

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
CASE 10043, CASE 10044, CASE 10045, CASE 10046,
CASE 10047, CASE 10031, CASE 10050, CASE 10054,
CASE 9995, CASE 9997, CASE 10038, CASE 10021,
CASE 10057, CASE 10058, CASE 10062, CASE 10063,
CASE 10064

EXAMINER HEARING

IN THE MATTER OF:

CONTINUED and DISMISSED CASES

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

August 22, 1990

A P P E A R A N C E S

FOR THE DIVISION:

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

1 EXAMINER CATANACH: Call the hearing to
2 order this morning for Docket Number 23-90. We'll
3 call the continuances and dismissals first.

4 Call Cases 10043, 10044, 10045, 10046 and
5 10047.

6 MR. STOVALL: These are the applications of
7 D. J. Simmons Company for compulsory pooling in San
8 Juan County, New Mexico.

9 The applicant has requested that each of
10 these cases be continued to the Examiner Hearing set
11 for September 5, 1990.

12 EXAMINER CATANACH: Each of these cases is
13 so continued to the September 5th docket.

14 * * * * *

15 EXAMINER CATANACH: Call Case 10031.

16 MR. STOVALL: Application of Nearburg
17 Producing Company for a nonstandard oil proration
18 unit, Eddy County, New Mexico.

19 Applicant requests this case be continued
20 to the Examiner Hearing set for September 19, 1990.

21 EXAMINER CATANACH: Case 10031 is hereby
22 continued to the September 19th hearing.

23 * * * * *

24 EXAMINER CATANACH: Call Case 10050.

25 MR. STOVALL: Application of Blackwood &

1 Nichols Co. Ltd., for directional drilling and a
2 nonstandard gas proration unit, San Juan County, New
3 Mexico.

4 Applicant requests this case be continued
5 to September 5, 1990.

6 EXAMINER CATANACH: Case 10050 is hereby
7 continued to the September 5th hearing.

8 * * * * *

9 EXAMINER CATANACH: Call Case 10054.

10 MR. STOVALL: Application of Pacific
11 Enterprises Oil Company (USA) for compulsory pooling,
12 Eddy County, New Mexico.

13 Applicant requests this case be dismissed.

14 EXAMINER CATANACH: Case 10054 is hereby
15 dismissed.

16 * * * * *

17 EXAMINER CATANACH: Call Case 9995.

18 MR. STOVALL: Application of Sendero
19 Petroleum, Inc., for compulsory pooling, Eddy County,
20 New Mexico.

21 Applicant has requested this case be
22 dismissed.

23 EXAMINER CATANACH: Case 9995 is hereby
24 dismissed.

25 * * * * *

1 EXAMINER CATANACH: Call case 9997.

2 MR. STOVALL: Application of TXO Production
3 for compulsory pooling, Eddy County, New Mexico.

4 Applicant has requested that this case be
5 dismissed.

6 EXAMINER CATANACH: Case 9997 is hereby
7 dismissed.

8 * * * * *

9 EXAMINER CATANACH: Call Case 10038.

10 MR. STOVALL: Application of Nassau
11 Resources, Inc., for infill drilling in the
12 Basin-Fruitland Coal Gas Pool on its Carracas Canyon
13 Unit, Rio Arriba County, New Mexico.

14 Applicant has requested this case be
15 continued to the Examiner Hearing set for September 5,
16 1990.

17 EXAMINER CATANACH: Case 10038 is hereby
18 continued to the September 5th hearing.

19 * * * * *

20 EXAMINER CATANACH: Call Case 10021.

21 MR. STOVALL: Application of Meridian Oil,
22 Inc., for an unorthodox coal gas well location, San
23 Juan County, New Mexico.

24 Applicant requests this case be dismissed.

25 EXAMINER CATANACH: Case 10021 is hereby

1 dismissed.

2 * * * * *

3 EXAMINER CATANACH: Call Case 10057.

4 MR. STOVALL: Application of Meridian Oil,
5 Inc., for pool creation, special pool rules and
6 discovery allowable, Lea County, New Mexico.

7 Applicant requests that this case be
8 dismissed.

9 EXAMINER CATANACH: Case 10057 is hereby
10 dismissed.

11 * * * * *

12 EXAMINER CATANACH: Call Case 10058.

13 MR. STOVALL: Application of Phillips
14 Petroleum Company for eight nonstandard gas proration
15 units and seven unorthodox coal gas well locations,
16 San Juan County, New Mexico.

17 Applicant has requested that this case be
18 continued to September 5, 1990.

19 EXAMINER CATANACH: Case 10058 is hereby
20 continued to the September 5th hearing.

21 * * * * *

22 EXAMINER CATANACH: Call Case 10062.

23 MR. STOVALL: Application of OXY USA, Inc.,
24 for statutory unitization, Lea County, New Mexico.

25 Applicant has requested that this case be

1 continued to September 5, 1990.

