

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
CASE 10055

EXAMINER HEARING

IN THE MATTER OF:

Application of Meridian Oil, Inc., for an
Unorthodox Coal Gas Well Location and a
Nonstandard Gas Proration Unit, San Juan
County, New Mexico.

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

August 22, 1990

ORIGINAL

CUMBRE COURT REPORTING
(505) 984-2244

A P P E A R A N C E S

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1 EXAMINER CATANACH: At this time we'll call
2 Case 10055, the application of Meridian Oil, Inc., for
3 an unorthodox coal gas well location and a nonstandard
4 gas proration unit, San Juan County, New Mexico.

5 Appearances in this case?

6 MR. KELLAHIN: Mr. Examiner, I'm Tom
7 Kellahin of the Santa Fe Law Firm of Kellahin,
8 Kellahin & Aubrey appearing on behalf of the
9 Applicant. I have three witnesses to be sworn.

10 EXAMINER CATANACH: Any other appearances?
11 Will the witnesses please stand to be sworn
12 in.

13 (Thereupon, the witnesses were sworn.)

14 MR. KELLAHIN: Mr. Examiner, by way of
15 introduction to this case, Meridian is seeking
16 approval of the east half of this section for a Basin
17 Coal gas well.

18 As you can see from the advertisement, the
19 surface location is 65 feet from the north line of
20 that spacing unit and 300 feet from the east line, so
21 it's in the northeast/northeast corner of the
22 section. In addition, this is a nonstandard proration
23 unit slightly over 300 acres, I believe.

24 What we would propose to do today, Mr.
25 Examiner, is present our technical presentation and

1 then, with your approval, to amend the application so
2 that we have applied in the alternative for the
3 Division's approval to directionally drill the well.

4 What we would ask for, then, is in the
5 alternative the Applicant would seek to directionally
6 drill the well from the surface location described in
7 the application, to a standard bottom hole coal gas
8 well location within the northeast quarter of the east
9 half.

10 In that regard, I have brought today Mr.
11 Neale Edwards, who is a registered New Mexico surveyor
12 who will discuss the topography of this section and
13 his efforts to locate the well on the surface.

14 I then have brought Mr. Alan Alexander, the
15 landman that can talk about the ownership and his
16 acreage problems and his proposed solutions for the
17 nonstandard proration unit.

18 And Mr. Jim Falconi, a drilling engineer,
19 reservoir engineer with Meridian, will talk about the
20 directional drilling aspects of the well and the
21 advantages and disadvantages of directional drilling
22 versus vertical hole.

23 If you'll permit me, we'll start at this
24 time with Mr. Neale Edwards.

25

1 NEALE C. EDWARDS

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

4 EXAMINATION

5 BY MR. KELLAHIN:

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

8 A. Neale C. Edwards. I'm a registered land
9 surveyor.

10 Q. Mr. Edwards, would you describe generally
11 what it is that you've done for Meridian concerning
12 this particular well which is identified as the
13 Payne #271 well, I believe?

14 A. Yes. We went out to look at a location
15 that had been previously staked and not drilled to see
16 if it was going to be feasible for Meridian, when they
17 took this over from Unicon.

18 Q. In doing so, sir, did you apply your skills
19 as a surveyor to find a location on the surface and to
20 identify that location?

21 A. Yes, I did.

22 Q. Are you also familiar with the use of the
23 surface areas that involve compliance with the Bureau
24 of Land Management rules about surface use?

25 A. Yes.

1 Q. Do you consistently and regularly perform
2 this type of duty for Meridian and others in staking
3 coal gas wells?

4 A. Yes, I do.

5 MR. KELLAHIN: We tender Mr. Edwards as an
6 expert New Mexico surveyor.

7 EXAMINER CATANACH: He is so qualified.

8 Q. Let me direct your attention, sir, to the
9 exhibit book. Let's skip the first Exhibit No. 1 and
10 turn to the information behind Exhibit No. 2, and
11 let's find that topo map that you have in front of
12 you.

13 A. Okay.

14 Q. Do we have the same thing?

15 A. Yes.

16 Q. All right, Mr. Edwards, I think we're all
17 looking at the same topo map. Would you take a moment
18 and identify that for us? What are we looking at?

