

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. 13,347

APPLICATION OF WILLIAMS PRODUCTION)
COMPANY FOR AN EXCEPTION TO RULE 7(d) OF)
THE SPECIAL POOL RULES AND REGULATIONS)
FOR BASIN-FRUITLAND COAL GAS POOL TO)
AUTHORIZE THE SIMULTANEOUS DEDICATION OF)
THE SOUTH HALF OF SECTION 8, TOWNSHIP 31)
NORTH, RANGE 5 WEST, NMPM, TO TWO COAL)
GAS WELLS LOCATED IN THE SAME QUARTER)
SECTION, RIO ARRIBA COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

October 21st, 2004

Santa Fe, New Mexico

2004 NOV 4 AM 11 55

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, October 21st, 2004, 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.

* * *

I N D E X

October 21st, 2004
 Examiner Hearing
 CASE NO. 13,347

PAGE

APPLICANT'S WITNESS:

ROBERT L. GOODWIN, III (Engineer)

Direct Examination by Mr. Carr

Examination by Examiner Stogner

3

13

REPORTER'S CERTIFICATE

19

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6	13
Exhibit 2	7	13
Exhibit 3	9	13
Exhibit 4	10	13
Exhibit 5	12	13

* * *

A P P E A R A N C E S

FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR
 110 N. Guadalupe, Suite 1
 P.O. Box 2208
 Santa Fe, New Mexico 87504-2208
 By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 8:25 a.m.:

3 EXAMINER STOGNER: At this time I'm going to call
4 Case Number 13,347. This is the Application of Williams
5 Production Company for an exception to Rule 7(d) of the
6 Special Pool Rules and Regulations for the Basin-Fruitland
7 Coal Gas Pool to authorize the simultaneous dedication of
8 the south half of Section 8, Township 31 North, Range 5
9 West, to two coal gas wells located in the same quarter
10 section, Rio Arriba County, New Mexico.

11 At this time I'll call for appearances

12 MR. CARR: May it please the Examiner, my name is
13 William F. Carr with the Santa Fe office of Holland and
14 Hart, L.L.P. We represent Williams Production Company in
15 this matter, and I have one witness.

16 EXAMINER STOGNER: Any other appearances? Will
17 the witness please stand to be sworn at this time?

18 (Thereupon, the witness was sworn.)

19 EXAMINER STOGNER: Mr. Carr?

20 ROBERT L. GOODWIN, III,
21 the witness herein, after having been first duly sworn upon
22 his oath, was examined and testified as follows:

23 DIRECT EXAMINATION

24 BY MR. CARR:

25 Q. Would you state your full name for the record,

1 please?

2 A. Robert Leo Goodwin, III.

3 Q. Mr. Goodwin, where do you reside?

4 A. In Owasso, Oklahoma.

5 Q. By whom are you employed?

6 A. Williams Production Company.

7 Q. And what is your position with Williams
8 Production Company?

9 A. I'm a petroleum engineer, a reservoir engineer,
10 for Williams on the San Juan Basin.

11 Q. Have you previously testified before the New
12 Mexico Oil Conservation Division?

13 A. I have not.

14 Q. Would you review your educational background for
15 Mr. Stogner?

16 A. I graduated from Colorado School of Mines, 1997,
17 with a bachelor's degree in petroleum engineering.

18 Q. Since graduation, for whom have you worked?

19 A. For the first five years after graduation I
20 worked for Burlington Resources in Farmington, New Mexico,
21 and in June of 2002 I began employment with Williams.

22 Q. Does the geographic area of your responsibility
23 include the portion of the San Juan Basin that's the
24 subject of this hearing?

25 A. Yes, it is.

1 Q. Are you familiar with the Application filed in
2 this case on behalf of Williams Production Company?

3 A. Yes, I am.

4 Q. Have you made an engineering study of the area
5 that's the subject of the Application?

6 A. Yes, I have.

7 Q. And are you prepared to share the results of this
8 work with Mr. Stogner?

9 A. Yes, I will.

10 MR. CARR: We tender Mr. Goodwin as an expert in
11 petroleum engineering.

12 EXAMINER STOGNER: Is it Goodwin or Goodman?

13 THE WITNESS: Goodwin.

14 MR. CARR: Goodwin, -w-i-n.

15 EXAMINER STOGNER: Goodwin, I'm sorry. Mr.
16 Goodwin is so qualified.

17 THE WITNESS: Thank you.

18 Q. (By Mr. Carr) Mr. Goodwin, would you briefly
19 state what Williams Production Company seeks in this case?

20 A. We propose to drill a vertical well in the
21 southwest quarter of Section 8 and drill and cavitate a
22 Fruitland Coal well. Currently there exists the surface
23 location of a horizontal Fruitland Coal well.