2 EXAMINER CATANACH: Case 10062 is hereby
3 continued to the September 5th hearing.

4 * * * * *

5 EXAMINER CATANACH: Call Case 10063.

6 MR. STOVALL: Application of OXY USA, Inc.,
7 for a waterflood project, Lea County, New Mexico.

8 Applicant has requested this case be
9 continued to September 5, 1990.

10 EXAMINER CATANACH: Case 10063 is hereby
11 continued to September 5th.

12 * * * * *

13 EXAMINER CATANACH: Call Case 10064.

14 MR. STOVALL: Application of OXY USA, Inc.,
15 for pool contraction and extension, Lea County, New
16 Mexico.

17 Applicant has requested this case be
18 continued to September 5, 1990.

19 EXAMINER CATANACH: Case 10064 is hereby
20 continued to the September 5th hearing.

21 * * * * *

22 MR. STOVALL: In keeping with our usual
23 practice and since there's so many people here, we'll
24 try to clarify approximately when you'll be on.

25 We'll put all contested cases at the end of

1 the docket, to be heard after uncontested cases. I'm
2 showing the three Chevron applications in the
3 contested pool. Those will be the last cases heard,
4 10059, 60 and 61, the three Chevron cases in
5 connection with the waterflood.

6 Case 10048 will be moved to be the first
7 case heard after the uncontested cases. Case 10049
8 will be moved to after the uncontested cases.

9 Does anybody know of any other opposed
10 cases on the docket?

11 Case 10052 is no longer opposed, is that
12 right, Mr. Padilla?

13 MR. PADILLA: That's correct.

14 MR. STOVALL: Are there any other parties
15 here who have any intent of opposing any of the cases
16 that are on the docket for today?

17 Okay. Those two cases are the two that
18 will be affected. Time estimate? Difficult to say,
19 as you all know.

20 There are seven uncontested cases. You're
21 looking at an average of 30 minutes apiece on those.
22 That will give you some idea of how long it will
23 take. If that gives you some idea, those of you on
24 those two cases that are getting moved back, it will
25 probably be at least two to three hours before they're

1 actually called. Whether they're called before or
2 after lunch is difficult to predict at this point.

3 If you'll check back about 10:30 to 11:00
4 to see where we are on the docket at that time, it
5 will free you up for a couple of hours anyway.

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1 CERTIFICATE OF REPORTER

2
3 STATE OF NEW MEXICO)
4) ss.
5 COUNTY OF SANTA FE)

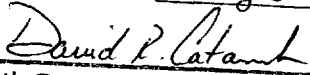
6 I, Carla Diane Rodriguez, Certified
7 Shorthand Reporter and Notary Public, HEREBY CERTIFY
8 that the foregoing transcript of proceedings before
9 the Oil Conservation Division was reported by me; that
10 I caused my notes to be transcribed under my personal
11 supervision; and that the foregoing is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

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

17 WITNESS MY HAND AND SEAL August 24, 1990.

18 
19 CARLA DIANE RODRIGUEZ
20 CSR No. 91

21 My commission expires: May 25, 1991

22
23 I do hereby certify that the foregoing is
24 a complete record of the proceedings in
the Examiner hearing of Case No. 10058
25 heard by me on August 22, 1990.
, Examiner
Oil Conservation Division

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date SEPTEMBER 5, 1990 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
A. J. Kieke	Phillips Petroleum Co	Farmington, NM
E. R. Moore	Phillips Petroleum Company	Farmington, TX
E. R. Marming	El Paso Natural Gas	El Paso, TX
H. L. Baker	" " "	" " "
William L. Jan	Campbell and Eck P.A.	Santa Fe
Paul Cooter	Rodey Law Firm	Santa Fe
W. Kellerbin	Kellerbin Kellerbin Anderson	Santa Fe
W. Kevin Kearce	Montgomery Andrews	Santa Fe
Victor Ayon	CCD	"
Bill Hawkins	Amoco	Denver
Michael E. Cuba	Amoco	DENVER
Rick Foppiano	Oxy USA	Midland, TX
Archie Taylor		
Bob Doty		
Ernst L. Paill	RADILL + Snyder	SF, NM
Bill Dutton	Oxy	Midland, TX
Charles Belcher	Oxy	Midland

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date SEPTEMBER 5, 1990 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
James Brown	Humble Law Firm	Albuquerque, NM
W. G. Campbell	Brind Creek Res. Inc.	Texas, OK
Michael D.	Circle Ridge - Belcher	Hobbs, NM
John E. Lodge	Becker Enterprise Oil Co.	M. D. M., TX.
Wm. McAlister	Santa Fe Exploration Co.	Roswell, N.M.

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Phillips Case 10058
Petroleum Company For Eight
Nonstandard Gas Proration Units,
and Seven Unorthodox Coal Gas
Well Locations, San Juan County,
New Mexico

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

September 5, 1990

ORIGINAL

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

FOR THE APPLICANT:

KELLAHIN, KELLAHIN & AUBREY

Attorneys at Law

117 N. Guadalupe

Santa Fe, New Mexico 87504

BY: W. THOMAS KELLAHIN, ESQ.

