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1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4

5 IN THE MATTER OF THE HEARING CALLED
6 BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

ORIGINAL

7 APPLICATION OF WILLIAMS PRODUCTION
8 COMPANY, LLC TO ABOLISH OR CONTRACT ALL
9 GALLUP POOLS IN THE ROSA UNIT, SAN JUAN
AND RIO ARriba COUNTIES, NEW MEXICO

CASE NO. 14240

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13 REPORTER'S TRANSCRIPT OF PROCEEDINGS

14 EXAMINER HEARING

15
16 BEFORE: DAVID K. BROOKS, Legal Examiner
17 RICHARD EZEANYIM, Technical Examiner
TERRY G. WARNELL, Technical Examiner

18 November 13, 2008

19 Santa Fe, New Mexico

20
21 This matter came on for hearing before the New Mexico
22 Oil Conservation Division, DAVID K. BROOKS, Legal Examiner,
23 RICHARD EZEANYIM, Technical Examiner, and TERRY G. WARNELL,
Technical Examiner, on Thursday, November 13, 2008, at the
New Mexico Energy, Minerals and Natural Resources Department,
1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico.

24 REPORTED BY: JOYCE D. CALVERT, P-03
25 Paul Baca Court Reporters
500 Fourth Street, NW, Suite 105
Albuquerque, New Mexico 87102

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FOR THE APPLICANT:

Ocean Munds-Dry, Esq.
HOLLAND & HART, LLP
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501

1 MR. EZEANYIM: Let's go on to the record again.
2 Let's call Case No. 14240, Application of Williams Production
3 Company, LLC to Abolish or Contract all Gallup Pools in the
4 Rosa Unit, San Juan and Rio Arriba Counties, New Mexico.

5 Call for appearances.

6 MS. MUNDS-DRY: Good morning, Mr. Examiners, Ocean
7 Munds-Dry with the law firm of Holland and Hart, here
8 representing Williams Productions Company, LLC this morning.

9 And I have two witnesses.

10 MR. EZEANYIM: Any other appearances? May the
11 witnesses stand up, state their names and then be sworn?

12 [Witnesses sworn.]

13 MR. EZEANYIM: Ms. Munds-Dry?

14 MS. MUNDS-DRY: Thank you.

15 MORGAN VERN HANSEN

16 after having been first duly sworn under oath,

17 was questioned and testified as follows:

18 DIRECT EXAMINATION

19 BY MS. MUNDS-DRY:

20 Q. Would you please state your full name for the
21 record?

22 A. Morgan Vern Hansen.

23 Q. And where do you reside?

24 A. Tulsa, Oklahoma.

25 Q. And by whom are you employed?

1 A. Williams Production Company, LLC.

2 Q. And what is your position with Williams?

3 A. I'm a senior staff landman.

4 Q. Have you previously testified before the Division
5 and were your credentials made a matter of record?

6 A. Yes, they were.

7 Q. Are you familiar with the application filed in
8 this case?

9 A. I am.

10 Q. And are you familiar with the status of the lands
11 that are the subject of the application?

12 A. Yes, I am.

13 MS. MUNDS-DRY: Mr. Examiner, we would tender
14 Mr. Hansen as an expert in petroleum land matters.

15 MR. EZEANYIM: Mr. Hansen is so qualified.

16 Q. (By Ms. Munds-Dry): Mr. Hansen, would you
17 briefly summarize what Williams seeks in this application?

18 A. We seek to abolish or contract all of the Gallup
19 pools within Rosa and include them under the Basin-Mancos pool.

20 Q. Okay. Mr. Hansen, would you please turn to
21 what's been marked as Exhibit No. 1 and identify and review
22 that for the Examiners?

23 A. This exhibit shows the location of the boundaries
24 of the Rosa unit. It covers both San Juan and Rio Arriba
25 Counties in New Mexico. It also shows the outlines of the

1 Gallup pools that were contracted under the basin when the
2 Basin-Mancos hearing was conducted.

3 Q. Which pools -- if you could just generally give a
4 description for the record of where these pools are located?
5 We'll get into more definitive descriptions in a minute.