24 Q. So what you have is, you need an exception to
25 Rule 7(d) of the Rules of the Division?

1 A. That's correct. I guess 7(d) states that two
2 wells should not be in the same quarter section.

3 Q. And so you're proposing to drill the optional
4 infill well as a vertical well, and it's going to be in the
5 same quarter section as the surface location for the
6 horizontal wellbore; is that correct?

7 A. That is correct.

8 Q. Let's go to what has been marked for
9 identification as Williams Exhibit Number 1. Would you
10 identify that for the Examiner?

11 A. The -- We're talking about the Order of the
12 Division?

13 Q. We're talking about Exhibit 1, which is -- Order
14 of the Division, is entitled.

15 A. Okay, so Rule 7(d) where the well density on 320-
16 acre spacing, and then (d)(i), the optional infill well.

17 Q. The well that's the subject of today's hearing in
18 the spacing unit that we're talking about, it's a standard
19 320-acre spacing unit, is it not?

20 A. That's correct.

21 Q. And you are proposing the second well on the
22 unit?

23 A. That is correct.

24 Q. And the only thing that you need to do is be able
25 to place the well with a surface location in the same

1 quarter section as the original horizontal wellbore; is
2 that right?

3 A. That's correct.

4 Q. Let's look at what has been marked as Williams
5 Exhibit Number 2. Would you identify that?

6 A. This is the proposal from Halliburton that gives
7 the directional drilling of the original well in the south
8 half of Section 8, the 379.

9 Q. And this is the original proposal for the
10 horizontal wellbore; is that right?

11 A. Yes, sir.

12 Q. And it shows on, oh, the fourth or fifth page
13 back, the surface location for the horizontal wellbore and
14 the initial proposed horizontal portion of that well?

15 A. That is correct, the schematic laid out here.

16 Q. If we look at the page that has the schematic for
17 the wellbore in this exhibit --

18 A. Mr. Stogner --

19 MR. CARR: It's about the third or fourth page
20 back, and has a schematic at the bottom.

21 EXAMINER STOGNER: Okay.

22 Q. (By Mr. Carr) -- how far from the surface
23 location did you actually intersect the Fruitland Coal?

24 A. From the surface location we intersected the
25 Fruitland Coal about 530 feet from the surface location in

1 the southwest quarter.

2 Q. Were you able to drill this well the projected
3 distance, the horizontal portion of the well, as far as you
4 had hoped to do it?

5 A. Yes, the Application was for roughly 2500 feet,
6 and that's where we stopped, at 2500 feet.

7 Q. Of that 2500 feet, how many feet of the
8 horizontal wellbore are actually located within the
9 southwest quarter of the section?

10 A. Approximately 500 feet are located in the
11 southwest quarter.

12 Q. So 1700 feet are in the southeast quarter?

13 A. 2000 feet.

14 Q. If we look at the next page in Exhibit Number 2
15 -- this is a plat that shows the south-half spacing unit in
16 Section 8, and it also shows that the spacing unit is
17 interior in the Rosa Unit; is that correct?

18 A. That is correct.

19 Q. Are there any participating areas in this portion
20 of the Rosa Unit?

21 A. The Fruitland Coal has not been approved as a
22 participating area.

23 Q. So you're drilling this on a spacing unit or --

24 A. That is correct.

25 Q. -- basis?

1 Okay. Let's go now to what is marked as Williams
2 Exhibit Number 3. Would you identify that, please?

3 A. This is the original BLM Application for permit
4 to drill the 379A, the proposed well in the southwest
5 quarter.

6 Q. And is attached to this APD --

7 A. -- the C-102.

8 Q. And it shows the surface location for this well?

9 A. Yes, sir.

10 Q. You're proposing to have one horizontal -- to
11 drill -- You have one horizontal well on the spacing unit?

12 A. That is correct.

13 Q. You're now proposing to drill a vertical
14 wellbore?

15 A. That is correct.

16 Q. Why are you not considering two horizontal
17 wellbores in the south half of Section 8?

18 A. I felt and related to the management that it
19 would be a good idea to have side-by-side comparison of a
20 horizontal well and a cavitated well, to aid us in the
21 evaluation of the effectiveness of our horizontal program
22 and the ability for us to continue drilling these
23 horizontal wells in the future.

24 Q. In your horizontal wellbore, how many feet of the
25 coal do you actually think you access as you move through

1 the formation?

2 A. In that particular horizontal well, the seam that
3 we were targeting was 12 to 14 feet thick, and I believe
4 that once we de-water this coal we will effectively drain
5 that entire vertical section, the 12 to 14 feet.

6 Q. What is the difference in the cavitated hole?

7 A. In the cavitated section we expect to encounter
8 25 to 27 feet of pay, which hopefully will give us a good
9 comparison.

10 Q. And with this comparison you'll be able to
11 develop further plans for the development of the Fruitland
12 Coal in this area?