19 A. This is a blow-up of the seven and a half
20 minute quad with 20-foot contour intervals. It's the
21 mountain eagle quad.

22 Q. When we look at this map, help us
23 understand how we find the east half of Section 27.
24 How is it identified?

25 A. It's lined with the dashed heavy line there

1 in the center of the exhibit.

2 Q. When we look in the northeast corner of
3 Section 27, there's an arrow. What does that
4 represent?

5 A. That's pointing to the proposed location,
6 which is located at 65 feet from the north and 300
7 feet from the east.

8 Q. Have you been on the surface of the
9 northeast quarter of Section 27?

10 A. Yes, I have.

11 Q. Within that area, then, have you determined
12 a surface location that meets the criteria for
13 establishing a pad and surface use for a coal gas
14 well?

15 A. Yes.

16 Q. And where is that?

17 A. It is at the spot shown 65 feet from the
18 north and 300 feet from the east.

19 Q. Identify for us what other uses are being
20 made of the surface in the northeast quarter.

21 A. As you notice, the two little dots there to
22 the southwesterly direction of that, there are two
23 existing wells there now, the Payne #5 and the Payne
24 #11, on that knoll that sticks out.

25 Q. To give us some reference as to where that

1 is, can you generally tell us, in terms of a footage,
2 where either the Payne #5 or #11 is in relation from
3 the north line and east line of the section?

4 A. Yes, from memory--I should have written it
5 down--but Payne #11, which is the northerly of the
6 two, is 590 from the north and approximately 900 from
7 the east.

8 Q. A standard location for a coal gas well
9 would be 790 from those two boundaries, would it not?

10 A. Yes.

11 Q. And where would that put you on this topo
12 map?

13 A. It would put us off to the east and just
14 south of the lower dot of the two over the ledge that
15 continues to go all the way on down to the animus.

16 Q. Is there usable surface at that location?

17 A. No, there isn't. There's two locations
18 north of there now, but at the 790/790, no, it's
19 impossible. It's straight over the edge.

20 Q. Based upon your study, then, are you able
21 to conclude that the location or within the immediate
22 vicinity of the proposed location 65 feet from the
23 north line and 300 feet from the east line is the only
24 suitable location for the surface use for this well?

25 A. Yes.

1 MR. KELLAHIN: That concludes my
2 examination of Mr. Edwards, Mr. Catanach.

3 EXAMINATION

4 BY EXAMINER CATANACH:

5 Q. Mr. Edwards, why is it not feasible to
6 locate the proposed well in closer proximity to the
7 two existing wells?

8 A. If you'll notice, there's a line drawn
9 across there, it's just a light line. It's just
10 plotted from visual. There's a pipeline that runs off
11 the hill there just south and west of that and goes on
12 down into the valley, and there's a pipeline exhibit
13 on the next page that services several pipelines down
14 below. And without a block off on that line to shut
15 it in and to get the BLM to allow you to set it on
16 that ledge, to pit it there over the edge, I feel it's
17 impossible--well, impractical.

18 Q. So you couldn't drill from, say, one of
19 those same paths to the coal?

20 A. No. There's small pads to begin with and
21 there are two existing locations on them now that
22 stick out on that knoll. It comes back in and then
23 widens out again, and we've set back to what
24 requirements the BLM makes us from there.

25 EXAMINER CATANACH: That's all I have.

1 Your witness may be excused.

2 (At this time, Mr. Stovall enters the
3 hearing room.)

4 MR. KELLAHIN: I would like to call Mr. Jim
5 Falconi.

6 JIM FALCONI

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

9 EXAMINATION

10 BY MR. KELLAHIN:

11 Q. Mr. Falconi, would you please state your
12 name and occupation?

13 A. I'm Jim Falconi. I'm a reservoir engineer
14 for Meridian Oil in Farmington, New Mexico.

15 Q. Mr. Falconi, on prior occasions have you
16 testified before this Division as a reservoir
17 engineer?

18 A. Yes, I have.

19 Q. Pursuant to your employment by your
20 company, have you made a study of the facts
21 surrounding this application?

22 A. Yes, I have.

23 Q. Are you familiar with not only the vertical
24 drilling aspects of this well but the possible
25 alternative solution of directional drilling of this

1 well?