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1 HEARING EXAMINER: Call Case No. 10058.

2 MR. STOVALL: Application of Phillips
3 Petroleum Company for eight nonstandard gas proration
4 units and seven unorthodox coal gas well locations,
5 San Juan County, New Mexico.

6 HEARING EXAMINER: Call for appearances.

7 MR. KELLAHIN: Mr. Examiner, I'm Tom
8 Kellahin of the Santa Fe law firm of Kellahin,
9 Kellahin & Aubrey, appearing on behalf of the
10 applicant, and I have two witnesses to be sworn.

11 HEARING EXAMINER: Are there any other
12 appearances? Will the witnesses please stand and be
13 sworn?

14 (Witnesses sworn.)

15 MR. KELLAHIN: Mr. Examiner, for this
16 presentation, there are a couple of changes we'd like
17 to make from the way the case is advertised. It
18 originally requests the approval of eight nonstandard
19 proration units and seven unorthodox coal gas
20 locations.

21 If you'll take a moment, sir, and turn to
22 the second sheet of the exhibit book, there's a
23 tabulation of each of the eight nonstandard proration
24 units. The applicant desires to delete its request
25 for certain of the unorthodox well locations. There

1 will be three remaining after the deletions.

2 The first one is Well 213. That one still
3 is an unorthodox location. The third one is Well
4 217. That is also unorthodox. The fifth well listed
5 is 219, and that is unorthodox.

6 We request approval to dismiss the balance
7 of the unorthodox location requests at this time. The
8 applicant is attempting to adjust its locations to
9 find standard locations in each of those nonstandard
10 proration units.

11 The nonstandard proration units as listed
12 is part of a comprehensive effort to allocate acreage
13 along an unusual shaped township in order to develop
14 spacing units for coal gas wells. The first one
15 listed as a nonstandard unit has been previously
16 approved by the Division. It's Order No. R-9099.
17 That order originally approved the drilling of the 201
18 well. The 213 is now a replacement a few hundred feet
19 removed from the 201.

20 And if we're entitled to use a replacement
21 well with an existing nonstandard proration unit under
22 Order No. R-9099, then it's not necessary to have a
23 new nonstandard proration unit approved. If that in
24 fact has expired with the replacement of the 201, then
25 we need approval.

1 With those comments, then the balance of
2 the application is as advertised.

3 HEARING EXAMINER: You may go ahead and
4 continue, Mr. Kellahin. I might have some questions
5 on that number one.

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

9 DIRECT EXAMINATION

10 BY MR. KELLAHIN:

11 Q. Would you please state your name and
12 occupation.

13 A. My name is Jay Kieke, and I'm area landman
14 for Phillips Petroleum Company.

15 Q. Mr. Kieke, you spell your last name
16 K-i-e-k-e?

17 A. That's correct.

18 Q. Mr. Kieke, have you on prior occasions
19 testified as a petroleum landman before the Oil
20 Conservation Division?

21 A. No, I have not.

22 Q. Would you take a moment, sir, and describe
23 when and where you obtained your degree?

24 A. I graduated in 1980 from the University of
25 Texas, majoring in petroleum land management.

1 Q. Subsequent to graduation, would you
2 summarize for us your employment experience as a
3 petroleum landman?

4 A. I've worked ten years for Phillips
5 Petroleum Company in handling areas of responsibility
6 in Texas and New Mexico, the Appalachian Basin of
7 Louisiana.

8 Q. Where do you currently reside?

9 A. In Farmington, New Mexico.

10 Q. What is your responsibility for your
11 company insofar as this application is concerned, Mr.
12 Kieke?

13 A. I am the area landman for the Phillips
14 office in Farmington and charged with the
15 responsibility to see that the Fruitland coal is
16 developed in this particular federal unit.

17 MR. KELLAHIN: We tender Mr. Kieke as an
18 expert petroleum landman.

19 HEARING EXAMINER: Mr. Kieke is so
20 qualified.

21 Q. (BY MR. KELLAHIN) Let me direct your
22 attention, sir, to what is marked as Applicant's
23 Exhibit A. It's the first page of the exhibit book.
24 Let's orient the examiner as to what this information
25 is on this display. First of all, show us the outline

1 of the Phillips-operated San Juan 32-7 Unit.

2 A. The outline is indicated by the dashed mark
3 or line encompassing parts of Township 32 North, 7
4 West, and 31 North, 7 West, in San Juan County, New
5 Mexico.

6 Q. Are each of the requested eight nonstandard
7 proration units entirely contained within the
8 Phillips-operated San Juan 32-7 Unit?

