acreage is colored in yellow, and the well spot is located in Lot 9 or the northeast quarter of the southeast quarter

of Section 12.

Q. Are there special notice rules set forth in the pool rules concerning the parties to be notified for an increased density or an off-pattern well?

A. Yes, sir, Rule Number 4.

Q. And what does that rule provide?

A. We need to -- Burlington is required to notify all the offset operators and/or working interest owners, which we have complied with.

Q. All right. Rule 4 says if there is an offset operator, you notify the operator?

A. That is correct.

Q. If it's an undrilled tract, then you have to find the interest owners?

A. Find out the interest owners, yes, sir.

Q. Is that rule different than Rule 1207 concerning well location?

A. It's slightly different. Rule 1207 requires that the offset operator, in this case Burlington, would also notify its working interest owners, the --

Q. All right, if Burlington is an offset operator, then you're required to notify the working interests?

A. And we did so.

Q. All right, so you complied with both rules?

A. Yes, we did.

Q. Behind this display of 505S, do you have a tabulation of the parties that received notice that was applicable for this well?

A. Yes, sir.

Q. Show me that.

A. You'll see there it's Amoco, Hallador Petroleum and Merchant Resources.

Q. All right, let's continue through the book then and look at the others. The next one is the Turner Federal 210S?

A. The Turner Federal 210S is located in the north half of Section 13, Township 30 North, Range 10 west. This particular well is located in Lot 4, the northwest quarter of the northwest quarter.

Again, you see Burlington's acreage colored in yellow.

Q. Are you the operator of the offsetting wells in this area?

A. Yes, sir.

Q. Did you notify the working interest owners?

A. Yes, we did.

Q. And who are they?

A. In this case it's Amoco and Conoco.

Q. All right. Turn to the next color display, it's the Huerfano Unit 258S well.

A. This well is located in Section 36, the east half, Township 26 North, Range 10 West. The test well is located in the northeast quarter.

This particular well falls in the Huerfano Unit, and we've notified the Huerfano Unit Fruitland Coal owners and also the north offset owners, and you see those companies listed on the next page, a little over a dozen companies and individuals.

Q. In order to find the last two wells it will be necessary to move to a different tab section, will it not, Mr. Strickler?

A. Yes, sir.

Q. All right, let's turn to Tab 8. If you turn to Tab 8, there's a foldout display which is the first one. Let's look at the San Juan 28-and-6 Unit Well 418S. Where is it?

A. This well is located in the west half of Section 28, Township 28 North, Range 6 West. The test well is located in the northwest quarter. This well falls entirely in the 28-6 Unit. The Fruitland Coal owners were all notified, and this is in the Fruitland Coal PA. Those owners are Burlington, Conoco, Four Star, Williams, Bolack and Phillips Petroleum.

Q. Okay, let's cover the last well now. If you'll turn behind Exhibit Tab 9, let's look at the San Juan 28-

and-5 Unit well 201S. Find the well and tell us who you sent notice to.

A. This well is located in the north half of Section 15, Township 28 North, Range 5 West, Rio Arriba County. This falls within the San Juan 28-5 Unit. This is on a drillblock basis, and Burlington owns 100 percent of this interest.

Q. Who did you send notice to?

A. We sent notice to the San Juan 28-5 working interest owners, Fruitland Coal.

Q. To your knowledge, Mr. Strickler, has Burlington received any objection from the parties to whom notice was sent concerning their Application today?

A. No, sir.

Q. Direct our attention to where we're going to find the first executive summary that you prepared concerning the project. Where is that set forth?

A. Are you referring to the land summary?

Q. No, sir, I'm referring to the first summary behind Exhibit Tab Number 2. Do you and the other technical members of the coal gas study group --

A. What you see is the meetings summary. As you mentioned in your introduction, Mr. Kellahin, the Fruitland Coal committee was formed back in July of 1999. It was chaired by Ernie Busch of the Oil Conservation Division in

Aztec, New Mexico. A series of meetings have been held since July of 1999, actually ten meetings have been held.

Q. And this summary behind this exhibit tab shows the various participants at these meetings and the date of the various meetings that --

A. Yes, sir.

Q. All right, sir. Go back now to Exhibit Tab 1. Let's talk about the balance of the information behind Exhibit Tab Number 1. You've talked about the certificate, you've given us the land summary. The balance of this is the copies of the green card, the Application and a total list of the parties to whom notice was sent?

A. Correct.

MR. KELLAHIN: Mr. Stogner, that concludes my examination of Mr. Strickler. At this point we would move the introduction of the exhibits behind Exhibit Tab 1, 2 and 3.

EXAMINER STOGNER: Exhibit 1 -- between Tabs 1, 2, 3 -- how about the one over in that -- 8 and 9, do you want those?

MR. KELLAHIN: I'm going to ask those to be admitted later, when we've finished our discussion about all that data.

EXAMINER STOGNER: Okay, the portion of Exhibit Number 1 behind Tabs 1, 2 and 3 will be admitted into

evidence at this time.

EXAMINATION

BY EXAMINER STOGNER:

Q. I'm trying to get a placement here. I'm referring to the locator map behind Tab 3. The Davis 505S well. Where is that well located in reference to the Cedar Hills-Basal Fruitland Coal Pool?

A. This well, sir, is located in 31-12, Section 12. I do have a copy of the Order Number 8768-A, and I believe the Cedar Hill Pool is listed there. If I may refer to it, I don't know it by memory.

Q. Please refer, yes. And you're referring to what order number again?

A. This is Order Number R-8768-A.

MR. KELLAHIN: That's for Basin-Dakota, isn't it?

THE WITNESS: It's Basin-Dakota.

MR. KELLAHIN: He was asking you about the Cedar Hills Pool.

THE WITNESS: That is a Fruitland Coal pool, is it not?

MR. KELLAHIN: Yes, sir, and it's different from this one.

THE WITNESS: It is different from this one. It did have -- One of these orders did have that location in there, and I think it might have been the original 8768.

Q. (By Examiner Stogner) Now, on page two behind 3 there is another locator map. I don't remember you talking about it that much. It's showing the Fruitland Coal overpressure area. But there's also a little square in there that points to the Cedar Hills --

A. Ah.

Q. -- Fruitland Basal Coal. How about if we refer to that one and where this 505S well is in relationship to that?

A. Okay. The location of the Cedar Hill Gas Pool is in Order Number R-8768, and it's located in Sections 3 through 6, Township 31 North, Range 10 West, and Sections 19 through 22 and 27 through 34, Township 32 North, Range 10 West, San Juan County, New Mexico. And then our well is in 31-12, Section 12, which would be a couple townships over.

Q. Over to the west; is that correct?

A. I believe so.

Q. Okay.

A. South, I'm sorry.

Q. Oh, south.

A. Southwest.

Q. Okay. Behind Tab Number 1, showing the notification, and then on page two behind Tab Number 1, "Land Summary", and over on the far column to the right,

that's "Working Interest Owners and Company Approvals".

A. Yes, sir.

Q. When I see this, this is all the offsets around these individual pilot wells; is that correct?

A. No, sir, these are the owners for these five infill wells. As you can see, the first three, the Davis, Turner and San Juan 28-5 are owned or controlled by Burlington 100 percent. The San Juan 28-6 Unit is owned by the Fruitland Coal PA owners, and you see those owners there, Burlington, Conoco, Four Star, Williams, Bolack and Phillips. And in the Huerfano Unit it belongs to Burlington and Cross Timbers. And these are the owners of the five infill wells in question.

Q. Okay, and the interest underlying that half section?

A. Yes, sir, and we have sufficient approval for all five.

Q. Okay, when I refer to Exhibit -- I'm sorry, Tab 8, and I look at the second page, there's a map over there that shows the Fruitland Coal participating area in gray --

A. Yes, sir.

Q. -- and then a sort of a teal blue as the nonparticipating area --

A. That is correct.

Q. -- the proration unit is surrounded by both

participating and nonparticipating wells; is that correct?