2 A. Yes. I've reviewed both.

3 MR. KELLAHIN: We tender Mr. Falconi as an
4 expert reservoir engineer.

5 EXAMINER CATANACH: He is so qualified.

6 Q. Mr. Falconi, let me have you take a moment,
7 sir, and let us look at the information behind Exhibit
8 No. 3. Would you identify that for us?

9 A. Yes. Exhibit No. 3 is a Fruitland Coal Net
10 Isopach thickness map, and it depicts the net clean
11 coal thickness of the Fruitland Coal interval. And
12 the subject well is located in the northeast of
13 Section No. 27, and it's shown as a dot in that
14 section.

15 Q. In looking at possible ways to develop the
16 coal gas reserves that underlie this nonstandard unit
17 in the east half of Section 27, have you considered
18 the options of a vertical well at this unorthodox
19 location and, in the alternative, deviating that
20 wellbore using the unorthodox surface location and
21 bottoming the well at the closest standard location?

22 A. Yes, we have.

23 Q. Let's turn back, sir, to the last display
24 behind Tab No. 2. It shows some offsetting wells. Do
25 you have that?

1 A. Yes, I do.

2 Q. Give us an overview, Mr. Falconi, of the
3 development plans that are going on on behalf of your
4 company and others as you develop this area of the
5 basin.

6 A. From this map--

7 Q. And what are we looking at here?

8 A. This map depicts proposed Fruitland Coal
9 wells in the area there indicated by the black
10 triangle, and the proposed well is, again, located in
11 the northeast quarter of Section 27, indicated by a
12 black circle.

13 Existing Fruitland Coal wells are indicated
14 by a triangle; noncolored. And these wells, as this
15 plat depicts, are located on a northeast/southwest
16 pattern.

17 Q. When we compare that development or
18 anticipated development to the net coal isopach map
19 that we described earlier, describe for us, if you
20 can, the difference between coal thickness at the
21 proposed unorthodox location and what would be the
22 closest standard bottom hole location?

23 A. Essentially, there is no difference in coal
24 thickness between the two locations.

25 Q. We look on the isopach and the unorthodox

1 location is slightly higher in thickness above the
2 35-foot contour line?

3 A. Correct.

4 Q. And then if we go to the closest standard
5 location, you're somewhere below the 35-foot contour
6 line?

7 A. Yes, that is correct.

8 Q. Will either one of those locations, in your
9 opinion as a reservoir engineer, give you an
10 acceptable location to develop the coal reserves in
11 that spacing unit?

12 A. Yes, they will. We would prefer to stay on
13 pattern and develop the reserves under the spacing
14 unit.

15 Q. "On pattern," you mean either the northeast
16 quarter or the southwest quarter?

17 A. That is correct.

18 Q. Let me have you describe for the Examiner
19 what your concerns are as a reservoir engineer in
20 making your comparisons between a vertical well at the
21 unorthodox location versus deviating this wellbore to
22 a standard bottom hole location?

23 A. Tom, what we're concerned with developing
24 the proration unit, of course, is recovering the most
25 reserves that we can. We feel that a vertical well

1 would not, as efficiently, drain the 320-acre spacing
2 unit as would a deviated well to a standard bottom
3 hole location.

4 Q. What are the risks that you have identified
5 as an engineer between the two types of operations?

6 A. The risks we have identified, Tom, are
7 listed in Exhibit 4.

8 Q. Let's turn to those and have you summarize
9 them for us.

10 A. Exhibit 4 is a chart which depicts some of
11 the risks associated or the negative aspects
12 negotiated with a deviated wellbore.

13 The first risk that I've listed, of course,
14 is during directional drilling operations we risk
15 losing the wellbore, or there is an increased risk in
16 drilling the wellbore versus a vertical wellbore when
17 we undertake a directional drilling operation.

18 The second risk that we feel is presented
19 to us by a deviated wellbore, of course the deviated
20 wellbore will be a longer wellbore and therefore there
21 will be more fluid flow resistance and, therefore,
22 this wellbore would require artificial lift equipment
23 earlier in the life of the project.

24 The third statement I've made is that we do
25 anticipate artificial lift equipment will be required

1 in the later life of this project and, as such, a
2 deviated wellbore will limit the use of conventional
3 artificial lift equipment.

4 Q. Let's turn now to the information behind
5 Tab No. 5, Exhibit 5, and have you describe for us,
6 using this schematic, what you propose to do.