13 A. Yes, sir. Yes, sir, in the areas further east of
14 this the coal starts to thin out, and hopefully there'll be
15 a better fit for horizontal drilling versus cavitation.

16 Q. Let's go to Exhibit Number 4, the topographic
17 map.

18 A. Yes, sir.

19 Q. Would you take that out and explain to the
20 Examiner what this exhibit shows?

21 A. Mr. Stogner, we wanted to provide this to just
22 kind of give an overview of what's happening in Section 8.
23 The triangles represent the coal wells, and the other
24 symbols are Mesaverde-Dakota wells. In Section 8, in the
25 southwest quarter of Section 8, you can see the 379 well,

1 and then just 600 feet below that is the 379A proposed
2 location.

3 The map also shows where the approximate
4 bottomhole location is of the 379, and we're saying that
5 it's going to effectively drain the southeast quarter. The
6 379A will effectively drain the southwest quarter.

7 It also, to put this on a topography map, shows
8 that there is some terrain out there to deal with, and the
9 379A location is right off the road, the Road 308 out
10 there, which gives us a little better access and minimizes
11 surface damages.

12 Q. It would be possible, just from a topographic
13 point of view, to locate a well over in the north half of
14 the southeast quarter; is that not right?

15 A. That is correct.

16 Q. Why would you not want to put a well there?

17 A. Just, again, the terrain that you would have to
18 go over in cutting new roads, when minimizing surface
19 damages is what we would like to do.

20 Q. In your opinion, will drilling the well as
21 proposed, as a cavitated hole, provide you with information
22 that will enable you to effectively develop future
23 development plans for the Fruitland Coal in this area?

24 A. Yes, sir.

25 Q. And what other conclusions have you reached in

1 your work?

2 A. I believe that the 379A will not -- and the
3 original well, will not interfere with each other, there
4 will be no correlative-rights issues or drainage issues
5 there.

6 Q. And this well is located in a low-productivity
7 portion of this pool?

8 A. Yes, sir.

9 Q. You're not requesting more wells in the south
10 half than are authorized, you just have a surface-location
11 issue; is that what we're talking about?

12 A. That is correct. Only two wells in the south
13 half.

14 Q. Is Williams Exhibit Number 5 an affidavit that --
15 confirming that notice of this hearing has provided in
16 accordance with the Rules of the Division?

17 A. Yes, sir.

18 Q. And we've notified the BLM as the surface owner;
19 is that right?

20 A. That is correct.

21 Q. Attached to that is an affidavit of publication,
22 showing that we've also published notice of the Application
23 as required by the Division?

24 A. That is correct.

25 Q. And if we go and we look at the owners of other

1 interests within the unit, all of the ownership offsetting
2 to the south, the west and the southwest is all 100-percent
3 Williams?

4 A. 100-percent Williams, that's correct.

5 Q. So the BLM as a royalty owner is the only other
6 directly affected party?

7 A. That is correct.

8 Q. Were Exhibits 1 through 5 prepared by you or
9 compiled at your direction?

10 A. Yes, they were.

11 MR. CARR: May it please the Examiner, at this
12 time we'd move the admission into evidence of Williams
13 Exhibits 1 through 5.

14 EXAMINER STOGNER: Exhibits 1 through 5 will be
15 admitted into evidence at this time.

16 MR. CARR: And that concludes my direct
17 examination of Mr. Goodwin.

18 EXAMINATION

19 BY EXAMINER STOGNER:

20 Q. Mr. Goodwin, when was the 379 drilled?

21 A. We drilled that in September of 2002. It came on
22 production -- or August of 2002. It came on production
23 September 16th of 2002.

24 Q. Now, that well was drilled as a horizontal well,
25 or was it re-entry into a vertical well?

1 A. It was drilled specifically as a horizontal well.

2 Q. Now, you show -- I'm referring now to Exhibit
3 Number 4 -- that there are some vertical Coal wells out in
4 this area.

5 A. Yes, sir.

6 Q. And is this all within the Rosa Unit area and
7 operated by Williams?

8 A. Yes, sir, they all are.

9 Q. Okay. Now, are those wells that are shown to be
10 vertically drilled, are they cavitated completions like
11 you're proposing that the 379A is?

12 A. Yes, sir. Yes, sir, they are.

13 Q. Okay. How is the comparison on the production
14 from the horizontal 379 to the other cavitated well?

15 A. If we look at the 363, which is to the southeast
16 of -- it's in the northeast corner of Section 17, so
17 southeast of the 379 -- that well is one of the better ones
18 in this area as a direct offset to the 379. The 379 as it
19 initially came in was about 1.2 million a day and has since
20 declined to about 600 a day. It is still -- If you put the
21 production in the same time period, that 363 was about half
22 as productive as the 379. And that was -- again, that was
23 the best one in this area.