9 A. That is correct.

10 Q. Within that unit area, are the interest
11 owners consolidated?

12 A. Yes, they are.

13 Q. So we won't have a difference in interest
14 owners from one spacing unit to another?

15 A. No.

16 Q. When we look at the display, help us
17 understand how you have identified each of the
18 nonstandard proration units.

19 A. To start off, we were faced with existing
20 Basin-Fruitland coal nonstandard spacing units. The
21 first nonstandard spacing unit marked No. 1, as you
22 pointed out, was approved under Order R-9099.

23 Q. Let's find that one on the display. If we
24 look at the red arrow that's shaded in yellow and has
25 the number 213 --

1 A. Yes.

2 Q. -- and you look within that spacing unit,
3 there is in parentheses the number 1?

4 A. That's correct.

5 Q. Each time on this display we find a number
6 in the parentheses, does that correspond to the number
7 on the second page that orients us to the nonstandard
8 proration unit?

9 A. Yes. That corresponds to the number on
10 Exhibit A-1.

11 Q. When we look in the number 1 nonstandard
12 proration unit and find the number 213, what does that
13 represent?

14 A. 213 represents the approximate location of
15 the well, of the proposed unorthodox well location for
16 that nonstandard spacing unit.

17 Q. When we look at numbers on the display that
18 are not in parentheses, what is the purpose of those
19 numbers?

20 A. Those numbers are to correspond with the
21 offset owner listing on Exhibit A-2.

22 Q. When we look at the nonstandard proration
23 unit for number 1 --

24 A. Yes.

25 Q. -- there is next to that the Order No.

1 R-9099?

2 A. Yes.

3 Q. What's your understanding of that order?

4 A. That order has established that spacing by
5 the Commission as approved spacing for the
6 Basin-Fruitland coal for the San Juan 32-7 Well No.
7 201.

8 Q. If you look carefully on that display, you
9 can see just to the south of the red arrow the number
10 201?

11 A. That is correct.

12 Q. What is the status of the 201 well?

13 A. The 201 well is currently shut in.

14 Q. You're seeking to replace it then with the
15 213?

16 A. That is correct.

17 Q. And you'll use the identical same
18 nonstandard proration unit for the new well?

19 A. Yes, sir.

20 Q. When we look to the south of that, there is
21 the number 7 in parentheses. That represents another
22 nonstandard proration unit?

23 A. That's correct.

24 Q. Let's go over to the 217 arrow.

25 A. Yes.

1 Q. What does that represent?

2 A. 217 is the proposed unorthodox location for
3 the San Juan 32-7 Well, No. 217.

4 Q. How is its nonstandard proration unit
5 identified?

6 A. It is identified in parentheses as number
7 3.

8 Q. And then we move to the west, skip the
9 number 2 proration unit, and you find the number 219;
10 what does that represent?

11 A. That represents the proposed unorthodox
12 location for the San Juan 32-7 Well, No. 219,
13 represented by -- which is situated on the proposed
14 nonstandard spacing unit No. 5.

15 Q. There are some additional shadings on the
16 display?

17 A. Yes.

18 Q. For example, when we look to the number 3
19 nonstandard proration unit, which has Well 217 in it?

20 A. Yes.

21 Q. And look to the south and east?

22 A. Yes.

23 Q. There's a difference in the crosshatched
24 area?

25 A. Yes.

1 Q. Describe for us what that represents.

2 A. At the bottom of that Exhibit A is a
3 legend. The crosshatched area indicates either the
4 lands are not committed to the unit area and are
5 operated under separate operating agreement or have
6 been eliminated from the unit area by automatic
7 elimination.

8 Q. When we look along the northern tier of
9 sections in this township, this is an irregular
10 township?

11 A. That's correct.

12 Q. When we get to the eastern boundary of the
13 No. 3 nonstandard proration unit, there is other
14 acreage in here?

15 A. Yes.

16 Q. What has been the solution for those
17 spacing units?

18 A. Where --

19 Q. That are not operated by Phillips.

20 A. Okay. Those are operated by Quinoco, and,
21 to my knowledge, there's been three Basin-Fruitland
22 coal spacing units approved by the Commission under
23 that Order 9061.

24 Q. And that's the purpose of the reference on
25 this display when it shows Order No. R-9061?

1 A. That's correct.

2 MR. KELLAHIN: Mr. Examiner, for your
3 reference, here's a copy of the Quinoco order.

4 HEARING EXAMINER: I'll take administrative
5 notice of this order, Mr. Kellahin.

6 MR. KELLAHIN: Thank you, sir.

7 Q. You have attempted to formulate the
8 nonstandard proration units after the Division has
9 approved the Quinoco nonstandard proration units?

10 A. Yes.

11 Q. What has been your plan in order to have a
12 comprehensive solution for the irregular-shaped
13 sections within this township on the north side of the
14 township and on the west side of the township?

15 A. The solution that we came up with, and it's
16 been most practiced in this area, has been following
17 the same outline as the Blanco-Mesaverde spacing units
18 that are currently existing.