6 A. They are located in Townships 31 North, 4 West,
7 31 North, 5 West and 31 North, 6 West.

8 Q. Thank you. And Mr. Hansen, would you please tell
9 the Examiners why does Williams need this order?

10 A. We wish to include all of the production within
11 Rosa from those formations that could be qualified as Mancos
12 under the Basin-Mancos pool.

13 Q. And does Williams have an ongoing Mancos
14 development program?

15 A. Yes, we do.

16 Q. Looking at this map, let's turn to the first pool
17 on the map which is the Laguna Seca Gallup pool. Do you know
18 the order number that established this pool?

19 A. It was Order No. R-7277, and it was established
20 on May 1st, 1983.

21 Q. And could you please describe for the record what
22 the current boundaries, as they've been modified, are today in
23 this pool?

24 A. Yes. In Township 31 North, 5 West, it is the S/2
25 of Section 30, all of 31, the S/2 of Section 32, the SW/4 of

1 Section 33, and Townships 31 North, 6 West, the SE/4 of
2 Section 19, the S/2 of Section 20, the S/2 of Section 21, the
3 S/2 and the NE/4 of Section 22, the S/2 of Section 23, and all
4 of Sections 24, 25 and 26, and the E/2 of Section 30.

5 Part of this acreage is located outside the
6 boundaries of the Rosa unit.

7 Q. And Williams is only seeking to contract the pool
8 so that it's outside of the Rosa unit?

9 A. Yes.

10 Q. And do you know the spacing for this pool?

11 A. The spacing is currently 160 acres.

12 Q. Okay. Let's now turn to the Willow Gallup pool.
13 Do you know the order that established this pool?

14 A. Yes, it's Order No. R-8712, and it was
15 established on September 1st, 1988.

16 Q. And would you please describe for the record the
17 boundaries as they've been contracted today?

18 A. In Township 31 North, 4 West, it is the SE/4 of
19 Section 11, the W/2 of Section 12, the E/2 of Section 14, the
20 SE/4 of Section 22, the N/2 and the SW/4 of Section 23, the N/2
21 of Section 27, and the NE/4 of Section 28.

22 Q. And what is the spacing for this pool?

23 A. 160 acres.

24 Q. Okay. Let's turn to the Cedro Gallup pool. What
25 is the order that established this pool?

1 A. Order R-8713, and it was established
2 September 1st, 1988.

3 Q. And what are the boundaries of this pool?

4 A. In Township 31 North, 5 West, it is the SW/4 of
5 Section 4 and the W/2 of Section 9.

6 Q. Okay. And what is the spacing for this pool?

7 A. 160-acre spacing.

8 Q. Now, let's talk about the Rosa unit, generally.
9 Are there any Gallup participating areas in the unit?

10 A. No, there are not.

11 Q. Are there any commercial Gallup wells?

12 A. No, there are not. There are currently two wells
13 that do not have determinations. The first one is the Rosa 86.
14 The non-commerciality determination was an oversight. It was
15 drilled in the 1980s. Mr. McQueen will discuss that further in
16 his testimony. And then there's the Rosa No. 5-C, which is a
17 current Mancos development well within Rosa.

18 Q. Okay. Mr. Hansen, let's turn to what's been
19 marked as Williams Exhibit No. 2.

20 MR. EZEANYIM: Excuse me. Before you move on, let me
21 ask Mr. Hansen something. The outline in red, what is the
22 outline in red?

23 THE WITNESS: That is the boundaries of the Rosa
24 unit.

25 MR. EZEANYIM: The Rosa unit?

1 THE WITNESS: Yes.

2 MR. EZEANYIM: And within the Rosa unit, you have
3 those three Gallup pools that you are asking to be --

4 THE WITNESS: Contracted.

5 MR. EZEANYIM: Oh, contracted. When you say
6 "abolished" or "contracted," what do you mean?

7 THE WITNESS: The Willow Gallup and the Cedro Gallup
8 we wish to have abolished. The Laguna Seca pool we wish to
9 have contracted. There's a portion that lies outside of the
10 Rosa unit. I believe the lands are located in the northeast
11 Blanco unit, and we do not operate that area; therefore, we do
12 not wish to address that. It would up to the other operator.