24 These wells are still undergoing quite a bit of
25 de-watering, as there just isn't enough wells around here

1 to effectively de-water this area.

2 Q. Now, you show another horizontal drill, Number
3 361, down in Section 16. Was that drilled before the 379?

4 A. We had a -- Yes, it was, Mr. Stogner. We had a
5 three-well program in 2002. The 361 was the first of the
6 three, but it preceded the 379 only by a month. And
7 actually, of those three wells, all three of them have
8 turned out very well, and we're very pleased with the
9 direction that we're going with those horizontals.

10 Q. Okay, let's see. Now, you submitted the proposed
11 horizontal drilling. Was that hole surveyed? I'm
12 referring now to Exhibit Number 2. That was the proposal
13 for the horizontal drill on the 379.

14 A. Yes, sir, there was a -- there is the actual, as
15 well. I'm not sure why that wasn't entered.

16 EXAMINER STOGNER: Okay, I'm assuming that that's
17 made a part of the record in our well file. At least there
18 is a requirement for that, and I'm assuming that's where
19 it's going to be. And I'll take administrative notice of
20 the well file. And if it's not there, then we have another
21 issue.

22 MR. CARR: Well, I'll tell you also, I'm the one
23 who was the key operator on the Xerox machine, and I took
24 the top portion, and it had some other material attached
25 that looked standard. I'll be happy to submit the rest of

1 that to you, because I believe it was all there.

2 EXAMINER STOGNER: Okay, yeah, go ahead and do
3 that.

4 MR. CARR: I'll do that -- I'll send that today,
5 because I do have the whole file on the well.

6 EXAMINER STOGNER: Okay.

7 Q. (By Examiner Stogner) Mr. Goodwin, have you, in
8 your career in the San Juan Basin, been involved with the
9 Coal-Seam Operators Committee or the Rules Committee that
10 formed the Rules at any time that the coal seams have been
11 developed?

12 A. I was present at quite a few of those meetings
13 when I was with Burlington, and not in a capacity to make
14 the decisions, I was kind of brought along as a production
15 engineer.

16 Q. I was looking at your Exhibit Number 1, and on
17 that same page as Rule 7(d) there's also a Rule 9(a), which
18 set in motion, if I remember right -- that 9(a) addressed
19 horizontal wells way before Rule 111 in our Division Rules
20 and Regulations. In fact, I believe what was adopted here
21 was adopted later on in the general rules.

22 But if this becomes an issue, perhaps a committee
23 or Williams or a couple of operators could get together to
24 propose a rule change that would allow for some sort of
25 administrative procedure or process, or even if such

1 exception to the rules needs to be done, or even addressed
2 in situations where you had a horizontal well and a
3 vertical well in the same spacing unit, because horizontal
4 drilling has been looked upon favorably in New Mexico and
5 we try to make it as easy as possible.

6 But I'm just speaking at this point, perhaps, if
7 Williams wants to do this, like in Section 16, or drill a
8 horizontal well on an existing spacing unit to help by a
9 vertical well, maybe some sort of a procedure needs to be
10 looked at.

11 A. Yes, sir.

12 EXAMINER STOGNER: I have nothing further of Mr.
13 Goodwin at this time.

14 MR. CARR: Mr. Stogner, that concludes our
15 presentation in this case.

16 EXAMINER STOGNER: I thought you had two
17 witnesses.

18 MR. CARR: No, one.

19 EXAMINER STOGNER: Oh, I'm sorry.

20 MR. CARR: Only an engineer.

21 EXAMINER STOGNER: If there's nothing further in
22 Case Number 13,347, then this matter will be taken under
23 advisement.

24 You can submit the additional information for the
25 record, Mr. Carr --

1 MR. CARR: We'll do that.

2 EXAMINER STOGNER: -- and like I said, I will
3 take administrative notice, if so required, to get an order
4 issued in this case.

5 MR. CARR: Thank you, sir.

6 EXAMINER STOGNER: Thank you.

7 Let's take about a five-minute recess to let
8 everybody get situated.

9 (Thereupon, these proceedings were concluded at
10 8:47 a.m.)

11 * * *

12

13

14

15

16

17

18

19

20

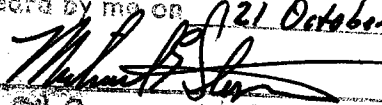
21

22

23

24

25

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 13342
heard by me on 21 October 2004.

Michael B. Stogner, Examiner,
Oil Conservation Division

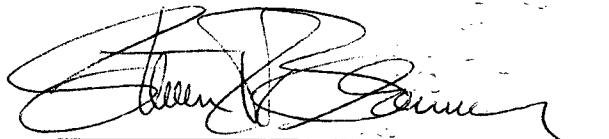
CERTIFICATE OF REPORTER

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 October 22nd, 2004.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006