A. That is correct.

Q. Okay. Now, where do I see -- or where do I go to to look up the difference of that ownership or percentages? Is that in here?

A. In the 28-and-6 Unit, the Fruitland Coal owners are listed on the land summary. The gray area, those owners are again Burlington, Conoco, in those percentages, Four Star, Williams, Bolack and Phillips, in those various percentages, and I'll refer you to the land summary.

Burlington owns 19.38, Conoco 35.79, Four Star -- or Texaco 31.84 --

Q. Okay, I'm looking for that land summary. Where is that?

A. Oh, I'm sorry, it would be Tab 1 -- I'm sorry, Tab 2 --

Q. Tab 2.

A. -- the -- right behind the certificate of mailing.

Q. Tab 2. All I find behind Tab 2 is about the meetings they were having.

A. This is -- I'm sorry, it would be Tab 1. We had the hearing summaries in the front, so it would be Tab 1, it would be the second page. There it is.

Q. Okay. Okay, when I go to that column, now you

refer down there in parentheses, "(Fruitland PA owners)" --

A. Yes, sir.

Q. -- is that referencing to all the people up above?

A. Yes, sir.

Q. Okay. Now, is there a difference, other than percentage, between that gray area and teal blue area?

A. Yes, sir, there would be. The gray area represents everybody's ownership as listed in the land summary, and the teal acreage is on a drillblock basis. So whatever -- You know, and that varies from drillblock to drillblock.

Q. Okay, now where do I find those interest owners in that drillblock to drillblock that surrounds this proration unit? Where do I find that those were notified?

MR. KELLAHIN: We may have to break those out for you, Mr. Stogner, because they got notice under Exhibit 1, but I don't have a separate tabulation, and I'll have to do that after the hearing for you.

EXAMINER STOGNER: Okay. Yeah, if you would --

MR. KELLAHIN: Yes, sir.

EXAMINER STOGNER: -- now you see where I'm getting at --

MR. KELLAHIN: Yes, sir.

THE WITNESS: Yes, sir.

EXAMINER STOGNER: -- I need to find out who those are, identified --

MR. KELLAHIN: The non-PA owners and the PA owners all got notice, I just didn't give you a list of the non-PA owners.

Q. (By Examiner Stogner) Okay. Now, are there any interest owners that have not ratified this unit? Is this 100-percent participation for the Fruitland Coal in the San Juan 28-6 Unit?

A. Yes, sir.

Q. It is --

A. Yes, sir.

Q. -- that's 100 percent?

A. Yes, sir.

Q. There's no unratified interest owners?

A. No, sir.

Q. Okay. Now, I'm looking at the Huerfano Unit. I'm looking at the 28-5 Unit, Well Number 201. Okay, when I turn to Tab 9, page one, this shows that the only Fruitland Coal participating area is to the west; is that correct?

A. Yes, sir.

Q. Okay. Now, there is some Fruitland Coal, but they're nonparticipating in the unit; is that correct?

A. That is correct.

Q. And then the rest in white, or the area in white on page 2, these are undeveloped acreage?

A. Correct.

Q. Okay, now how does the interest vary between these three colors?

MR. KELLAHIN: Once again, I'm going to have to break that out for you, Mr. Stogner, because we didn't give you that table.

Q. (By Examiner Stogner) Okay. Is the San Juan 28-5 Unit, is that 100-percent participation with all mineral owners?

A. Yes, sir.

Q. Okay. Now, I'm looking behind page three at the Huerfano Unit 258S well. Now, this is in a unit area?

A. The well does fall in the Huerfano Unit, but on the northern border of the Huerfano Unit.

Q. Okay. Now, how about participating and nonparticipating? I show -- it's a leasehold. I don't see the unit map. How is this different than the other two units that we talked about?

A. The other two wells were totally within those prospective units, the 28-5 and the 28-6. We show this much like a drillblock area, because it's on the north end of the Huerfano, and we had to notify the folks on the north end of the Huerfano Unit. So it was a point of

information for you.

Q. Okay.

A. We did not list the Huerfano PA map.

MR. KELLAHIN: We did put that in a different section, Mr. Stogner. If you go to Tab 7 --

EXAMINER STOGNER: Tab 7. Okay, I have Tab 7. You maybe -- Do you want to examine him on this? Maybe that will probably speed things up?

FURTHER EXAMINATION

BY MR. KELLAHIN:

Q. Mr. Strickler, let's look behind Tab 7 to follow up on Mr. Stogner's discussion. What are we looking at here?

A. We show the Fruitland Coal participating area colored in gray, and it surrounds the --

Q. You're looking at the second map.

A. The second map, right. The first map is the location map which we showed previously. The second map is the PA map.

Q. All right. And again, the PA is colored in gray, and the nonparticipating area is shown in blue?

A. Correct.

Q. Have you yet broken out for Mr. Stogner the ownership for each of those categories within the unit?

A. No, sir.

Q. But you sent notice to all the categories --

A. Yes, sir. And I'd like to refer you to a spreadsheet that might answer that question, Mr. Stogner's question. It's a summary of all the parties that we've notified and the wells affected, and this is on -- this is Tab 1.

Q. If you flip past the Application and you find the attachments to the Application, there's a tabulation of parties notified.

A. Yes, sir.

Q. All right, how can we read this and figure it out?

A. Well, you see all the parties listed in alphabetical order. There's about 43 owners. And adjacent to each party is the well that they offset, or the well that they're a particular offset owner.

Q. So this list would be comprehensive and would include a party, whether he was a participating party in a PA or in a nonparticipating drillblock?

A. Yes, sir. And it also would answer the two wells, the 28-6 well and the 28-5 well. It lists all those owners.

MR. KELLAHIN: Mr. Stogner, I'm still more than willing to separate these out for you and subsequent to the hearing provide you separate tabulations for responding to

your questions.

FURTHER EXAMINATION

BY EXAMINER STOGNER:

Q. Okay, let me -- before I respond to that, let me make sure I get this straight on this Huerfano 258. Now, when I look at the second page behind Tab 7, we have a cross-hached red area showing the spacing unit. Is this currently in the gray area or the blue area or the white area?

A. It's a nonparticipating area.

Q. So it would be blue?

A. Yes, sir.

Q. Okay. Now, is this unit, the Huerfano Unit, is that 100-percent participation by all mineral interests?

A. Yes, sir.

Q. Okay, so there's no unratified royalty interest anywhere in this unit?

A. That is correct.

Q. So with these three wells in these three units, whether they be in nonparticipating areas or participating areas, they are represented in that list behind Tab 1 --

A. They land summary.

Q. -- the land summary?

A. Yes, sir.

Q. There's no interest that is not represented here;

is that correct?

A. We have all the correct interest owners there, yes, sir, on the land summary.

Q. You just don't have the percentages broken down?

MR. KELLAHIN: That's right.

EXAMINER STOGNER: As long as we have been notified and listed, I will accept that. So no additional work is needed at this point, as long as we have them all listed.

Q. (By Examiner Stogner) Okay, behind Tab 2, this is the comprehensive list of all the meetings of this committee -- what, since 1999?

A. July of 1999 is when it started.

Q. That's when it re-started, I guess this --

A. Re-started, you're right, because they had one in the late 1980s.

Q. Okay. Now, do you -- It looks like Burlington is represented by several people in most of these instances. Are you one of those? You are, aren't you, in at least some of them?

A. On the Fruitland Coal Committee meetings?

Q. Yes.

A. I wasn't able to attend any of those, but on the subsequent meetings you'll see on the back pages, the May 4th meeting with the BLM, with the partners, and also with

the NMOCD on May 8th, I was able to attend all those meetings.