19 Q. Do you have a reference number to the
20 Blanco-Mesaverde order that provided the nonstandard
21 spacing unit solutions?

22 A. Yes. Order R-1066 provides the nonstandard
23 spacing units for the Blanco-Mesaverde.

24 MR. KELLAHIN: Mr. Examiner, I also show
25 you a copy of Order No. R-1066.

1 HEARING EXAMINER: All right, Mr. Kellahin,
2 I also take administrative notice of Order No.
3 R-1066.

4 So I can reference these a little quicker,
5 can you tell me which blocks correspond with your
6 nonstandard proration units today?

7 THE WITNESS: Yes. In R-1066, Block A
8 refers to No. 7 on Exhibit A-1. Block B refers to No.
9 1 on Exhibit A-1. Block C refers to No. 8. Block D
10 refers to No. 4. Block E refers to No. 6. Block F
11 refers to No. 5. And Block G refers to No. 2. And
12 the only one remaining is No. 3, and that's as found
13 in Order No. R-5364.

14 I'm sorry, I just have one copy of that
15 order.

16 HEARING EXAMINER: I'll take administrative
17 notice of that, and I have a copy in our records.

18 Q. (BY MR. KELLAHIN) In your opinion, Mr.
19 Kieke, does your proposed solution for these
20 nonstandard proration units for the Basin-Fruitland
21 coal gas provide you a practical solution for the
22 allocation of production among those interest owners?

23 A. Yes, sir, it does.

24 Q. Does it provide you then with a means to
25 develop the coal gas reserves underlying these various

1 tracts?

2 A. Yes.

3 Q. As best possible, have you attempted to
4 allocate the acreage so that you come close to or
5 approximate the 320-acre spacing --

6 A. Yes.

7 Q. -- required for the pool?

8 A. Yes, sir.

9 Q. Let's turn now and have you identify some
10 of the rest of the displays in the exhibit book. If
11 you'll turn past the tabulation and identify for us
12 what is marked as Exhibit A-1a. What is this?

13 A. Exhibit A-1a is the Form C-102, which is
14 the well location and acreage dedication plat for the
15 San Juan 32-7 Unit, Well No. 213.

16 Q. This will be one of the three wells that is
17 at an unorthodox location?

18 A. That's correct.

19 Q. What's your understanding of why this well
20 is at an unorthodox location? How is this unorthodox?

21 A. Because it is in the southeast quarter of
22 Section 7 as opposed to the northeast quarter, and I
23 believe it's less than the 790 setback from the
24 quarter/quarter section lines.

25 Q. The 790 setback is the outer boundary,

1 wouldn't it be?

2 A. Yes, that's correct.

3 Q. So you're in the wrong quarter section?

4 A. That's correct.

5 Q. When we go to the next exhibit, Exhibit
6 A-1b, this is for which well?

7 A. This is for the San Juan 32-7, No. 217.

8 Q. This well is also at an unorthodox
9 location?

10 A. That's correct.

11 Q. Why is this unorthodox?

12 A. This one is unorthodox because of the 790
13 setback.

14 Q. Then, finally, the 213 well on Exhibit
15 A-1c?

16 A. Yes.

17 Q. This is your C-102 for that well?

18 A. For the San Juan 32-7, No. 219.

19 Q. I believe this one you're in the wrong
20 quarter section?

21 A. That's correct. We're in Unit J.

22 Q. Exhibit A-2 represents the list of the
23 offsetting interest owners?

24 A. That's correct.

25 Q. And that completes your work on this case,

1 does it not, Mr. Kieke?

2 A. Yes, sir, it does.

3 MR. KELLAHIN: The balance of the
4 information is to be addressed by Mr. Moore, a
5 geologist for Phillips Petroleum Company.

6 MR. STOVALL: Do you have a notice
7 affidavit or do we have that already?

8 MR. KELLAHIN: Yes, sir, I have it.

9 MR. STOVALL: Okay, if you're planning to
10 do that later, that's fine.

11 MR. KELLAHIN: Yes, sir.

12 HEARING EXAMINER: I have no questions of
13 Mr. Kieke at this point, Mr. Kellahin.

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

17 DIRECT EXAMINATION

18 BY MR. KELLAHIN:

19 Q. Mr. Moore, for the record, would you please
20 state your name and occupation.

21 A. My name is Thomas R. Moore. I'm a
22 reservoir specialist and a geologist for Phillips
23 Petroleum Company in Farmington.

24 Q. Mr. Moore, on prior occasions have you
25 testified before the Division?

1 A. No, I have not testified before the New
2 Mexico Division.

3 Q. Summarize for us your educational
4 background.

5 A. I graduated with a Bachelor of Science
6 Degree in geology from Indiana University of
7 Pennsylvania.

8 Q. In what year was that?

9 A. That was in 1976. And then in 1981, I
10 graduated from the University of Missouri at Columbia
11 with a Master of Science Degree in geology.

