

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. 12,837
)
APPLICATION OF BURLINGTON RESOURCES OIL)
AND GAS COMPANY, L.P., TO AMEND SPECIAL)
RULES AND REGULATIONS FOR THE BLANCO-)
MESAVERDE GAS POOL IN RIO ARRIBA AND SAN)
JUAN COUNTIES, NEW MEXICO)
_____)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

March 21st, 2002

Santa Fe, New Mexico

10/20/02 - 11/10/02
11/10/02

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, March 21st, 2002, 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

March 21st, 2002
 Examiner Hearing
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A P P E A R A N C E S

FOR THE DIVISION:

DAVID K. BROOKS
Attorney at Law
Energy, Minerals and Natural Resources Department
Assistant General Counsel
1220 South St. Francis Drive
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

FOR ENERGEN RESOURCES CORPORATION:

MILLER, STRATVERT and TORGERSON, P.A.
150 Washington
Suite 300
Santa Fe, New Mexico 87501
By: J. SCOTT HALL

* * *

1 WHEREUPON, the following proceedings were had at
2 9:11 a.m.:

3 EXAMINER STOGNER: At this time I'll call Case
4 Number 12,837, Application of Burlington Resources Oil and
5 Gas Company, L.P., to amend special rules and regulations
6 for the Blanco-Mesaverde Gas Pool in Rio Arriba and San
7 Juan Counties, New Mexico.

8 Call for appearances, if any.

9 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin
10 appearing on behalf of the Applicant.

11 MR. HALL: Mr. Examiner, Scott Hall, Miller
12 Stratvert Torgerson, of Santa Fe, appearing on behalf of
13 Energen Resources Corporation.

14 No witnesses this morning.

15 EXAMINER STOGNER: Any other appearances?
16 Mr. Kellahin?

17 MR. KELLAHIN: Mr. Examiner, I have a witness
18 available to discuss this case if necessary. At this point
19 we propose to submit our notice application verifications
20 to you, along with some exhibits that we have duplicated
21 out of the Mesaverde case. Mr. Matt Gray is here on behalf
22 of Burlington, and he can authenticate any of these
23 documents.

24 I'd like to give you a copy of the book that we
25 have prepared for the hearing this morning, Mr. Examiner.

1 EXAMINER STOGNER: Okay, I think for the record
2 too, I'd like to take note that this case is requesting
3 amendment to a pool that has special pool rules that was
4 the subject of a hearing just about two or three years ago
5 now, something to that effect, and that today's case is
6 advertised such that in the absence of objection that this
7 case will be taken under advisement.

8 Is that your wish or desire, Mr. Kellahin?

9 MR. KELLAHIN: Yes, that is our desire, Mr.
10 Examiner. I'm not aware of any objection. We sent
11 notification to all the operators in the Mesaverde Pool
12 pursuant to the Aztec office's list of operators, and I am
13 not aware of any objection.

14 EXAMINER STOGNER: Mr. Hall, do you have anything
15 to add along these lines?

16 MR. HALL: Mr. Examiner, Energen appears in
17 support of the Application and the new pool rules and does
18 have one request, however.

19 The provision addressing well location
20 requirements within nonparticipating areas within the
21 federal township units that would be affected, Energen
22 currently has a number of approved APDs and APDs pending
23 approval that would be closer than the 660 setback provided
24 for in the nonparticipating areas.

25 It's Energen's request that the rules be made

1 effective prospectively only, so that those pending and
2 approved APDs will be unaffected.

3 EXAMINER STOGNER: Essentially what I'm hearing
4 you saying is, those applications that are pending before
5 today's date or before the date of the order, if that so --

6 MR. HALL: Yes.

7 EXAMINER STOGNER: -- happens, as we're planning
8 today, or as you guys are planning, I should say, that
9 those essentially be grandfathered in; is that right?

10 MR. HALL: Yes, that's correct.

11 EXAMINER STOGNER: You mean the one that's 65
12 feet from the line near the lake? Is this the one?

13 MR. HALL: We wouldn't know --

14 EXAMINER STOGNER: Oh, okay.

15 MR. HALL: -- Mr. Examiner.

16 EXAMINER STOGNER: Mr. Kellahin, anything to add,
17 other than before you get started?

18 MR. KELLAHIN: No, sir.

19 EXAMINER STOGNER: Okay. Mr. Kellahin, you may
20 proceed.

21 MR. KELLAHIN: I've distributed to you an exhibit
22 book. Behind Tab 1 is the notification letter and a
23 complete copy of the Application that was filed with the
24 Division.

25 Following that are copies of the return receipt

1 cards that Burlington received, having served what they
2 believe to be a complete list of all the operators in the
3 pool.

4 To aid you in your deliberations about this case,
5 if you'll look behind Tab Number 3, we have provided you a
6 detailed map that shows the pool area and identifies the
7 operator and the location of the federal units.