Q. What's this agenda -- committee agenda for May 8th? Is this a meeting that you had with -- or that the committee had in conjunction with another meeting, or are these issues that were brought up during just the committee meeting? I'm a little confused.

A. There were two meetings held that day --

Q. Uh-huh.

A. -- and the morning meeting covered those topics that you see on that -- the San Juan Basin Working Committee Agenda.

And then the sheet before that was a separate meeting concerning the infill pilot program. There were two separate meetings held on that day.

Q. By the committee, the coal committee?

MR. KELLAHIN: No, sir.

EXAMINER STOGNER: No.

MR. KELLAHIN: One is the coal committee, the other is Burlington's presentation to Mr. Chavez on the five pilot wells.

Q. (By Examiner Stogner) Okay, because I wondered what livestock and grazing issues had to do --

A. It was a comprehensive meeting. And you'll notice Item E was the Fruitland Infill Update, so I guess

that's why we put it in there.

Q. Okay. Since this is sort of a -- just a general summary, getting started on this, when I refer to the Tab 3 again, the big locator map, some of it extends up in Colorado. Now, does Burlington operate coal gas wells in Colorado?

A. Yes, we do.

Q. And what's the spacing of the coal gas in Colorado?

A. In certain areas 320s, in other areas you're allowed an infill, 160 infill.

Q. Okay. Is some of those infills allowed during -- in that Colorado-New Mexico state-line area?

A. I think there's a -- Yes, sir.

Q. Okay. Do you know if any of that technical information is utilized, or was utilized in preparation of this?

A. I'd have to refer that to my geologist. He's real up on that.

EXAMINER STOGNER: Okay. Mr. Kellahin --

MR. KELLAHIN: Yes, sir.

EXAMINER STOGNER: -- what we're talking about today, in the next phase, would be -- We're talking about a pilot project, a small area, the technical information, on our way to getting information for increased well density

in every other place, other than the fairway; is that correct?

MR. KELLAHIN: I'm not sure what the work group or Burlington will decide about the fairway density. I assume it would be docketed for hearing on the entire pool.

EXAMINER STOGNER: Oh, on the entire pool. I was under my understanding that the infill phase would not affect the fairway, as it's known.

MR. KELLAHIN: Well, I think that's Burlington's position, but that doesn't necessarily represent the position of the work group, and it's a matter to be discussed with all of them.

EXAMINER STOGNER: Good point, okay.

This is a big pool, a lot of interest, a lot of things going into it. That's why I'm trying to be one step ahead here. It is going to ultimately take in the whole pool, is it not? Is there going to be a buffer zone between us and Colorado? Is it needed?

MR. KELLAHIN: Yes, sir, those are all issues being discussed.

EXAMINER STOGNER: Okay, wonderful.

With that, I have no other questions of Mr. Strickler. You may be excused.

THE WITNESS: Thank you.

MR. KELLAHIN: We'd like to call our geologist,

Mr. Steve Thibodeaux. Mr. Thibodeaux spells his name T-h-i-b-o-d-e-a-u-x.

STEVEN M. THIBODEAUX,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. For the record, sir, would you please state your name and occupation?

A. Steven Thibodeaux, and I'm a geologist.

Q. And where do you reside, sir?

A. Ignacio, Colorado.

Q. On prior occasions have you testified before the Division and qualified as an expert petroleum geologist?

A. Yes, I have.

Q. Have you been involved on behalf of your company as the geologist to study the potential for infill drilling in the Basin-Fruitland Coal Gas Pool?

A. Yes, I have.

Q. As part of that effort, have you attended various meetings among industry personnel to examine that topic?

A. Yes, I have.

Q. And you've been the primary geologist responsible for determining the location and how to gather data for the five pilot wells which we've described to be located in the

underpressured area of the pool?

A. I am.

MR. KELLAHIN: We tender Mr. Thibodeaux as an expert petroleum geologist.

EXAMINER STOGNER: Mr. Thibodeaux is so qualified.

Q. (By Mr. Kellahin) Do the exhibits that we're about to review, Mr. Thibodeaux, behind Exhibit Tab 4 represent your work product?

A. Yes, they do.

Q. In addition, the book is organized so that the geologic information applicable to each of the five pilot wells is also located behind the tab that is specific as to each of those wells?

A. That is correct.

Q. Finally, did you prepare the written summary that begins behind Exhibit Tab Number 4 to summarize your presentation?

A. I did.

Q. Is there a key exhibit that we can look at initially to begin to explain to Mr. Stogner what you see and what you're trying to do?

A. Yes, there is.

Q. Which one would that be?

A. It would be the very first map, the cumulative

production, a larger version of which is on the easel.

Q. The first pocket contains the cumulative production map. Let's take a look at that. You've got a large copy on the display board?

A. Yes, I do.

Q. Let me take a moment and unfold my copy. What do you call the map we're looking at?

A. This is a cumulative gas production map from the Fruitland Coal wells in the San Juan Basin.

Q. That microphone doesn't amplify your voice.

A. Okay.

Q. You'll have to speak up.

How do I look at the color code and understand what you're meaning to portray by that color code?

A. Basically from blue up until yellow, we get increasingly greater amounts of cumulative production. Blue through green represents about a BCF of cumulative production. Once we get to the yellow colors, we are starting to have cumulative production in excess of 7 BCF per well.

Q. On this display can we find imposed on it the five study areas for the five pilot wells?

A. Yes, we have a small red square around a nine-section area surrounding each of the proposed five pilot wells, which are marked with a red triangle.

Q. The study area, then, would be those wells within the nine-section area?

A. The immediate study area, yes, sir.

Q. Is there a way to look at this map and determine generally where you believe the fairway or overpressure area of the pool is in relation to the balance of the pool?

A. Certainly, we have an original overpressure interpretation line marked in red around the very hot colors or the red and yellow colors. Aside from that, it's reasonably stark contrast between the higher production, cumulative production areas which are all in red or yellow, and the nonfairway coals.

Q. This is simply done on a cumulative-production basis?

A. That's correct.

Q. Is there an observable geologic difference between wells in the fairway and those in the underpressured area?

A. Yes, there is.

Q. Explain to me what are the various factors of difference between those two areas.

A. The primary observable geological difference is that the fairway coals are of higher rank than the nonfairway coals. We have a -- That is observed by measuring vitrinite reflectance in the laboratory, which is

the indication of rank and thermal maturity. So the fairway coals are generally of higher rank, which means they're more thermally mature. They're a little more prone to be brittle and fractured, and they have a higher capacity to both store and generate hydrocarbons.

Q. Is there an explanation as to why the wells in the overpressured area have been more productive in relation to the other area?

A. Yes.

Q. And what are the factors that explain that difference?

A. Primarily due to their higher rank and higher gas-generating capabilities, because they were buried deeper originally. They also have much greater permeability than the nonfairway coals. And I would say permeability is probably the single most important factor in determining their productive potential.

Q. Does Burlington participate with other operators in the San Juan Basin that are interested in the Coal Gas Pool in studying well density in the pool?

A. Yes, we are.

Q. Can you give me a general list of the kinds of things that might be mapped or analyzed to determine whether there is a need to separate out the fairway from the balance of the pool?

A. Sure, there are a number of observable and mappable differences in the production between fairway and nonfairway gases. There are significant differences in the amount of CO_2 produced, the BTU content of the gases, the dry or wet indexes of the gases, the water production from these wells, the initial shut-in pressures from these wells, the maximum rate achieved by these wells, the EURs of the wells, the gas-water production profiles, which typically show an incline in gas production profile on a fairway and an immediate decline or flat production on nonfairway wells, and initial permeability.

Q. Do you participate on behalf of the geologic portion of your company with a technical team of Burlington to analyze the reservoir?