13 MR. EZEANYIM: So you have the lands limit of the
14 Laguna Seca that you want abolished, but not all of them?

15 THE WITNESS: We can only address those issues that
16 lie within the boundaries of Rosa, and the -- it's hard for me
17 to see here. It would be the E/2 of Section 30.

18 MR. EZEANYIM: Okay.

19 THE WITNESS: It's a little L shape out there, and
20 you can see that that lies within the northeast Blanco unit.

21 MR. EZEANYIM: And you don't want to --

22 THE WITNESS: Well, we can't address that.

23 MR. EZEANYIM: Because it's not within the Rosa unit?

24 THE WITNESS: That's correct.

25 MR. EZEANYIM: So the only one you're asking for is

1 this portion of Laguna Seca that is within the Rosa unit. You
2 want that abolished?

3 THE WITNESS: Contracted.

4 MR. EZEANYIM: Contracted. What do you mean by
5 "contracted"?

6 THE WITNESS: Since we can't address that portion of
7 the acreage that lies outside of Rosa, we wish to have it
8 contracted -- all of the acreage that lies within the
9 boundaries contracted or abolished, and that portion that lies
10 outside of Rosa will still remain since we can't address that.

11 MR. EZEANYIM: I just want to know what you want.
12 You want that portion within the Rosa unit, you want to abolish
13 it --

14 THE WITNESS: Yes.

15 MR. EZEANYIM: -- and move it to the Mancos, or do
16 you want to contract it or what?

17 THE WITNESS: We want to abolish it and move it to
18 the Mancos.

19 MR. EZEANYIM: The other acreage will still remain
20 because it's not within the Rosa unit?

21 THE WITNESS: That's correct.

22 MR. EZEANYIM: Okay. Go ahead.

23 MS. MUNDS-DRY: Thank you, Mr. Examiner. And I think
24 that may be a matter of semantics, whether we call it abolish
25 or contract. I think we are only calling it contract in that

1 case because it's not eliminating the entire pool. I think
2 that's the difference we have in our minds.

3 MR. EZEANYIM: Okay. So you want the Willow Gallup
4 and the Cedro Gallup abolished?

5 THE WITNESS: Yes.

6 MR. EZEANYIM: And then you want this contracted
7 because you don't have any interest in this portion of
8 Section 30?

9 THE WITNESS: That's correct.

10 MR. EZEANYIM: Okay.

11 MS. MUNDS-DRY: Thank you, Mr. Examiner.

12 Q. (By Ms. Munds-Dry): Okay. Mr. Hansen, will you
13 turn to Exhibit No. 2 and identify this for the Examiners?

14 A. This is Order No. R-12984 creating the
15 Basin-Mancos pool.

16 Q. And as discussed in the order, what are the
17 horizontal boundaries of the pool?

18 A. I believe Ken McQueen is going to --

19 Q. Just the horizontal boundaries, Mr. Hansen, not
20 the vertical limit. What are those boundaries?

21 A. Oh, I'm sorry. That would be all of San Juan and
22 Rio Arriba Counties and all of Section 21, Township 23 North,
23 Range 5 West, in Sandoval County.

24 Q. Obvious question -- but, then, is the Rosa unit
25 within these boundaries?

1 A. Yes, it is.

2 Q. And did the order create special pool rules for
3 the Basin-Mancos?

4 A. Yes. It created 320-acre spacing, up to four
5 wells in each spacing unit. The setbacks are 660-foot
6 setbacks. And then if there is a participating area, there's
7 special rules on the setbacks regarding those. They're
8 consistent with the Basin-Dakota and the Blanco-Mesaverde
9 pools.

10 Q. Do you know why the Division made it consistent
11 with the Dakota and Mesaverde pools?

12 A. It was created mainly for more efficient
13 production. The spacing was the same; the density was the
14 same; the setbacks were the same. And since the Mancos
15 couldn't -- the Division felt that the Mancos would not be
16 productive on its own, and it needed to be produced with these
17 other intervals.