8 The issue is changing the Mesaverde rules to
9 match the Basin-Dakota rules. You may remember that
10 Burlington, at a number of hearings before you, had
11 advanced an argument about who should receive notice for
12 well locations within federal units that involve
13 participating areas. And the discussion that we've all had
14 was to what extent interest owners in drill blocks that
15 contain nonparticipating tracts or were totally uncommitted
16 were entitled to notice.

17 Burlington's argument before you was that the
18 operation of the expansion of participating areas was
19 sufficient to satisfy correlative rights issues. You
20 disagreed with us in the Dakota case, and the Dakota rules
21 now have additional setbacks for those participating areas
22 where if your well location encroaches towards a drill
23 block that has partially committed or uncommitted interest,
24 notice is required.

25 To explain how that looks visually, if you'll

1 turn to Exhibit Tab 2 and look at the -- there's three
2 displays. If you'll look at the middle display, this is a
3 depiction of what is required for Dakota footages under the
4 current rule.

5 The purpose of today's Application is to make the
6 Dakota rules consistent with the Mesaverde, the Mesaverde
7 consistent with the Dakota, so that when we file
8 applications our clerical people will recognize that their
9 notice obligations for both the Dakota and the Mesaverde
10 are identical. It will, I think, ease the operational
11 burdens of administering paperwork that has different
12 rules.

13 So that's what we're seeking to do by this
14 presentation today.

15 The three displays -- the center one shows you
16 what the Dakota footages are. We're seeking to match that
17 with the Mesaverde changes.

18 The last display shows you what the current
19 Mesaverde would look like pictorially if you tried to plot
20 it out. And so you have those displays to help you
21 visualize what we're trying to suggest to you.

22 In addition, we have included copies of the
23 Division rule changes. The first order is 10,987-A, and
24 that's the current Mesaverde rules. These are the ones
25 we're asking you to make consistent with the Dakota.

1 The next tab shows you the current Dakota rules,
2 so you'll have those in front of you.

3 And then the last tab, Exhibit 6, shows you the
4 current Fruitland rules. In that Fruitland case before Mr.
5 Ashley back in January of the year 2000, Burlington
6 advanced the argument about relaxing the setbacks
7 associated with the PAs.

8 Mr. Ashley denied that opportunity, and so we
9 have the Coal rules currently the same as the Dakota rules,
10 and we're now seeking to have the Mesaverde rules made the
11 same.

12 That concludes my explanation, Mr. Examiner.

13 EXAMINER STOGNER: Reviewing what you have given
14 me today, and also I was familiar with the Basin-Dakota
15 rules since I heard that case, I really have no questions
16 or see any need to swear your witness in. I appreciate you
17 bringing him up today, should it be necessary, but I think
18 under the circumstances I can take this under advisement at
19 this time, provided, Mr. Hall, do you have anything
20 further, other than what --

21 MR. HALL: I have nothing further, Mr. Examiner.

22 MR. KELLAHIN: We would ask that this exhibit
23 book be marked and introduced as Exhibit 1 to the hearing.

24 EXAMINER STOGNER: Exhibit 1, which is the --
25 what you've presented, will be admitted into evidence at

1 this time.

2 And if there's nothing further in this matter,
3 this matter will be taken under advisement.

4 MR. KELLAHIN: Thank you.

5 EXAMINER STOGNER: Thank you.

6 (Thereupon, these proceedings were concluded at
7 9:20 a.m.)

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12837
21 March 2002
Michael J. Stogner

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 March 24th, 2002.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002

respectively. These units are to be dedicated to its Eaton White Well No. 2 which is to be located in Unit B of Section 20 for downhole commingled production from the Pictured Cliffs formation (West Kutz-Pictured Cliffs Gas Pool) and the Basin-Fruitland Coal Gas Pool. Also to be considered will be the costs of participation in the well, including but not limited to the costs of drilling, completing and equipping, with the inclusion of a risk factor penalty and the allocation of those costs and income therefor as well as actual operating costs and charges for supervision, and the designation of Richardson Operating Company as the operator of the well. The well is located approximately 2 mile southwest from center of Farmington, New Mexico.

CASE 12836: **Application of Burlington Resources Oil & Gas Company, L. P. for an unorthodox gas well location, San Juan County, New Mexico.** Applicant seeks approval to drill its proposed Quinn Well No. 339-R at an unorthodox gas well (off-pattern) location 770 feet from the North line and 725 feet from the West line (Unit D) of Section 20, Township 31 North, Range 8 West, said location being unorthodox for any and all gas production from the Basin Fruitland Coal Gas Pool and, if productive, to be dedicated to a standard 320-acre gas spacing and proration unit consisting of the W/2 of said Section 20. Said location is located approximately 9 miles north-northwest of the Navajo Dam spillway.