A. Yes, I'm the senior geologist on a Fruitland Coal team designated to study just the Fruitland Coal.

Q. Do other members of the team include reservoir engineers or engineers with expertise in reservoir simulation?

A. Yes.

Q. And you continue to work together as a team?

A. Yes, we do.

Q. What has the team currently concluded concerning the well density in what we characterize as the fairway?

A. Our team, as well as our company, in general

agrees with the NMOCD and industry-sponsored ICF and GRI studies conducted between 1988 and 1991, that indicated that 320-acre spacing is adequate. Those studies were primarily focused on data found in the Cedar Hill Pool, which is within the fairway productive area.

In addition, the long-term production we've seen out there, along with POW wells that we have also indicate to us that fairway production is adequately spaced on 320 acres.

Q. When we look at the underpressured area of the pool, do you have available to you the same type of data that was used to analyze and simulate performance of wells in the fairway?

A. At this point in time, no, we do not. And that is why we have proposed our pilot project, because we would like to collect the same type of data that was well represented in the original studies in the fairway for nonfairway coals.

Q. Give me an example of a list of the kinds of data that you would gather from your pilot wells.

A. Currently we do not have layered pressure data in our pilot wells.

Q. Why is that important to you?

A. What we are seeing in fairway or nonfairway production is that in a relative term, in a general sense,

we have very high recovery factors for fairway production and very low recovery factors for nonfairway coals.

What we don't understand is that -- Are those recovery factors representative of the entire amount of coal encountered in a single wellbore, or are we seeing anomalously high recovery factors from a single permeable layer, and the rest of the layers may not be contributing at all to the production.

Q. Within each of the five project areas, do you have available data that will supply that information? Why do you need the new well?

A. The data that we have in the pilot project areas is not layer specific.

Q. And what will you obtain, then, with a new well in each of the five pilot areas?

A. With a new well we will be obtaining layer-specific data, we will be developing isotherms by layer and layer-specific pressure data, as well as production-testing data.

Q. Why have you and the team recommended to the Division the five different areas for study on a pilot basis?

A. We picked five areas that have a good representation of the major coal seams we've been able to map throughout the entire Basin. We want to stay away from

areas where there were -- some of the major coals were absent or thinned dramatically, so that we had good representation.

And then we -- aside from that, we additionally picked areas where we had -- the coal wells in those areas exhibited both high, medium and low productive capabilities.

We were -- believe that the areas that we've picked will be representative of a significant portion of the nonfairway coal production areas.

Q. I'm not going to ask you to go through each of the five areas geologically, Mr. Thibodeaux, but I would like you to select one of those. Let's go to the tab that is specific as to that well, and let's describe for Mr. Stogner how you've organized and analyzed the geology for each of the five.

A. Sure, we can go to Tab Number 5, which concerns the Davis Number 505 well.

Q. All right, let's do that. Let's go behind Exhibit Tab 5. You've got your nine-section area on the first plat. You turn past that one, you have the nine-section area in which only the coal gas wells are located, all right?

A. Yes, sir.

Q. Behind that is a surface map and then a

tabulation of interest.

Then we get to your first display. It's a Pictured Cliffs structure map?

A. Yes, sir, the first display is a Pictured Cliffs structure map, showing that really structure plays a very minor to insignificant role in selection of these locations.

Q. Behind Exhibit Tab 4 is the large structure map, so that if the Examiner wants to see the entire structural interpretation he can look at that map?

A. Yes, sir, that's correct.

Q. And this would be a portion of that map that is specific as to the Davis well?

A. Yes, sir.

Q. All right. Have you picked any of the five project wells based upon structure being a critical component?

A. No, we haven't.

Q. And why not?

A. The nonfairway coals are basically located on what is known as the Chaco slope, which is a gently dipping monocline that dips upwards to the southwest. And so structure plays a relatively minor, inconsequential role, to our knowledge, in productive capabilities of these coals.

Q. Let's turn past the structure map and look at the green display which is the next map. What does this represent?

A. The green display represents a net isopach map of all the coals we expect to encounter in this area.

Q. And why is that of importance to you?

A. We were looking for areas that obviously did not have any significant thinning coals where some of the major coal layers that we've been able to identify were entirely absent, so that we could relay information that we found in our pilot areas to a larger portion of the Basin.

Q. Your geologic summary categorizes each of the five project areas and shows what you conclude to be the geologic differences among that population?

A. Yes, it does.

Q. Have you determined to your own satisfaction that you have selected an adequate number of pilot areas in the underpressure to subject to study?

A. Yes, sir, we believe the five pilot areas we have chosen and the wells that we have chosen to drill will be representative of a significant portion of the nonfairway characteristics.

Q. Let's continue with the Davis discussion. If you'll turn behind the coal thickness map and look at the type log, describe for us in a summary fashion this

layering of the coal that you're investigating.

A. The type log for the Davis 505, on the right-hand side you will notice that designations P2, G1, G2, et cetera -- these are internal designations we've given individual layers that we've been able to correlate and map throughout a very significantly large portion of the entire Basin, whether it be Colorado or New Mexico.

Q. When I look at the type log I can see that the lower Coal intervals are closely associated with what appears to be the top of the Pictured Cliff sandstone?

A. Yes, they are.

Q. What are you and the team doing to assure yourself that your science project is not compromised by having Pictured Cliff gas contributed to the production of your pilot well?

A. The five pilot well areas that we've chosen, one of the criteria for choosing these areas, besides the ones mentioned earlier, that we were trying intentionally to stay from high productive Pictured Cliffs areas, so as to not unduly influence pressures we may obtain from our basal section, in particular, from long-term Pictured Cliffs production.

Q. Following the type log, then, you have cross-sections that are applicable to giving us a cross-section line in two directions through the pilot area for each of

the pilot wells?

A. Yes, sir, those cross-section lines were indicated both on the structure map and on the net coal map, and they represent a three-well cross-section through the type log in both the strike and dip directions.

Primarily the purpose of these type sections, these cross-sections, was to determine the individual stratigraphic variations that we were seeing in that area so that we could determine how many layers we should be pressure testing for a potential communication.

Q. On the cumulative-production map that we began our discussion with, there is a line of cross-section in two directions on that display --

A. Yes, there is.

Q. -- do you see that?

Let's go to those cross-sections. If you go to Exhibit Tab 4, and if you turn past the pocket parts, the first cross-section is a Regional Strike Section. Do you find that?

A. Yes, sir.

Q. Why is this of significance to you?

A. What we're showing in our Regional Strike Section, which runs roughly along the fairway/nonfairway boundary area, is that we have very good coal continuity of the major coal intervals that we've been able to identify

and map throughout a 46-mile -- or plus section of rock, from the northwest to the southeast.

What I would like to point out is, although we have good coal continuity as a whole for each one of our major intervals that we've been able to map, we do see local discontinuities, and we do see local stratigraphic relationship changes as these coals move up and down the section, as they were influenced by the deposition of clastics from fluvial streams that were active during coal deposition time.

Q. How are any of your five pilot projects affected by your analysis of the Regional Strike Section? Of what importance is this when we look at your five pilot areas?

A. Of importance to us is the various relationships that we see. If we would notice, briefly, on the third well from the left, we see a large interval where our basal coals -- and there's one called Green 3 -- are associated together. In that instance we would expect those coals to properly behave as a single reservoir and be in pressure communication.

If you go to the next well to the east of that location, that association has split and those coals are probably not in pressure communication at that point. And we see these relationships over and over again throughout the entire Basin, where we see different relationships.

Sometimes the coals are associated closely with each other, and sometimes they split to form different associations with other coals.

Q. Will your study of the five pilot areas provide you a reasonable selection of those variables so that you will have a sample of the changes in order to analyze those changes of coal?