12 Q. Summarize for us your employment experience
13 as a geologist.

14 A. I was employed various places before coming
15 with Phillips. I've been with Phillips approximately
16 nine years and was originally employed at their
17 Mid-Continent Division in Oklahoma City, and while
18 there testified before the Oklahoma Corporation
19 Commission in a similar capacity. After that I was
20 employed with Phillips in their research center in
21 Bartlesville, Oklahoma, and have been in the
22 Farmington area for approximately one year.

23 Q. Have you made yourself familiar with the
24 coal gas development with regards to the
25 Phillips-operated San Juan 32-7 Unit?

1 A. Yes. That's one of the areas of my primary
2 responsibility.

3 MR. KELLAHIN: I tender Mr. Moore as an
4 expert petroleum geologist.

5 HEARING EXAMINER: Mr. Moore is so
6 qualified.

7 Q. (BY MR. KELLAHIN) Mr. Moore, let me have
8 you start, sir, with probably Exhibit A. Let's start
9 with that one, and let me ask you some preliminary
10 questions.

11 Based upon your study of the geology, do
12 you have any disagreement with Mr. Kieke's solution of
13 the nonstandard proration units to solve the irregular
14 shape of this township?

15 A. No, I do not.

16 Q. In terms of the well locations, the three
17 nonstandard or unorthodox well locations, have you
18 satisfied yourself that there is a reasonable basis to
19 form an opinion that these are an appropriate location
20 for these wells?

21 A. Yes, I think these are indeed appropriate
22 locations.

23 Q. Give us, in summary, the various components
24 or the criteria that required each of these three
25 wells to be located as you propose to have them

1 located.

2 A. These well locations are spotted to take
3 advantage of both areas of thick net aggregate coal
4 and also the structural lay of the strata.

5 Q. Are there topographic or surface
6 constraints within each of these nonstandard proration
7 units that influence the location of the wells at the
8 surface?

9 A. Yes. If you would turn to Exhibit D, which
10 is a copy of the portion of the topographic map of the
11 area, you can see the area is quite rugged.

12 Q. Let me find that one. You have moved to
13 Exhibit D?

14 A. Yes.

15 Q. Let's take a moment and look at the spacing
16 unit for the 213 well. That is overlaid on top of the
17 topo map; yes?

18 A. Yes.

19 Q. Within that nonstandard proration unit, why
20 do you propose to locate the 213 well as suggested
21 here?

22 A. The 213 well takes advantage of a flat
23 area, essentially the only flat area within that
24 spacing unit. As you can see from the topographic
25 map, the area is quite rugged, and it's also along the

1 area, the Los Pintos arm of the Navajo Lake area.

2 Q. Approximate for us where the 213 well is in
3 relation to the 201.

4 A. It's approximately 200 feet offset from the
5 201 location. It's virtually on the same spot.

6 Q. What happened to the 201 well?

7 A. The 201 well was initially started and
8 drilled to an intermediate TD, and the intermediate
9 case in point was missed and set too deep, and we
10 essentially have intermediate casing set with the coal
11 behind pipe and cement.

12 Q. The purpose then of the 213 is what?

13 A. Is basically to redrill that section.

14 Q. And take advantage of the existing roads
15 into that well site and the use of the surface?

16 A. Yes, that's correct.

17 Q. When we look at the 219 well in Section 5,
18 describe for us there what surface constraints you
19 have based upon topography.

20 A. Again, you can see a portion of that
21 spacing unit is quite steep. There's an area off to
22 the northwest that's very steep, leading down into the
23 canyon that holds the lake, and also there is a steep
24 mesa area immediately to the east of the 219 location.

25 Q. When we look at the 217 well to the east,

1 what are the topographic features that influence the
2 location of that well?

3 A. The No. 217 well, there's a little more
4 leeway where we could possibly place the location, but
5 it takes advantage of the access road that comes down
6 into that area from the northeast that is immediately
7 east of the location.

8 Q. To your knowledge, has the BLM approved
9 each of these sites for surface use for drilling of
10 the Fruitland coal gas wells?

11 A. To the best of my knowledge, yes.
12 Normally, our procedure is to have a BLM
13 representative on the location as we're picking the
14 location; so they're essentially party to picking the
15 location.

16 Q. Let's go back now to Exhibit B. What does
17 this represent, and what do you conclude?

18 A. Exhibit B is a map of the aggregate net
19 coal thickness through the lower Fruitland formation.
20 That's the coal productive zone in the Fruitland, and
21 essentially is a map on a contour interval of ten
22 feet, showing the estimation of the thickness of the
23 net coal in the area.

24 Q. Is the magnitude of difference in coal
25 thickness here overlying all of the nonstandard

1 proration units such that you would reconfigure any of
2 the proration units based upon coal thickness alone?

