

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:)

APPLICANT HAS FILED A MOTION TO REOPEN)
AND AMEND WELL LOCATIONS FOR THIS CASE)
PREVIOUSLY HEARD BY THE DIVISION ON)
MARCH 15, 2007, THAT INVOLVED THE)
APPLICATION OF BURLINGTON RESOURCES OIL)
AND GAS COMPANY, LP, FOR APPROVAL OF A)
PILOT INFILL WELL PROJECT WITHIN THE)
SAN JUAN 27-5 UNIT, RIO ARRIBA COUNTY,)
NEW MEXICO)

CASE NO. 13,888

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, Jr., Technical Examiner
DAVID K. BROOKS, Jr., Legal Examiner

September 20th, 2007

Santa Fe, New Mexico

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This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, Jr., Technical Examiner, DAVID K. BROOKS, Jr., Legal Examiner, on Thursday, September 20th, 2007, 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

September 20th, 2007
 Examiner Hearing
 CASE NO. 13,888

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<u>CHRISTY L. McMULLAN</u> (Engineer)	
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* * *

A P P E A R A N C E S

FOR THE DIVISION:

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By: W. THOMAS KELLAHIN

* * *

1 WHEREUPON, the following proceedings were had at
2 10:19 a.m.:

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4
5 EXAMINER JONES: Okay, let's go back on the
6 record and let's call the next case of the day.

7 This is Case Number 13,888, which is reopened and
8 amended. Applicant has filed a motion to reopen and amend
9 well locations for this case previously heard by the
10 Division on March 15 that involved the Application of
11 Burlington for approval of a pilot infill well project
12 within the San Juan 27-5 Unit, Rio Arriba County, New
13 Mexico.

14 Call for appearances.

15 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
16 the Santa Fe law firm of Kellahin and Kellahin, appearing
17 this morning on behalf of the Applicant, and I have one
18 witness to be sworn.

19 EXAMINER JONES: Any other appearances?
20 Will the witness please stand?

21 (Thereupon, the witness was sworn.)

22 MR. KELLAHIN: Mr. Examiner, you heard the
23 technical part of this project back on March 15th when we
24 presented you the geologic and engineering concepts and the
25 objectives of the pilot project.

1 Subsequent to that hearing, as the project moved
2 forward in its development stage, it became apparent to
3 Burlington that some of the original locations were not as
4 acceptable or suitable in terms of topography and pipelines
5 as they originally indicated.

6 And so at this time I have the project engineer
7 present. It's her responsibility to take this concept and
8 to put it on the ground and get the permits and establish
9 the wells.

10 In executing her part of the project, it became
11 apparent to her that there was a more efficient way to
12 reconfigure some of the arrangements for the pilot wells.

13 And so what you're going to find is, none of the
14 actual surface locations are altered -- I'm sorry, none of
15 the bottomhole locations are altered. The project remains
16 the same underground, it's the surface configuration. And
17 so they've resorted them and reconnected them, and
18 hopefully in our presentation we can make it clear to you
19 what the changes are.

20 In addition, we do have a revised spreadsheet
21 attached to the presentation that will show you the amended
22 footages, and the engineer assures me that we now have
23 those correct for your use.

24 With that introduction, I would like to call our
25 first witness.

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CHRISTY L. McMULLAN,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Would you please state your name and occupation?

A. Christy McMullan, project development engineer.

Q. Ms. McMullan, on prior occasions have you testified before the Division?

A. No, I have not.

Q. Summarize for us your education.

A. I have a petroleum engineering degree from Louisiana State University, graduated in 2002.

Q. What is your current employment with Burlington?

A. I'm a project development engineer. As you described, I take the projects from maybe a conception-type phase more to an implementation and whatever is required to get the wells drilled.

Q. Within the scope of your employment, what is it that you're doing for this particular pilot project?

A. The implementation of the project, like you said, on the ground, the final surface locations, any kind of administrative support, economic support, regulatory support, doing this kind of thing.

Q. As part of your preparation, did you review the

1 Application that was originally filed and heard by Examiner
2 Jones back on March 15th --

3 A. Yes.

4 Q. -- of this year?

5 To the best of your knowledge, are any of the
6 objectives changed or altered by the subject of what you're
7 discussing this morning?

8 A. The objectives of the pilot did not change.

9 Q. Are the exhibits that we're about to show
10 exhibits that you have prepared yourself or have been
11 prepared under your direction and supervision?