A. Yes, they do.

Q. Let's look at the last cross-section, which is behind the one we've just described, and you've labeled that a Regional Dip Section?

A. Yes, I have.

Q. Describe for us the points of information you want to have us understand about this display.

A. First off, just as we saw in the regional strike section, we see the coals associated with other differently. So we see that from both the strike and dip direction.

Secondly, what we are noticing is that as we go to the landward depositional areas, to the southwest, updip, our coals are beginning to thin out as a general rule, and we're being deposited on the landward side of our major peak deposition areas. As we go towards the northeast or towards the original paleo-shoreline of the Pictured Cliffs, we start getting additional development of

all of our coals showing up.

One of the things that we are looking at testing in our pilot program, as we reach the landward side of the pinchout edge of some coals that may be well developed to the northeast, but we have the same coal towards the southwest -- once we get towards the edge these coals have a tendency to be of lesser quality, I would say. They have more clastics in them, they're thinner, they're less prone to fracturing, less gas content in them. And so we believe that there's potential that the same coals that may be communicating where they're very well developed to the northeast might not be communicating on 320-acre spacing as we move towards the thinner edges of them, especially towards the southwest.

Q. Do you have an opinion as to whether it's necessary to subject the underpressured area to reservoir simulation in order to develop opinions and conclusions concerning the appropriate density of wells in the underpressured area?

A. I believe it's critical to do the layer pressure data that we anticipate to gather in our pilot wells in order to properly simulate behavior in the nonfairway coals.

Q. Do you believe traditional methods of analysis of gas in place and drainage patterns and well density from a

geologic perspective can be done in the absence of the simulation?

A. I believe that the traditional methods of estimating drainage areas and recovery factors from coals give you a good indication of the potential that these coals are not effectively -- or these wells are not effectively draining 320-acre spacing, but I do not believe that the traditional methods give us the answer that we're looking for.

Q. You could start with conventional analysis, do volumetrics, and get a preliminary indication of what might be the expectation of gas in place?

A. Certainly that's true.

Q. But to have a more refined, definitive answer as to well spacing in the underpressured area, you would want to subject that area to enough pilot tests for simulation to give you a reliability about density?

A. Yes, sir, because of the layered communication and permeability differences that we expect to see in these coals, I believe that we have to have the layer simulation in order to accurately describe what is going on currently in the reservoir.

MR. KELLAHIN: Mr. Examiner, that concludes my examination of Mr. Thibodeaux. We move the introduction of his Exhibit 4, plus the geologic displays behind each of

the tabs referenced for the wells, which are Tabs 5 through 9.

EXAMINER STOGNER: That part of Exhibit Number 1 behind Tabs 4 through 9 --

MR. KELLAHIN: Yes, sir.

EXAMINER STOGNER: -- or 5?

MR. KELLAHIN: All of Exhibit Tab 4 --

EXAMINER STOGNER: All of Exhibit Tab 4 --

MR. KELLAHIN: -- and the geologic displays from Exhibit Tab 5 through 9.

EXAMINER STOGNER: -- and the geologic displays from 5 through 9 will be admitted into evidence at this time.

I'm going to call a five-minute recess.

(Thereupon, a recess was taken at 11:38 a.m.)

(The following proceedings had at 11:48 a.m.)

EXAMINER STOGNER: This hearing will come to order again.

I've asked Mr. Steve Hayden, the geologist from the Aztec Office, to join me up front here, and he has done so. As far as -- I don't really have any geological questions except a few.

EXAMINATION

BY EXAMINER STOGNER:

Q. The areas in which you have chosen, the five

areas, do they have enough variety, or do they have various minor differences as far as the geological makeup of the coal that represents a good overall portion of the San Juan Basin-Fruitland Coal production up in the New Mexico area?

A. Yes, sir, we believe that they do. The primary difference, however, is the production. We try to represent the same coals all over, but however they're each one in a -- possibly a different depositional setting or different group associations or some of them have more propensity to be splitting or thinning. But from obvious production characteristics, we've picked areas that have both low, high and medium production.

So we believe that we've represented the majority of the Basin well by these five locations.

Q. Okay, the preparation of the cumulative production from 2000, most recent available data, the well spots on this particular map, is that just the Burlington wells?

A. No, sir, that is cumulative production from all wells in the state database.

Q. Okay, and the well spots themselves are all existing Fruitland Coal wells?

A. Yes, sir, they are.

Q. Okay, when I look toward the -- in fact, the extreme southwest, the colorful little area there in 26

North, 14 West, and 26 North, 13 West --

A. Yes, sir.

Q. -- I only see one well spot.

A. Yes, sir.

Q. Okay, and I don't see a well spot in the high cumulative area.

A. That's a computer algorithm. You know, these are computer-generated contours, and so we have one high-producing well. And what it is, it was interpreted that since we have low production to the east and there's one high well, we must have even higher contour production to the west of that location. It's a computer algorithm.

Q. Okay, so that's the same explanation if I move over to the east, a few miles over in 9 West, 8 West, there seems to be another anomaly show up that has just a few wells in it.

A. Yes, sir.

Q. One of the things that sort of stands out when I take a look at this map, the northern portion, the stuff up in Colorado, what kind of deposition is that? It appears, first glance, that something's gone on a little bit different than to the south end of this fairway area.

A. As a general rule, Mr. Stogner, the northeastern edge of the high fairway area that we can see in the very bright colors on our map, we start getting pinchouts of our

basal sections and some of our middle sections. On our type logs that would be the browns -- the B1's, -2's and -3's -- and the greens.

Most of the coals that live up in Colorado are starting to be coals, some of them over -- are younger or on top of even the blue coals that we mentioned in our type logs. And so we have a whole different coal system beginning to form up there.

As these coals -- Actually, I have an easier way to explain that to you, I believe.

EXAMINER STOGNER: Okay, Mr. Kellahin, do you want to explain to me this bigger cartoon?

THE WITNESS: You betcha. This is a diagrammatic sketch of the kind of coals that we've been able to map throughout the Basin. The nine coals I've been referring to so far in my testimony have been from the blue on down to the Brown 3, right above the Pictured Cliffs.

This is a schematic cross-section that would go and cross the entire Basin. You can see the New Mexico-Colorado border on there. And if you notice, as we go into Colorado, we're starting to lose out on the Brown 1, 2 and 3; the Green 1, 2 and 3; and even the P1 and the P2 coals, and we're starting to have dominant coals only in the blue, the yellow and the little O up there, which stands for Orange.

Q. (By Examiner Stogner) That does not come across into New Mexico?

A. No, sir, it does not.

Q. I take that's a highly productive -- the orange is a highly productive interval?

A. All of these coals were formed in very similar depositional environments, and those coals were also buried deeper than the nonfairway coals to the west, so I'd expect their rank to be very similar and their productivity potential to be very similar.

Q. What kind of depth difference am I looking at between the Orange zone up in the northeast and the gray or the Brown zones, the BR2, the BR3, that's found in the southwest?

A. Is this present-day depth or maximum depth of burial?

Q. How about both? Give me both.

A. Present-day depths are almost identical. Present-day depth is controlled by current structure of the Basin, and so it depends on how far we are towards the very center of the Basin or not.

The entire interval, from Orange to Brown 3, is rarely over 350 feet thick. And so that whole interval, these coals, depending on where they're found, are found within that 350-foot interval that is controlled by current

Basin day structure.

Maximum-depth-of-burialwise, the Brown 3 coals were probably never buried quite as deep as the coals -- the O coals, for instance, the orange coals in the northeast, because that part of the Basin was buried deeper than the southwest part of the Basin originally.

EXAMINER STOGNER: Okay. Mr. Kellahin, how shall we label that, or should I put this in the book?

MR. KELLAHIN: Let's put it in the book behind Exhibit Tab Number 4, and we'll simply refer to it as the Schematic Cross Section, San Juan Basin.