7 A. The first schematic behind Tab No. 5 is a
8 profile view of the planned deviated wellbore. What
9 we would anticipate to do is start at the surface
10 location 65 feet from the north line and 300 feet from
11 the east line, set approximately 900 feet of surface
12 casing, and drill vertically down to a kick-off point
13 identified there at 2111 feet to vertical depth.

14 At that point in time we would drill a
15 build section at 12 degrees per hundred feet to a
16 maximum deviation of 45 degrees, drill a 45-degree
17 tangent section and again reverse our curve at 12
18 degrees per hundred feet until we are vertical, and
19 that location would be 840 feet from the north line
20 and 840 feet from the east line, which gives us a
21 50-foot cushion inside the orthodox window.

22 At that point we would set seven-inch
23 casing and drill below the seven-inch casing
24 vertically through the coal interval.

25 Q. Why don't you simply continue the 45-degree

1 tangent and intersect the coal at an angle as opposed
2 to trying to go perpendicular to the bed of the hole?

3 A. Meridian's completion technique on this
4 well is anticipated to be an open-hole completion
5 technique, and therefore there are additional
6 mechanical risks involved in going through the coal
7 bed at an angle of 45 degrees, or any other angle
8 other than vertical.

9 Q. Has Meridian undertaken a directionally
10 drilled well in this fashion in the coal bed
11 development thus far?

12 A. No, we have not. We have drilled
13 horizontally or at a high angle through the coal beds.

14 Q. This would be the first deviated well of
15 this particular type?

16 A. Yes, that's correct.

17 Q. Let's turn to page 2 and look at the bottom
18 hole target on the plain view.

19 A. The second exhibit there is a plain view of
20 the well, and again it shows the unorthodox surface
21 location at 65 feet from the north line, 300 feet from
22 the east line of Section 27.

23 The heavy black line indicates the
24 anticipated direction that we would turn the wellbore
25 from the kick-off point and head towards the northeast

1 orthodox window, which is indicated by the
2 cross-hatched area.

3 The heavy black line continues to that
4 window, and the bottom hole location is depicted with
5 a black dot. That location is 840 feet from the north
6 and 840 feet from the east line.

7 Q. Of the two choices in the application, one
8 is to drill the vertical well at the unorthodox
9 location, the alternative choice is to directionally
10 drill to this standard bottom hole location?

11 A. That is correct.

12 Q. What is your preference on what the
13 Examiner does, about choosing between the first or the
14 second choice?

15 A. We would prefer that the Examiner issue us
16 permission to drill the well directionally; however,
17 our management is willing to undertake the risk--

18 Q. I think you said that backwards. You said
19 your personal preference is to drill it directionally?

20 A. Yes, our preference is to drill the well
21 vertically from a risk standpoint, but directionally
22 in order to effectively develop the reserves under the
23 east half of Section 27.

24 Q. The actual assessment of that risk is hard
25 to quantify at this point simply because you've never

1 done this before?

2 A. That is correct. We have never drilled a
3 deviated wellbore and entered the coal vertically.

4 MR. KELLAHIN: That concludes my
5 examination of Mr. Falconi.

6 EXAMINATION

7 BY EXAMINER CATANACH:

8 Q. Let me see if I have this straight.
9 Meridian prefers to directionally drill from the
10 drainage standpoint, but prefers to drill vertically
11 as far as the risk goes?

12 A. Yes. In this particular case we are
13 willing to assume the risk to drill the well
14 directionally.

15 Q. Is that your first option, to directionally
16 drill the well?

17 A. Yes.

18 Q. Is there a substantial difference in the
19 cost associated with directional drilling as opposed
20 to vertical?

21 A. In this particular case we would anticipate
22 a well drilled directionally would double the drilling
23 costs of the well assuming there is no trouble time
24 associated with drilling the directional well.

25 EXAMINER CATANACH: That's all we have.

1 MR. KELLAHIN: Thank you. I would like to
2 call Mr. Alexander at this time.

3 ALAN ALEXANDER

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

6 EXAMINATION

7 BY MR. KELLAHIN:

8 Q. Mr. Alexander, for the record would you
9 please state your name and occupation?

10 A. My name is Alan Alexander. I'm employed as
11 a senior land advisor with Meridian Oil in the
12 Farmington, New Mexico, office.