18 Q. In fact, is that what Williams plans to do in
19 most circumstances?

20 A. Yes, we do. We intend to commingle the Mancos
21 with either the Dakota, or try and mingle it with the Mesaverde
22 and Dakota.

23 Q. Mr. Hansen, during that hearing, Mr. Hayden
24 testified as to why he did not eliminate those Gallup pools
25 altogether. What did the order ultimately do with regard to

1 those Gallup pools?

2 A. Some were contracted and some were expanded.

3 Q. Did Mr. Hayden testify as to what he thought --
4 why he thought the Gallup formation should be contracted as
5 much as possible?

6 A. He was trying to include as much as he could
7 within the Basin-Mancos for the reasons stated before; that the
8 Mancos needed to be developed along with the Dakota and the
9 Mesaverde. There was some objection from some landmen that
10 worked these areas, and it was due to ownership issues.

11 When you go from 160-acre spacing unit for an
12 existing well to a 320-acre spacing unit, it might create
13 problems for some operators; however, within the Rosa, that is
14 not an issue.

15 Q. So Mr. Hayden thought that that was a compromise,
16 then, to try to contract the Gallup pools and not eliminate
17 them?

18 A. Yes.

19 Q. I believe you testified that the effect of
20 abolishing or contracting the Gallup pools in the Rosa unit
21 would have no effect on interest owners in the unit.

22 A. No, it would not.

23 Q. In fact, would it ease the burden on some owners?

24 A. Yes, it would.

25 Q. Does switching to the Mancos rules assist in your

1 Mancos development program?

2 A. Yes, it does. We are currently developing, as I
3 said before, the Dakota and the Mancos and the Mesaverde
4 together within our well bores.

5 Q. It also provides you some uniformity in spacing
6 and well density?

7 A. For the most part, it does, yes.

8 Q. In your opinion, will this application result in
9 more efficient operation of the unit?

10 A. Yes, it will.

11 Q. In your opinion, will the approval of this
12 application protect correlative rights and prevent waste?

13 A. Yes, it will.

14 Q. Has Williams notified all interest owners in the
15 unit of this application?

16 A. Yes, we have.

17 Q. Did you have any response or objection to this
18 application?

19 A. No.

20 Q. Have you discussed this application with the OCD
21 Aztec office?

22 A. Yes, we have.

23 Q. And what is Exhibit No. 3?

24 A. That would be a letter from Mr. Hayden supporting
25 our application.

1 Q. In fact, I think, he states in his last sentence
2 that the solution fits within the original intent for
3 establishing the Basin-Mancos pool.

4 What is Exhibit No. 4?

5 A. That is a copy of the notice and the letter and
6 the affidavit and the notices of publication and the return
7 receipts.

8 Q. Oh, Mr. Hansen, because this is a federal unit,
9 have you also discussed this application with the BLM?

10 A. Yes, we have.

11 Q. Did they have any objection to the application?

12 A. No, they did not.

13 Q. Were Exhibits 1 through 4 prepared by you or
14 under your direct supervision?

15 A. Yes, they were.

16 MS. MUNDS-DRY: Mr. Examiner, we move the admission
17 of Exhibits 1 through 4 into evidence.

18 MR. EZEANYIM: Before I do that, Exhibit No. 3 is a
19 letter addressed to me, and I never received that letter. How
20 is it coming here?

21 MS. MUNDS-DRY: Mr. Ezeanyim, we just received --
22 Mr. Hayden faxed that to us yesterday. Because of the holiday,
23 it got to us a little bit later, so this is really the delivery
24 to you now.

25 MR. EZEANYIM: Okay.

1 MS. MUNDS-DRY: We apologize for that.

2 MR. EZEANYIM: That's okay. I mean --

3 MS. MUNDS-DRY: Mr. Hayden was kind enough to do it
4 for us last minute with the holiday and everything.

5 MR. EZEANYIM: Okay. Yeah. Which exhibits do you
6 want to be admitted?

7 MS. MUNDS-DRY: Exhibits 1 through 4.

8 MR. EZEANYIM: Exhibits 1 through 4 will be admitted.

9 [Applicant's Exhibits 1 through 4 admitted into
10 evidence.]