EXAMINER STOGNER: This inclusion of the schematic to the northeast-southwest of the San Juan Basin will be included in Tab 4 and is hereby accepted as a part of the evidence.

Let's see, I believe Mr. Jim Bruce has a question. Where did you go, Mr. Bruce?

MR. BRUCE: Back --

EXAMINER STOGNER: You're behind the map curtain there, I see.

MR. BRUCE: Heard but not seen.

EXAMINATION

BY MR. BRUCE:

Q. Mr. Thibodeaux, if this is more appropriate for the engineer let me know.

A. Okay.

Q. Why don't you turn to Tab 6, the first page, Tab 5 and Tab 6, the first page of each. Behind Tab 6, the two wells, the existing one and your infill well, are about a half a mile apart?

A. Yes, sir.

Q. If you go to Tab 5, they're pretty close together. Is there a reason for that?

A. Yes, sir, actually there's a couple of good reasons for that.

First of all, the 505S, we picked a location -- we had an abandoned existing location that was never used. And trying to comply with BLM surface-disturbance rules, we thought it was best to try to figure a location that would have readily approved by the BLM regulatory body by using existing surface disturbance.

Secondly, one of the questions that we have about the permeability of these coals is that we do not currently know how far of an interference they have, whether it's permeable or impermeable.

These two wells happen to be 995 feet apart, so right now we don't know for both the permeable and impermeable zones that we're seeing in these layers, are they communicating on 900 feet, 500 feet, 1000 feet, 2000 feet?

We thought this would provide an excellent data point for us to start measuring and comparing if we saw communication 995 feet apart here and not 2000 feet apart on some of our other pilot wells, we could use that information to best determine just what is the extent of communication on these wells.

MR. BRUCE: Thank you.

EXAMINER STOGNER: Any other questions, Mr. Bruce?

MR. BRUCE: No, sir.

EXAMINER STOGNER: Mr. Carr?

MR. CARR: No questions.

EXAMINER STOGNER: Okay, we don't have any further questions at this time, but we may ask Mr. Thibodeaux to resurface if we have some after your next witness's presentation.

MR. KELLAHIN: Our last witness is Mr. Leonard Biemer. Mr. Biemer is a reservoir engineer with Burlington. He spells his last name B-i-e-m-e-r.

EXAMINER STOGNER: Why is his book thicker than mine?

MR. KELLAHIN: He's anticipating all your questions, Mr. Stogner, and he wants to have the right answer.

EXAMINER STOGNER: Okay, thank you.

LEONARD J. BIEMER, JR.,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

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

A. My name is Leonard Biemer. I'm a senior staff reservoir engineer.

Q. And where do you reside, sir?

A. In Farmington, New Mexico.

Q. Are you the senior staff reservoir engineer assigned by Burlington to the coal gas team?

A. Yes, sir, I am.

Q. You and Mr. Thibodeaux worked together on the preparation of the presentation today?

A. Yes, sir, we did.

Q. Let's focus on Tab 10. When we look at Tab 10, the engineering summary that's been prepared here was prepared by you?

A. Yes, sir.

Q. And the information and display shown behind Exhibit Tab 10 is your work product?

A. Yes, sir.

Q. Are you in agreement with Mr. Thibodeaux about

the selection of these five project-area wells?

A. Yes, sir, I am.

MR. KELLAHIN: We tender Mr. Biemer as an expert reservoir engineer.

EXAMINER STOGNER: Mr. Biemer is so qualified.

Q. (By Mr. Kellahin) I'd like to start, Mr. Biemer, with your executive summary. If you'll look at the first page of 10, I would like you to go down and summarize for Mr. Stogner the information that you and Mr. Thibodeaux are trying to obtain from each of the pilot wells. Describe for us what you're going to do and what you think you're going to get.

A. In each of the five areas we plan to drill a well, and as we're drilling a well, in each zone we're going to pull some cuttings, and those cuttings will be used for adsorption isotherms.

We're then going to run a RHOB density log, and with that information -- and we'll be able to use the Langmuir volumes to determine Langmuir volumes and both densities. So that's the first step.

The second step will be to perforate and break down each zone and to establish some communication with the coal. We'll then set a bridge plug and run pressure isolations into each layer of the geology.

So what we have is, we have five areas there.

And in the Davis, which is in the northwest, we'll have six pressure bombs there. And the three in the center, which are the Turner, the 28-and-6 and the Huerfano, we'll run four pressure bombs. And in the fifth one, which is into the far southeast, we'll have five pressure bombs in that one. That is to test each of those coal zones.

Next, once we -- We'll run those pressure bombs for approximately 14 days to get a pressure buildup by layer. Next we'll go ahead and fracture-stimulate the well consistent with the way the offset wells were stimulated. We'll produce that well for 90 days and then run a spinner survey. Those spinner surveys will be -- we'll get the pressure contribution by layer in each of those zones.

We'll then continue to produce that well for another 90 days, and then at the end of 180 days we'll re-run that spinner survey to confirm the production by zone.

Q. At that point you're prepared to shut in the well and either seek additional approvals to produce two wells on the spacing unit or arrange to go back and produce just the one?

A. Yes, sir, that is correct.

Q. Once you have that data gathered after the 180-day test period and you've got the data, what are you going to do with it?

A. Once we've determined our pressure by layer, our gas content by layer and our production by layer, we'll be able to put this information into a simulator, and with that simulator we will build -- history match the production from that pilot well. That will be the first step.

Once we match the history production from that pilot well, we'll be using those same reservoir parameters into the four offset wells and match the history production from those wells.

Q. Once you've done that, then what happens?

A. Once we've done that, we'll be able to -- Now we'll have an idea of the reservoir parameters in the three -- in the different areas. And from that we'll be able to determine the well density.

Q. Mr. Thibodeaux indicated that you and he had studied on a volumetric basis in order to get a preliminary indication of what might be the potential for the gas in place in each of the five pilot areas. Did you, in fact, do that?

A. Yes, sir.

Q. And that you could compare it with current production to get a sense as to whether or not there was a range of gas in place that you need to investigate further, right?

A. That's correct.

Q. In your opinion, can you rely simply on conventional volumetrics in order to determine well spacing for the pool in the underproduced area -- I mean the underpressured area?

A. That is precisely the point why we want to do this test. If we had just simply two coal zones and we made our volumetric estimation on that and that gave us a certain value, when we go back and then do our tests and we determine that one of those zones has very low permeability and thus is not producing, then our volumetric number will change, our volumetric numbers will go down, which causes our recovery factor, based on our decline-curve analysis, to go up. That's why it is so important to get, by layer, production and contribution to the volumetrics.

Q. And once you have that data, then, you can reservoir-simulate the performance of each of the layers and help you determine well density and gas in place?

A. Yes, sir, that is correct.

Q. Let's turn behind your summary and let's look at the first display so that Mr. Stogner can have a sense of the ranges of rates being produced in each of the five areas. You've called it a production summary. Do you see that?

A. Yes, sir, that's the fourth page behind Tab 10.

Q. All right, review that for us.

A. What this is showing is the five wells, with the averages -- average initial rate for the four offsetting wells, the current rate for those four offset wells and the average cum production. What this shows you on the far right-hand column, as in the Davis 505S and the Turner 210S, those wells have very low cums. The 28-and-5 and the 28-and-6 have better cums, and of course the Huerfano has the greatest cum. Those are telling us that there's some different production out there, and they're different areas.

Q. Okay, let's turn to the next display where you've tabulated the recovery factor summary. Describe for us what you're showing here.

A. The recovery factor -- These wells in the underpressured area have a conventional decline. With that conventional decline we can use rate-time analysis to determine the EUR. Using the volumetrics of what we think are the contributing h and vol- -- we can determine the gas in place, by dividing the EUR by the gas in place, so we can get a recovery factor. This is one of our initial items that tells us that there's something wrong, that we're getting very low recovery factors out there, and that we may need some additional wells in that area to drain the reservoir.