13 Q. Mr. Alexander, are you familiar with the
14 ownership of the east half of Section 27, 32 North, 10
15 West?

16 A. Yes, I am.

17 Q. Are you familiar with the offsetting
18 operators to that spacing unit?

19 A. Yes, sir.

20 Q. Have you, on prior occasions, testified as
21 an expert petroleum landman?

22 A. I have.

23 Q. And you propose to do so again today?

24 A. Yes, sir.

25 MR. KELLAHIN: We tender Mr. Alexander as

1 an expert petroleum landman.

2 EXAMINER CATANACH: He is so qualified.

3 Q. Mr. Alexander, let's go through the exhibit
4 book and have you identify and describe the
5 information behind Exhibit No. 1.

6 A. Exhibit No. 1 is our application. It was
7 originally styled as an unorthodox location for this
8 particular drilling unit. It also includes a land
9 plat showing the dedicated acreage to the proposed
10 spacing unit, as well as the offset operator plat
11 which is attached as the final page of the
12 application.

13 Q. In looking at the available acreage for the
14 formulation of the spacing unit for the coal gas
15 wells, were you able to formulate a standard spacing
16 unit for this well?

17 A. Yes, sir, that's correct.

18 Q. You were or were not able to form a
19 standard spacing unit?

20 A. It does meet the rules since it's 304
21 acres, approximately. It only required 240 to meet
22 that approval.

23 Q. In what way, sir, then, is this a
24 nonstandard proration unit?

25 A. It should be considered a standard

1 proration unit under the Basin Fruitland Coal Pool
2 Rules.

3 Q. The only requirement then is for approval
4 of the unorthodox surface location or, in the
5 alternative, the directional drilling?

6 A. Yes, sir, that's correct.

7 Q. The docket for the call of the case today
8 identified this as one of those that had a nonstandard
9 spacing unit aspect to it, and that is not correct?

10 A. Yes, sir. Our application, I think,
11 correctly identifies it as simply an unorthodox
12 location.

13 Q. When we look at the offsetting ownership
14 plat, who are the offsetting operators towards which
15 this well encroaches?

16 A. The well only encroaches towards leaseholds
17 that are owned by Meridian.

18 Q. Are those leaseholds in which you have the
19 same base royalty owner?

20 A. That is correct. They are all federal
21 leaseholds with 12 and a half percent royalty.

22 Q. Let's look to Exhibit 2 and the information
23 contained behind that exhibit.

24 A. Exhibit 2 consists of the C-102 form as
25 filed with the State of New Mexico, showing the

1 location and the spacing unit.

2 Q. This well is subject to the Cedar Hill's
3 Rules, is it not?

4 A. Yes, sir, that is correct. Although the
5 C-102 was filed showing Basin, we are going to refile
6 that showing the Cedar Hill Pool Rules to correct
7 that.

8 Q. The next exhibit?

9 A. The next exhibit is the exhibit that has
10 been testified to by Mr. Edwards. It is the
11 topographic map showing the location, followed by a
12 pipeline map, and also by the land map that shows the
13 proposed and existing Fruitland Coal wells in the area
14 of this unit.

15 Q. Have you received any objection from any of
16 the offsetting interest owners to this application?

17 A. No, sir, we have not.

18 Q. What is your company's position with
19 regards to the directional drilling versus the
20 vertical well portion of this case?

21 A. Since the well is located in the extreme
22 northeast quarter of the unit, it presents a little
23 unusual position for us in that we would prefer to
24 drill the well vertical from a risk standpoint.

25 However, the location of that well is not

1 ideal for complete drainage of the unit. We have
2 decided that we would risk the drilling of this well
3 as a deviated fashion, and we would risk that only in
4 this case and we would hope the Commission would not
5 see this as a precedent setting.

6 This well is located in a hypertential
7 area, and we think we can overcome the risk to make
8 the venture profitable. Those risks are unknown
9 today, and we really can't run the type of economic
10 study that we would like, because we simply don't
11 understand all the risks of trying to drill a well
12 like this.

13 MR. KELLAHIN: That concludes my
14 examination of Mr. Alexander.

15 We would move the introduction of Meridian
16 Exhibits 1 through 6, Exhibit 6 being the certificate
17 of notification.