CASE 12837: **Application of Burlington Resources Oil & Gas Company L. P. to amend the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool, Rio Arriba and San Juan Counties, New Mexico.** Applicant seeks to amend the Acreage and Well Location Requirements and Administrative Exceptions of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool as currently set forth in Division Order No. R-10987-A, to conform with the Acreage and Well Location Requirements and Administrative Exceptions of the Special Rules and Regulations for the Basin Dakota Gas Pool as promulgated by Division Order R-10987-B(2) issued January 29, 2002. **IN THE ABSENCE OF OBJECTION THIS MATTER WILL BE TAKEN UNDER ADVISEMENT.**

CASE 12838: **Application of Energen Resources Corporation for pool extension, special pool rules and amendment of the depth bracket allowable for the Saunders-San Andres Pool, Lea County, New Mexico.** Applicant seeks an order increasing the depth bracket allowable from its current level of 80 barrels of oil per day and 2,000 cubic feet of gas per barrel of oil to 160 barrels of oil per day and 2,000 cubic feet of gas per barrel of oil for production from the Saunders-San Andres Pool. Applicant further seeks to have the amended depth bracket allowable made effective retroactively to December 1, 2000. The horizontal limits of said pool currently consists of the SW/4 of Section 4, Township 15 South, Range 33 East. Applicant seeks the extension of the pool to include the S/2 NE/4 and the SE/4 of Section 5, Township 15 South, Range 33 East. The pool is located approximately eighteen miles northwest of Lovington, New Mexico, near State Highway 457.

CASE 12839: **Application of Lewis Burleson, Inc. for compulsory pooling, non-standard spacing unit, and unorthodox gas well location, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests in all formations and/or pools developed on 160-acre spacing, including but not limited to the Jalmat Gas Pool, underlying the N/2 N/2 of Section 14, Township 24 South, Range 36 East. Said spacing unit is to be dedicated to the Cooper B No. 3 Well, which Burleson proposes to re-enter at its current unorthodox location 330 feet from the North line and 330 feet from the East line of said Section 14. Also to be considered will be the cost of re-entering and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Applicant as operator of the well and a charge for risk involved in re-entering said well. Said area is located approximately 12 miles North of Jal, New Mexico.

DOCKET: EXAMINER HEARING - THURSDAY - March 21, 2002
8:15 A.M. - 1220 South St. Francis
Santa Fe, New Mexico

Docket Nos. 10-02 and 11-02 are tentatively set for April 4, 2002 and April 18, 2002. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 12816: **Readvertised**

Application of TMBR/Sharp Drilling Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the N/2 of Section 25, Township 16 South, Range 35 East, to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within that vertical extent, including the Townsend-Morrow Gas Pool and the Townsend-Mississippian Gas Pool. This unit is to be dedicated to its Blue Fin "25" Well No. 1 which will be located at a standard location within Unit E of this section. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of TMBR/Sharp Drilling Inc. as the operator of the well and a charge for risk involved in this well. This unit is located approximately 5-1/2 miles southwest of the center of the City of Lovington, New Mexico.

CASE 12834: **Application of Trilogy Operating, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant, in accordance with Division Rule 1207.A(1)(b), seeks an order pooling all mineral interests from the surface to the base of the Abo formation underlying the NE/4 SW/4 of Section 24, Township 19 South, Range 38 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools spaced on 40-acre spacing, including but not limited to the South Nadine-Seven Rivers-Yates Pool, Nadine-Blinebry Pool, Nadine-Tubb Pool, and Nadine Drinkard-Abo Pool. This unit is to be dedicated to its Ruby Well No. 2 be drilled at a standard well location in Unit K of this section. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in this well. This unit is located approximately 6-1/2 miles southwest of Hobbs, New Mexico. **IN THE ABSENCE OF OBJECTION THIS CASE WILL BE TAKEN UNDER ADVISEMENT.**

CASE 12813: **Continued from March 7, 2002, Examiner Hearing.**

Application of Richardson Production Company for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Pictured Cliffs formation underlying the NE/4 and all mineral interests in the Basin Fruitland Coal Gas Pool underlying the E/2 of Section 7, Township 29 North, Range 14 West, forming standard 160-acre and 320-acre spacing and proration units, respectively. These units are to be dedicated to its ROPCO "7" Well No. 1 which is to be located in Unit B of Section 7 for downhole commingled production from the Pictured Cliffs formation and the Basin-Fruitland Coal Gas Pool. Also to be considered will be the costs of participation in the well, including but not limited to the costs of drilling, completing and equipping, with the inclusion of a risk factor penalty and the allocation of those costs and income therefor as well as actual operating costs and charges for supervision, and the designation of Richardson Operating Company as the operator of the well. The well is located approximately 1 mile Northeast of Kirtland, New Mexico.

CASE 12835: **Application of Richardson Production Company for compulsory pooling, San Juan County, New Mexico.** Applicant seeks an order pooling all mineral interests in the Pictured Cliffs formation underlying the NE/4 and all mineral interests in the Basin Fruitland Coal Gas Pool underlying the N/2 of Section 20, Township 29 North, Range 13 West, forming standard 160-acre and 320-acre spacing and proration units,