Q. With reservoir simulation, Mr. Biemer, you would be provided a more accurate engineering opportunity to determine whether you gas-in-place numbers calculated volumetrically were grossly in error or, if in fact, you did need to increase the well density in that area?

A. That is the main point of our study.

Q. Okay, let's turn to each of the displays that refer to each of the five pilot areas, and let's start first with the Davis 505S. What have you shown on this nine-section plat?

A. On this nine-section plat I will show with a little blue triangle -- that's a Fruitland coal well -- the well name. The second thing is the operator. The third item down is the initial rate of that well, the first ninety-day average rate. The third [*sic*] item is its current rate over the past ninety days. And the fifth item will be the cumulative production to date.

EXAMINER STOGNER: Okay, hold it. Back up a little bit. The first item is the well, second item is the operator, the third item is the well in which it was completed --

THE WITNESS: -- the third item is the --

EXAMINER STOGNER: -- the year --

THE WITNESS: -- year it was completed, I'm sorry.

EXAMINER STOGNER: Now, what about the fourth one?

THE WITNESS: The fourth one is the average initial rate, the fifth one is the average current rate, and the sixth one is the cumulative production to date.

EXAMINER STOGNER: Okay, and you have that in the legend in the far --

THE WITNESS: Yes, sir, I do.

EXAMINER STOGNER: Okay. Thank you.

THE WITNESS: And now this will be the same for all five wells, this production data.

Q. (By Mr. Kellahin) Before we leave the Davis 505S, once you get that well drilled and tested, then that gives you that data point. And if you decide to simulate this nine-section area, you would then integrate the data you had from each of these existing wells, you would start with the project well --

A. Right, we --

Q. -- and work out from there, adding data and refining your model?

A. Yes, sir. We will history match the production.

Q. Behind that tab, then, you have your calculations on the volumetric recovery factor for that well?

A. Yes, sir, I do.

Q. And that is simply the details that demonstrate

what you chose for values. They were then summarized on the prior display?

A. Yes, sir, it is.

Q. All right. And you've done that in all instances for each of the five pilot wells?

A. Yes, sir, I have.

Q. All right. Let's turn to Tab 11 and have you describe for Mr. Stogner your anticipated time lines for the science project.

A. Behind Tab 11 you see the time line that we developed on the team. Some of those were internal time lines. May 17th is currently where we are. We're here to get approval to drill the pilot wells. We're going to try to get full approval and the rig ready by July 1st. We'll have the wells drilled by September, a simulation done by the end of January of next year, conclusions by February, and back to present it to you in March of next year.

Now, this is a fairly aggressive time line.

Q. Was this time line discussed with the Basin-Fruitland Coal Gas study group that is being sponsored by the Division's Aztec office?

A. Yes, sir, and --

Q. This time line was shared with that work group, was it not?

A. Yes, sir.

Q. And the consensus among that group is, they wanted an aggressive time line and hopefully we could meet their expectations of completing the project within this time frame?

A. Yes, sir, that's correct.

Q. The plan is to take the conclusions and the summary back to the work-study group for further discussion by that group and trying to form a consensus about what to do?

A. Yes, sir, that is correct.

MR. KELLAHIN: That concludes my examination of Mr. Biemer. We move the introduction of his exhibits behind Exhibit Tab 10 and 11.

EXAMINER STOGNER: Those exhibits behind Tab 10 and 11 will be presented in evidence. And make a note that 12 and 13 are blank, I assume?

MR. KELLAHIN: Yes, sir, we didn't need to use those, but they were in the book.

EXAMINER STOGNER: Okay, so we don't need to admit the blank stuff on 12 and 13.

Mr. Bruce, any questions of this witness?

MR. BRUCE: Yeah, just one.

EXAMINATION

BY MR. BRUCE:

Q. When you do your modeling, you say you're going

to test the individual hole stringers, is that right, to see if they produce in the pilot well?

A. Yes, sir, we will be collecting the layer pressures and adsorption values from each layer, as well as production from each layer through our spinner survey.

Q. Okay. Now, when you're doing your modeling, if you determine that it's not producing from, say, one of the coal seams, will your model assume that it doesn't produce in the four offsetting wells also?

A. Yes, sir.

Q. Could that have the effect of underestimating the reserves?

A. Well, sir, if it's not producing then we wouldn't be underestimating them. And if we find a zone is not productive, then we could not include it into our volumetrics, and in that way it would not be underestimated at all. And the reverse would be, had we included it, we would have overestimated our reserves -- or our gas in place.

MR. BRUCE: That's all I have, Mr. Examiner.

EXAMINER STOGNER: Thank you, Mr. Bruce.

Mr. Carr?

MR. CARR: No questions.

MR. HAYDEN: I have one.

EXAMINER STOGNER: Steve Hayden has a question

for you.

EXAMINATION

BY MR. HAYDEN:

Q. I received the time line last week. I wasn't aware that the committee had received it, the Fruitland Coal committee.

A. I think that was given -- that time line was given out to the working interest owners and to our meeting at the BLM.

Q. Okay, it hasn't been presented to the Fruitland technical study committee yet, as far as I'm aware.

A. That may be correct.

Q. Okay, I just wanted to --

A. I know the working interest owners have it, and the BLM.

EXAMINATION

BY EXAMINER STOGNER:

Q. I'm looking at the Davis 505 Fruitland Infill Pilot Study map. This is a good representation.

How will the way that the well was completed and stimulated, if any -- those wells, as you go out with your model, how is that going to affect any of your model techniques? Or is it, the way the well was completed?

A. We're going to complete the infill wells similar to the way the offsets were completed.

Q. Okay, that was probably the way I should have worded my question, is that the similar completion techniques --

A. Yes, sir, we don't want to throw an additional unknown into it. But these wells will be completed in a similar manner that --

Q. And it looks like they were completed at about a similar time, in the late 1980s, early 1990s.

A. Yes, sir, I can tell you exactly when each one was completed and when they were first delivered.

Q. Well, it's all on here, but at that time -- Well, wasn't early on, when the Fruitland Coal was producing and completed, wasn't there some completion problems found with open-hole completions, and then later came back to the perforations?

A. The wells in the underpressured area, in general, have always been cased and frac'd. Only the wells in the overpressured area, the fairway coals in that yellow, were the ones that were open-hole completed. But in this area they were normally cased and frac'd.

Q. Okay.

A. There may be a few exceptions throughout the Basin, but...

EXAMINER STOGNER: Okay. Any other questions of this witness?

MR. KELLAHIN: Point of clarification, Steve. My understanding is, this actual piece of paper hasn't been distributed to the work group, but there was verbal discussions with the group about an aggressive time line --

MR. HAYDEN: Right.

MR. KELLAHIN: -- and this is our best effort to get there.

MR. HAYDEN: This is true. I just wanted to clarify that.

MR. KELLAHIN: Yeah, they didn't give this actual piece of paper, but an aggressive schedule was discussed, is my understanding?

MR. HAYDEN: Right.

MR. KELLAHIN: That completes our presentation, Mr. Stogner. If it will help you, I'm more than happy to prepare you a draft order.

EXAMINER STOGNER: Yes, I will not turn that down. It may be -- I don't know at this point -- applicable for us to stay in touch on this matter, maybe through verbal or written communications. After next week I might not have the leeway at that point to pick and choose topics that I need to work on or put one above the other. So that might need some written communications from you to my supervisor, putting this on a fast track. I may not have control of it for Monday.

MR. KELLAHIN: Thank you.

EXAMINER STOGNER: Okay.

MR. KELLAHIN: In addition, Mr. Stogner, we will get ahold of Mr. Chavez about the imaging project and give him the data that will help him fulfill that expectation.