18 EXAMINER CATANACH: Exhibits 1 through 6
19 will be admitted as evidence in this case.

20 EXAMINATION

21 BY EXAMINER CATANACH:

22 Q. Mr. Alexander, you said the proration unit
23 was standard under the pool rules for the Basin
24 Fruitland Coal. Is it standard under the Cedar Hill
25 Rules?

1 A. Yes, sir, I believe that it is.

2 MR. STOVALL: Let's go one step further,
3 Mr. Alexander. Perhaps we need to review the Cedar
4 Hill Rules because I don't think they're exactly the
5 same as Fruitland.

6 If it is in fact not standard, if it has
7 the 10-percent variance which was put in some special
8 rules, would you like us to approve the nonstandard
9 proration unit?

10 THE WITNESS: Yes, we would. If, in fact,
11 that is the case, we would like the unit approved as a
12 nonstandard unit.

13 MR. KELLAHIN: The difference in acreage
14 size results simply by governmental survey where you
15 have a series of lots that are either more than or
16 less than 40 acres?

17 THE WITNESS: That is correct.

18 Q. (BY EXAMINER CATANACH) Now, you testified
19 that the basic royalty was the same underneath the
20 east half of Section 27 and all the offset leases that
21 Meridian owns?

22 A. That's correct, yes, sir. They're all
23 federal leaseholds.

24 Q. How about working interest? Is that the
25 same?

1 A. It is. It's the working interest insofar
2 as those tracts that the well encroaches upon, are all
3 owned by Meridian.

4 Q. 100 percent?

5 A. Yes, sir.

6 Q. Including the east half of Section 27?
7 That's 100 percent?

8 A. That's correct.

9 EXAMINER CATANACH: Okay. I believe that's
10 all I have of the witness. He may be excused.

11 MR. STOVALL: One question, Mr. Alexander.

12 EXAMINATION

13 BY MR. STOVALL:

14 Q. You indicated in your testimony that
15 because of the extreme unorthodox location, that
16 Meridian is willing to undertake the directional
17 drilling, but you don't want it considered as
18 precedent. Could you explain what you mean by not
19 wanting that as precential?

20 A. Well, I think there's two areas to look at
21 there. One is because it is located at 64 feet, I
22 believe it was, and 300 hundred feet, which is an
23 extreme location. We have other nonstandard wells
24 that we have drilled in the past, and I'm sure we'll
25 probably have some in the future that are not located

1 as extreme as this one is and they're in different
2 areas of the basin, and the coal in those various
3 areas have different potentials to them.

4 We think this particular well is in an area
5 that has high enough potential that we could risk the
6 unknown factors and attempt the deviated hole here,
7 whereas we would not recommend to the Commission, from
8 an economic standpoint or a risk standpoint, to drill
9 this type of a well in other areas of the basin.

10 We would probably come to the Commission
11 and request approval of the nonstandard location as
12 opposed to the deviated wellbore.

13 Q. What you're saying is, because you're doing
14 it this time doesn't mean we should expect you to do
15 it in every unorthodox location?

16 A. That's what we're requesting, that's
17 correct.

18 MR. STOVALL: Nothing further.

19 EXAMINER CATANACH: Anything further in
20 this case?

21 MR. KELLAHIN: Not in this case.

22 EXAMINER CATANACH: Case 10055 will be
23 readvertised for directional drilling for the 19th of
24 September, and we will leave the record open until
25 then.

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Carla Diane Rodriguez, Certified
Shorthand Reporter and Notary Public, HEREBY CERTIFY
that the foregoing transcript of proceedings before
the Oil Conservation Division was reported by me; that
I caused my notes to be transcribed under my personal
supervision; and that the foregoing is a true and
accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative
or employee of any of the parties or attorneys
involved in this matter and that I have no personal
interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL August 24, 1990.

Carla Diane Rodriguez
CARLA DIANE RODRIGUEZ
CSR No. 91

My commission expires: May 25, 1991

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 1055,
heard by me on August 20 1990.

David R. Catant, Examiner
Oil Conservation Division

CUMBRE COURT REPORTING
(505) 984-2244

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Meridian Oil, Inc., for
a non-standard gas proration unit, an
unorthodox coal gas well location, and Case 10055
directional drilling, San Juan County,
New Mexico.