3 A. No. The magnitude of the thickness is less
4 than ten feet, as you can see from the map.

5 Q. When we look at Exhibit C, what does that
6 represent?

7 A. Exhibit C is a map I've prepared of the
8 structure on the top of the main Pictured Cliff
9 sandstone zone, which immediately underlies the
10 Fruitland coal interval in that area, and is a
11 representative stratigraphic marker that is used in
12 this case to map the elevation of the horizon.

13 Q. Identify for the record what the other well
14 symbols on the display mean.

15 A. Most of the other well symbols on there are
16 essentially locations of conventional wells drilled in
17 the area. The circles are Mesaverde completions. The
18 wells have a triangular symbol on the outside of
19 them. Wells are completed in the Fruitland zone
20 either in Fruitland coal or in Fruitland sand
21 production zones.

22 There are a few spots on there such as in
23 the far northeast corner, the No. 208 well shows a
24 proposed Fruitland location in the 32-7 Unit. There
25 are a few dry hole symbols scattered across the map

1 also.

2 Q. Let's turn past Exhibit D and have you
3 identify and describe Exhibit E-1.

4 A. Essentially, Exhibit E-1 is an
5 amplification of Exhibit D. What I've done is
6 outlined the areas which would be topographically
7 unsuitable for building a well location pad. This
8 essentially outlines areas of very steep topography.

9 Q. For Well 217, you have a little more
10 surface flexibility for that well?

11 A. That is correct.

12 Q. But as you go to the 219 and particularly
13 to the 213, you're more limited on your surface use?

14 A. Yes, that's correct.

15 Q. Have you given us a display then that
16 integrates the geology or talks about the unfavorable
17 geologic components of your analysis?

18 A. Yes. Exhibit E-2 is essentially a
19 composite of both the structure and the net coal
20 thickness map outlying areas, which would be less
21 favorable as opposed to areas which would be more
22 favorable for drilling Fruitland coal production.

23 Q. A less favorable area would be one that's
24 in the stippled area?

25 A. Yes.

1 Q. Have you put the two displays together in a
2 composite?

3 A. Yes. That composite is Exhibit E-3. It's
4 an overlay of the two previous maps, and it's only
5 outlined for the areas in which we're interested in
6 today.

7 Q. When you look at the 213 well, that would
8 be spotted in close proximity to the 201 well?

9 A. Yes. That would be essentially adjacent to
10 it.

11 Q. What's your conclusion in summation then
12 about the location of that well?

13 A. That location is very limited as to area
14 where we could potentially build a pad and put down a
15 productive well.

16 Q. The next one is the 219?

17 A. Yes. The 219 in Section 5, there is a
18 little more leeway there, but because of constraints
19 both by the roads in the area and there is also some
20 archeologic sites in the area which further limited
21 where we can place that well.

22 Q. That well would be spotted slightly north
23 of, what is it, 18?

24 A. It would essentially be due west of 18.

25 Q. When we go to the 217, that's slightly

1 north of the 74 well?

2 A. Yes, that's correct.

3 Q. What's your conclusion about each of those
4 two wells?

5 A. In the case of the 217, again, there's a
6 little more leeway as to where we could possibly place
7 that well, but it is currently staked in a location
8 that takes advantage of the existing roads into the
9 area.

10 No. 219 is essentially the same situation.
11 There's a little bit of leeway there, but, again,
12 we're trying to take advantage of existing roadways
13 and development in the area.

14 Also in both of those cases, the 219 and
15 the 217 are located so as to take advantage of
16 geologic structure to its best availability.

17 Q. In summary then, Mr. Moore, based upon the
18 constraints of geology and surface use and the other
19 conditions that limit the location of these wells and
20 the configuration of the spacing units, in your
21 opinion, is approval of this application in the best
22 interests of conservation, the prevention of waste,
23 and the protection of correlative rights?

24 A. Yes, that's correct.

25 MR. KELLAHIN: Mr. Examiner, we would move

1 the introduction of Phillips' exhibit book, which is
2 marked Exhibits A through Exhibit E-3.

3 HEARING EXAMINER: Exhibits A through E-3
4 will be admitted into evidence.

5 MR. KELLAHIN: That concludes my
6 examination of Mr. Moore.

7 CROSS-EXAMINATION

8 BY HEARING EXAMINER:

9 Q. Mr. Moore, what will happen to the 201
10 well?

11 A. We have intention at this time to deepen
12 the No. 201 location to at least a Mesaverde
13 completion and possibly to a Dakota completion. We're
14 currently evaluating that, and it's been proposed to
15 the other partners in the well.

16 Q. But it will not be completed or producing
17 from the Fruitland coal; is that correct?

18 A. No, it will not, and it has never been
19 tested in the Fruitland section.

20 Q. You mentioned that the BLM were on the site
21 for the inspections on your wells out there. On the
22 proration units along the lake --

23 A. Yes.

24 Q. Was the Bureau of Reclamation also
25 available?

1 A. I'm uncertain of that.

2 Q. Are they the surface use management in that
3 area, and what is their sphere of influence?

4 A. Yes, they are in control of the surface use
5 in that area, and I'm sure they've been consulted. I
6 personally have not conducted the contacts with the
7 regulatory agencies.