EXAMINER STOGNER: And this is a whole -- I consider a whole separate effort --

MR. KELLAHIN: It's a different topic.

EXAMINER STOGNER: -- but this is, I think, a good representation of what a pool rule, a study, and since everybody's up there together --

MR. KELLAHIN: I believe there's statements of -- parties that might want to make statements, Mr. Stogner.

EXAMINER STOGNER: Yes, I'm getting to that point. And I understand that there was somebody out of the room, and we will get back to that, other than Mr. Carr and Mr. Bruce, that would like to make a statement at the end.

Okay with that -- Okay, yes, sir. Why don't we go ahead and start with you, then. Identify yourself.

MR. OTTENI: I'm Lee Otteni with the Bureau of Land Management in Farmington, and I'd like to make a statement for the record.

EXAMINER STOGNER: You have the floor.

MR. OTTENI: Thank you. As everyone knows, the BLM and OCD has worked for many years in cooperation for

the development of the San Juan Basin, and I came here today with only a few brief statements to make in support of Burlington on the proposed pilot.

We think that it's important from the asset owner that the pilot is put into place so that we can make a further determination of the need for spacing, particularly in light of the resource management plan that we're developing now. We're working with the companies such as Burlington and New Mexico Tech and trying to determine reasonable, foreseeable development. We feel this is very critical in that final analysis.

BLM is also requesting other operators to take a look at infill wells under a pilot program such as Burlington, and Lynn Coleman has already come before you for another area in the Basin. We think that having some more information north of the fairway up towards Colorado would be beneficial to the BLM's final analysis as well.

There's some concern by the petroleum engineers in the BLM office about potential drainage. However they assure me that these situations can be handled through existing BLM regulations, so we don't really foresee a problem there.

Long-term, if this turns out to be as successful as everyone hopes it is going to be, there is a concern about how to manage the Basin on a spacing if it is more

than one size.

We feel right now that by having a single size or unit would be beneficial in regards to the administrative processes for both OCD and BLM as far as regulations go. I think there's a possibility for increased commingling, particularly with the Pictured Cliff.

We also feel that there's an opportunity for the operators to make the economic determination on their lease whether to go with the infill well or not if they have that opportunity. And although I haven't looked at the President's new energy policy that's coming out, I am sure that with the demand of energy across this nation, that the Administration's position would be to maximize development.

Thank you.

EXAMINER STOGNER: Before I get to other comments, Mr. Kellahin --

MR. KELLAHIN: Yes, sir.

EXAMINER STOGNER: -- I think we may want to clarify some terminology here.

Spacing units -- When this project goes forward, spacing units, the units that a well -- the acreage that a well holds will remain 320 acres. We're talking about optional infills on those 320s --

MR. KELLAHIN: Exactly.

EXAMINER STOGNER: -- and not talking 320 to 160.

MR. KELLAHIN: It would be impossible to change from 320s to 160s because of the tremendous disruption in equity --

EXAMINER STOGNER: Right, now --

MR. KELLAHIN: -- so we're talking about infill drilling a 320.

EXAMINER STOGNER: I wanted to clarify that, because usually -- and I know we're -- We're all in here, we know that. But if somebody was to read the transcript that wasn't aware of this, and they see -- they may interpret it as reducing spacing. That's not what we're talking about. It's the optional infill well, keep it on 320, just like the Basin Dakota, with an optional infill well either throughout the pool in New Mexico, with the exception of the fairway or whatever comes out. That's the ultimate.

I just wanted to clarify that. I think it was important, so if somebody comes in later that don't know what we're talking about, we'll get that straight. You brought up some very good points, and I appreciate it, sir. Thank you very much.

MR. HAYDEN: I might add just a little -- one addition to what you were saying about infill in the north. Williams early on expressed an interest to doing an infill pilot in the Rosa Unit, and these plans were progressing

until the Forest Service came up with their new 120-day extra delay on APDs, which means that Williams couldn't do it until next year, because of the closure of the forest after November 1st. So that's why there -- at this point, that there's no pilot project going on in the northeast part of the Basin. Just put it in the record.

EXAMINER STOGNER: Thank you, Mr. Hayden, that's good information, actually.

Okay, Mr. Jim Bruce, Mr. Bill Carr, who wants to go first?

MR. BRUCE: Mr. Examiner, I'm here on behalf of Cross Timbers Oil Company. Cross Timbers supports increased density in the Fruitland Coal formation in the underpressured area of the San Juan Basin. Cross Timbers, through its own gas-in-place analysis, believes that the coals are not being sufficiently drained with one well per spacing unit, and it believes that a second well in each unit is warranted.

Cross Timbers supports the gathering of the pilot project data if the Division views it as necessary to change the current spacing rules expeditiously. As I said, Cross Timbers supports a rule change, and Burlington's proposed time frame to acquire and present this data by the second quarter of 2002 is acceptable to Cross Timbers.

Thank you.

EXAMINER STOGNER: Mr. Bruce -- I mean Mr. Carr, sorry.

MR. CARR: Mr. Catan- -- I mean Mr. Stogner.

(Laughter)

EXAMINER STOGNER: Okay, thank you very much, appreciate that. Anything further?

MR. CARR: I'd like to make a brief statement for Williams Production Company and BP Amoco Production Company, and I want it understood we recognize what we're here for today is to review an Application for a pilot project. We believe that we are on our way to rules which will result in a greater density in terms of the development of the Basin-Fruitland Coal Gas Pool, and we think it is important at this time that we move down this path as quickly and as expeditiously as possible.

There area two areas. Both of these are matters which I believe will be reviewed with the work-study group, but I'd like to clarify where we stand two matters.

First, as to the timing. We certainly don't oppose the pilot project or the effort to collect data. We believe, however, that the data on the Basin-Fruitland Coal Pool today supports going to a greater density, would support infill drilling. In the underpressured area, we have areas where wells are producing as little as 10 percent of the gas in place, and we believe in these areas

today we're in a position where we should be able to move to an infill development program in, certainly, large portions of this pool.

As to the fairway, if in the rules we define a fairway, we think it should be with one line, with no transition or buffer zone. We believe we can draw that line, if we decide it needs to be drawn, well enough that we wouldn't have to get into these multiple zones within the reservoir.

And if we do carve out a fairway, we think it is critical that the rules allow for infill development within the fairway, because we believe the data shows there are substantial variations within that fairway, and there need to be procedures that certainly would not preclude infill development in that part of the reservoir.

Now, these are questions that need to be taken up with the work group, and while the pilot project is going forward these are the kinds of issues that we think have to be quickly addressed, because we are hoping that we will have a work-study group coming forward with some comprehensive rules in a very short time frame.

Thank you.

EXAMINER STOGNER: Mr. Carr, thank you for bringing up that point. I think it's good -- I'll tell you what, my congratulations to everybody working with that

committee doing this. I think this can be used as a model. I certainly wish some of the operators in southeast New Mexico, in certain pools, have certain items that are -- anyway, get together and work such as this, and your statements today and everybody's statements and this whole case keeping us here in Santa Fe informed of what we're looking at, what you guys are questions.

My congratulations to everybody. And with Mr. Kellahin's help, I will work very hard on keeping you on this schedule. And again, my congratulations on your work up there. I wish I would have been of it, but work just will not allow. Again, thank you very much.

Is there anything further from anybody in this matter today? Anything further, Mr. Kellahin, that you have?

MR. KELLAHIN: No, sir.

EXAMINER STOGNER: Okay, with that then I'm ready to take this matter under advisement, and Mr. Biemer can take his big book and go home.

(Thereupon, these proceedings were concluded at 12:30 p.m.)

* * *

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 12651, heard by me on 17 May 2001.

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 May 23rd, 2001.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002