ORIGINAL

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

September 19, 1990

CUMBRE COURT REPORTING
(505) 984-2244

A P P E A R A N C E S

FOR THE DIVISION:

ROBERT G. STOVALL
 Attorney at Law
 Legal Counsel to the Division
 State Land Office Building
 Santa Fe, New Mexico 87501

OCD CHIEF ENGINEER:

JIM MORROW
 Chief Engineer to the Division
 State Land Office Building
 Santa Fe, New Mexico 87501

FOR THE APPLICANT:

W. THOMAS KELLAHIN, ESQ.
 KELLAHIN, KELLAHIN & AUBREY
 Post Office Box 2265
 Santa Fe, New Mexico 87504

I N D E X

Page Number

Appearances

2

Certificate of Reporter

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1 P R O C E E D I N G S

2 HEARING EXAMINER: At this time we'll call Case
3 10055.

4 MR. STOVALL: Application of Meridian Oil, Inc. for
5 non-standard gas proration unit, an unorthodox coal gas well
6 location, and directional drilling, San Juan County, New
7 Mexico.

8 HEARING EXAMINER: Mr. Kellahin.

9 MR. KELLAHIN: Mr. Examiner, I am Tom Kellahin of
10 the Santa Fe law firm of Kellahin, Kellahin & Aubrey. I am
11 appearing on behalf of the applicant.

12 HEARING EXAMINER: Do you have any additional
13 evidence and testimony in this case, Mr. Kellahin?

14 MR. KELLAHIN: Mr. Examiner, we heard that case
15 second hearing in August. It was originally advertised for the
16 unorthodox location alone. During the course of the hearing we
17 presented technical evidence on the alternative remedy of
18 directional drilling. And for that reason then the case was
19 readvertised to include that remedy for today's docket.

20 We have no further evidence to present and ask the
21 case be taken under advisement. With your permission I would
22 like to submit a supplemental notification as to the
23 alternative remedy. I failed to bring it with me this morning,
24 but I'd like to submit it to you after the hearing.

25 HEARING EXAMINER: Okay. That will be fine.

1 Are there any other statements or appearances in
2 this case at this time?

3 If not, Case 10055 will be taken under advisement.
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11 I do hereby certify that the foregoing is
12 a complete record of the proceedings in
the Examiner hearing of Case No. 10055,
heard by me on September 19 1980.

13 David R. Catant, Examiner
14 Oil Conservation Division
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1 CERTIFICATE OF REPORTER

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3 STATE OF NEW MEXICO)
4 COUNTY OF SANTA FE) ss.

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6 I, Diane M. Winter, Certified Shorthand Reporter and
7 Notary Public, HEREBY CERTIFY that the foregoing transcript of
8 proceedings before the Oil Conservation Division was reported
9 by me; that I caused my notes to be transcribed under my
10 personal supervision; and that the foregoing is a true and
11 accurate record of the proceedings.

12 I FURTHER CERTIFY that I am not a relative or
13 employee of any of the parties or attorneys involved in this
14 matter and that I have no personal interest in the final
15 disposition of this matter.

16 WITNESS MY HAND AND SEAL September 28, 1990.

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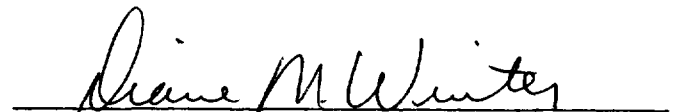
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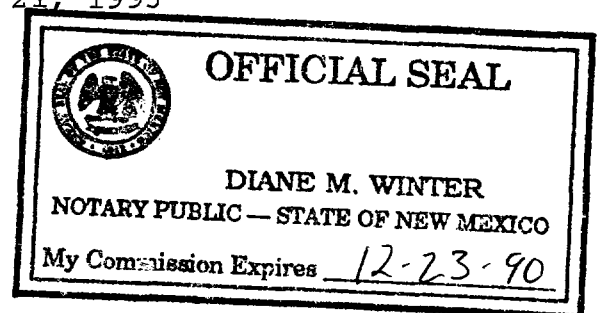
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DIANE M. WINTER
CSR No. 414

My commission expires: December 21, 1993



MERIDIAN OIL INC.

CASE 10055

AUGUST 22, 1990