12 A. Yes.

13 MR. KELLAHIN: We tender Ms. McMullan as an
14 expert petroleum engineer.

15 EXAMINER JONES: Ms. McMullan, can you spell your
16 last name?

17 THE WITNESS: M-c-M-u-l-l-a-n.

18 EXAMINER JONES: Okay, Ms. McMullan is qualified
19 as an expert in petroleum engineering.

20 Q. (By Mr. Kellahin) Let's start by refreshing Mr.
21 Jones's recollection. If you'll start with what we've
22 marked as Exhibit Number 1, this is the last time he saw a
23 visualization of the locations, both the surface and the
24 bottomhole locations for the project.

25 A. That's correct.

1 Q. Starting with that, explain the color code as he
2 saw it back in March.

3 A. Okay, so we're referring to this exhibit. The
4 blue circles with the black, I guess circumference, are the
5 bottomhole locations. And then the not filled in, I guess
6 squares and circles, look kind of like wagon wheels --
7 those are the original surface locations.

8 And this is what you were presented originally,
9 and the bottomhole locations are going to be what stays the
10 same, so the blue circles with the black outline are going
11 to be consistent with the next map.

12 Q. Let's turn to Exhibit Number 2 and show Mr. Jones
13 what you're recommending be the approved reconfiguration of
14 the surface used for the project. This is Exhibit Number
15 2.

16 A. Okay, so this is the new configuration with the
17 -- the only real significant change being that the addition
18 of a wellpad in the lower southeastern quadrant of Section
19 8, that P11 -- that will be a new disturbance, not an
20 expansion of an existing disturbance. So that's the
21 primary change that occurred as a result of the more in-
22 depth study of the surface.

23 Q. How many total wells are affected by the change?

24 A. Seven wells -- seven wells have changed since the
25 March hearing. Five of those wells are affected by the new

1 disturbance pad, located directly under that P11 dot.

2 Q. Now let's go to Exhibit Number 3, which is the
3 aerial photograph that's got the information on it. Let's
4 take this and have you explain the color codes and the line
5 drawing so that Mr. Jones understands what he's seeing at
6 this point.

7 A. Okay, and that's this exhibit with the aerial.
8 I'll start on the most -- probably in my opinion the most
9 insignificant change of the group. In the upper
10 northeastern quadrant there's the 903 -- Well, I'll set the
11 stage for the map.

12 The red shows the original well path, the green
13 shows the final well path. So up in the northeast quadrant
14 the 903 was originally twinned with the 176 existing
15 wellbore. That surface location has changed to be twinned
16 with the 70 existing wellbore, along with the 907 and the
17 906, which were originally planned to be there.

18 Then to the center, the center of that map, the
19 910 and the 909 were originally planned off of that 112F
20 existing wellbore, and now the 909 will be twinned with the
21 63, and the 910 will be located on that 911 wellpad.

22 The main problems that we ran into that we did
23 not have identified initially were on the 70F, and then the
24 three-well pad of the 77, the 70Y and the 70M located in
25 the southeast quadrant. There was more significant arch.

1 there than we could have anticipated, and that led to the
2 decision to stake the five wells off of that one existing
3 pad -- or that one new pad. So there the 912 and the 911
4 were originally planned for the 70F, and then the 914 and
5 the 915 were originally planned for that existing three-
6 well pad of the 77, 70Y and 70M.

7 So we were -- archaeology, pipelines, and then
8 just natural features are what led to the relocation.

9 Q. Have you taken the relocation information,
10 integrated it into a final spreadsheet the Examiner can now
11 rely upon in approving the surface and the bottomhole
12 locations of the project wells? Exhibit Number 4?

13 A. Yes, sir.

14 Q. Do you have what I have?

15 A. Yes, with -- there is one minor change to the
16 lat/longs that are listed on that spreadsheet, and that
17 occurs on the 906 lat/longs. I don't know if you'll
18 notice, but on the bottom, that bottom two are identical.
19 And I have those correct lat/longs.

20 Q. Why don't you give those two verbally?

21 A. Okay, so the surface latitude min, or the
22 minutes, should be 35.4605.

23 EXAMINER JONES: On the 906?

24 THE WITNESS: Yes. So the second -- second from
25 the bottom.

1 And then the longitude minutes on the 906, second
2 from the bottom, should be 22.7294.

3 Q. (By Mr. Kellahin) Those are the only changes?

4 A. Yes, sir.

5 Q. What's the timing now for your commencement of
6 the drilling of these various wells?

7 A. We will -- currently, the plan is to begin
8 drilling in April of next year, when our closures are
9 opened.

10 Q. In terms of your permittings do you have the
11 appropriate permits on file yet with the District Office of
12 the Division in Aztec?