8 Q. But you say the BLM was out there?

9 A. Yes, I know for a fact the BLM has visited
10 these three locations, and our normal procedure is to
11 have a representative of each of the regulatory
12 agencies on location as we are staking the wells. I'm
13 not absolutely certain that they have been there,
14 though.

15 Q. In your preparation for Exhibit E-1, that
16 was the topographical unfavorable areas?

17 A. Yes.

18 Q. Was that also done with the assistance of
19 the Bureau of Rec or the BLM?

20 A. No. I prepared that myself.

21 Q. What did you use as the parameters?

22 A. The principal parameter, I eliminated areas
23 of very steep slopes.

24 Q. Were there any archeological sites included
25 in there, or is this just due to topography for crown

1 features?

2 A. No. This is essentially a summary of the
3 topographic map. There are a number of archeological
4 sites in the area, but I have not located them, and we
5 have not done an extensive study of the area. It's
6 essentially a study site by site as we stake the
7 locations.

8 HEARING EXAMINER: Are there any other
9 questions of Mr. Moore?

10 CROSS-EXAMINATION

11 BY MR. MORROW:

12 Q. I missed where the lake outline is on
13 there, Mr. Moore. Is it shown on one of your
14 exhibits?

15 A. Yes. If you look at Exhibit E-1, for
16 example, there's a very light dashed line that shows
17 the outline of the lake. It essentially runs
18 north-south through Sections 6, 7, and 18.

19 Q. Kind of a narrow lake there?

20 A. Yes. It's a very narrow arm along what
21 used to be the Los Pintos River.

22 Q. Is it along the 6100-foot contour?

23 A. Yes. That would be easier to decipher if
24 we had a colored copy of the topographic map.

25 HEARING EXAMINER: Are there any other

1 questions of this witness?

2 MR. KELLAHIN: No, sir.

3 HEARING EXAMINER: He may be excused.

4 Mr. Kellahin?

5 MR. KELLAHIN: Mr. Examiner, I don't
6 immediately see the exhibit stamp in the hearing room,
7 but I will mark and propose to introduce as Exhibit F,
8 the certificate of mailing. I do need your permission
9 to submit a supplemental certificate. We have
10 received some additional return receipts, and there
11 was a supplemental mailing that needs to be appended
12 to this certificate. If I may do so following the
13 hearing, I would appreciate it.

14 MR. STOVALL: Mr. Kellahin, would you also
15 provide a list of the names to whom mailing was
16 actually made, not necessarily the return receipts?

17 MR. KELLAHIN: Certainly. We'll give you a
18 complete list that will show you the notice and the
19 parties to be notified.

20 HEARING EXAMINER: And all parties to be
21 notified on this list and your supplemental one, all
22 within 20 days of this hearing?

23 MR. KELLAHIN: Yes, sir.

24 HEARING EXAMINER: That will be fine, Mr.
25 Kellahin. Somebody stole both stamps. I'm sorry for

1 the inconvenience, but I appreciate you marking it
2 with big red letters.

3 Q. (BY MR. MORROW) Let me ask one more
4 thing. Tom, what does "automatic elimination" mean?
5 Do you know what that means? They use that term as
6 part of the acreage that has been eliminated by
7 automatic elimination?

8 MR. STOVALL: From the unit? He referred
9 to that reference, the landman did?

10 THE WITNESS: Mr. Kieke made that
11 reference.

12 MR. KELLAHIN: Can you explain that?

13 THE WITNESS: Sure. Automatic elimination
14 is pursuant to that unit agreement, and basically if
15 the land is not included within a participating area,
16 after a certain amount of time, it's automatically
17 eliminated from the unit because of nonproduction,
18 nondevelopment. This particular unit is dated back in
19 the early 50's, and that elimination was probably in
20 the early 60's.

21 HEARING EXAMINER: Have they been
22 voluntarily pooled within this proration unit No. 1,
23 Mr. Kieke?

24 MR. KIEKE: Yes.

25 HEARING EXAMINER: So everybody has

1 joined?

2 MR. KIEKE: That's correct.

3 HEARING EXAMINER: Any other questions of
4 this witness or either one of them? If not, they may
5 be excused at this time.

6 Anything further in this case?

7 MR. KELLAHIN: No, sir.

8 HEARING EXAMINER: Case No. 10058 will be
9 taken under advisement.

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 10058,
heard by me on 5 April, 1990.

Michael P. Cullen, Examiner
Oil Conservation Division


1 CERTIFICATE OF REPORTER

2
3 STATE OF NEW MEXICO)
4 COUNTY OF SANTA FE) ss.
5

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

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

17 WITNESS MY HAND AND SEAL September 13,
18 1989.

19 
20 DEBORAH O'BINE
21 CSR No. 127

22 My commission expires: August 10, 1990
23
24
25