13 A. A majority of those have been filed.

14 Q. And you're waiving this order in order to have
15 the District give you final approval on those wells?

16 A. That's correct.

17 Q. Are you awaiting any approvals from the Bureau of
18 Land Management?

19 A. It's possible that we have some outstanding, but
20 they've given us their informal approvals, and they have
21 approved several of the wells.

22 Q. In terms of a regulatory sequence, then, an order
23 from this Examiner for this case is the next thing in your
24 step along your project?

25 A. This approval is all that really we require to

1 move forward.

2 MR. KELLAHIN: Okay. Thank you, Mr. Examiner.
3 With your permission, we move the introduction of Exhibits
4 1 through 4.

5 EXAMINER JONES: Exhibits 1 through 4 will be
6 admitted to evidence.

7 And could I ask that you -- Do you know about our
8 website?

9 THE WITNESS: (Nods)

10 EXAMINER JONES: Okay, on the upper left corner
11 it's got a little button called "about us".

12 THE WITNESS: Uh-huh.

13 EXAMINER JONES: That's everybody's contact
14 information.

15 THE WITNESS: Okay.

16 EXAMINER JONES: And would you e-mail me this
17 Exhibit Number -- Exhibit C?

18 THE WITNESS: The spreadsheet.

19 EXAMINER JONES: The spreadsheet.

20 THE WITNESS: Yes, sir.

21 EXAMINER JONES: And that way I'll have it.

22 EXAMINATION

23 BY EXAMINER JONES:

24 Q. The BLM actually -- that 70 location actually has
25 a well on it already?

1 A. Yes, the 70 is --

2 Q. It was drilled a long time ago, when they didn't
3 do arch. surveys as much as they do now or something?

4 A. Well, the -- I guess the degree of the
5 archaeology was what we didn't really have a good handle
6 on.

7 Q. Okay.

8 A. And so by being boxed in with the pipelines and
9 topography and then the archaeology on top of that is what
10 led to our change.

11 Q. Yeah.

12 A. But the 70 -- I assume you're talking about the
13 70Y and the 70M. The 70 could accommodate three additional
14 wellbores.

15 Q. Okay. Okay, so it's got enough space. It just
16 didn't have enough for -- like it was originally planned
17 here.

18 And the economics of this case -- I mean, as far
19 as the costs go, have they changed a lot since you guys
20 presented them earlier and had estimates, versus going to
21 start drilling in April -- basically almost 13 months later
22 than you presented?

23 A. The costs -- because of all of the data
24 acquisition that's taking place along with just the
25 drilling and completion of these wells, it requires a lot

1 of scheduling, and then also the costs are more
2 complicated. And it's some technology that we have not
3 done before, and so we are out -- we are still working our
4 costs, but we don't anticipate that those costs are going
5 to change significantly. It wouldn't change our decision
6 to do the project --

7 Q. Okay.

8 A. -- in other words.

9 EXAMINER JONES: Okay, yeah, you could send the
10 spreadsheet to Tom and he can forward it to me if you want.
11 That would be --

12 THE WITNESS: Okay.

13 EXAMINER JONES: -- a kosher way to do it, I
14 think.

15 I don't have any more questions. I'll try to get
16 this out as soon as possible.

17 MR. KELLAHIN: Thank you.

18 THE WITNESS: Thank you.

19 EXAMINER JONES: Steve told me that you guys have
20 applications waiting in his office, so --

21 THE WITNESS: Yeah, and the only thing that we
22 may like to do, like I said, pending the completion of the
23 costs, is the pressure-observation well, have that drilled,
24 because there's no -- there's no revenue associated with
25 that well anyway, and so having that done prior to the

1 April estimate is the only change that may occur. But
2 that's not necessarily included in the order, because it's
3 not a producing well.

4 EXAMINER JONES: But Charlie already gave you
5 permission to do that, right?

6 THE WITNESS: That's right.

7 EXAMINER JONES: Okay. Okay, with that, thank
8 you very much --

9 THE WITNESS: Thank you.

10 EXAMINER JONES: -- Tom. We'll take Case 13,888
11 under advisement.

12 MR. KELLAHIN: Thank you.

13 (Thereupon, these proceedings were concluded at
14 10:34 a.m.)

15 * * *

16
17 I do hereby certify that the foregoing is
18 a complete record of the proceedings in
19 the Examiner hearing of Case No. _____,
20 heard by me on _____.

21 _____, Examiner
22 Oil Conservation Division
23
24
25

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 September 24th, 2007.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2010