11 MS. MUNDS-DRY: And I have nothing further for
12 Mr. Hansen.

13 MR. EZEANYIM: Mr. Brooks?

14 EXAMINATION

15 BY MR. BROOKS:

16 Q. Let's see. Are you addressing the land issues in
17 the case?

18 A. Yes.

19 Q. Now, Mr. Hayden says here there are no ownership
20 issues. Could you explain that a little bit more? Why are
21 there are no ownership issues?

22 A. The existing Gallup wells within Rosa, the
23 ownership is the same whether it would be on a 160-acre spacing
24 or 320. BP America owns a majority, a vast majority, of the
25 acreage within the Rosa right now, and there are a handful of

1 spacing units that are owned by XTO. BP assigned those spacing
2 units to XTO on a 320-acre basis, so there would be no
3 ownership issues whatsoever.

4 Q. You said there were only two producing wells?

5 A. No. There were two wells that are
6 non-commercial -- I mean, that did not have commerciality
7 determination on them. I don't know. Mr. McQueen will go over
8 each of the producing wells within Rosa from the Gallup
9 formation.

10 There were two that did not have commerciality
11 determinations, one we are currently testing, and the other one
12 was drilled back in the 1980s. The non-commerciality
13 determination was not submitted, and it was an oversight.
14 There was some mix-up with the well numbers. However, that
15 well, as Mr. McQueen will show you, is clearly a non-commercial
16 well.

17 Q. But as a non-commercial well, the production from
18 that well will be allocated based on the spacing unit, correct?

19 A. It will not. Because of the way the Rosa
20 functions, if we establish participating areas, we leave the 40
21 acres surrounding the non-commercial wells out of the
22 participating area. It will be produced on a lease basis.

23 And the participating area becomes the spacing, in
24 essence, for the Mancos. The individual well spacing goes
25 away, and it is owned undivided by each of the owners within

1 the participating area. Therefore, a non-commercial well does
2 not qualify for producing more than, say, 40 acres. It won't
3 even drain 40 acres, is what I'm trying to say.

4 Q. So the non-commercial well, the production from
5 that well, will be allocated based on the lease that it's on,
6 not on the drilling block?

7 A. That's correct.

8 Q. And that's provided in the unit operating
9 agreement?

10 A. It is an agreement that we have come to with the
11 BLM on establishing these participating areas. The Rosa unit
12 is a geological unit.

13 Q. Yeah.

14 A. And you can bring in as much or as little acreage
15 that is warranted by the geology of the well. In this case --
16 early on, we used to leave the 160 acres surrounding the well
17 out of the participating area because it was 320s with an
18 infill. This is the Mesaverde-Dakota. And since we have gone
19 to 80-acre density, we felt it fair that we make that a smaller
20 area to a 40-acre. Because if you're drilling on 80s, we could
21 offset that well and include an additional amount of the
22 acreage within the participating areas.

23 Q. So all of the affected acreage is federal?

24 A. Ninety percent of the Rosa unit -- approximately
25 90 percent of the Rosa unit is federal.

1 Q. And whatever is affected by these wells is all
2 federal?

3 A. Yes. All of it -- well, by the wells -- by the
4 Gallup wells, yes, it is federally owned. There is a portion
5 of the Willow Gallup pool that contains fee minerals.

6 Q. The way I understand it -- my understanding of
7 the allocation, normal allocation production, under a federal
8 participating area would be that the royalty interest is
9 allocated by the regulations --

10 A. Yes.

11 Q. -- and the working interest is allocated by the
12 operating agreement, which can be either different or the same
13 as the regulations.

14 A. That's correct.

15 Q. Of course, it doesn't matter for royalty interest
16 if it's all federal.

17 A. That's correct.

18 Q. There could be some overriding royalty issues.
19 Are there any overriding royalty issues in any of these units?

20 A. Not with these existing wells, no.

21 Q. Okay. So regardless of what we do, the same
22 people are going to own any applicable overriding royalties,
23 the same percentages?

24 A. That's correct.

25 Q. Okay. Thank you.

1 MR. EZEANYIM: Mr. Warnell?

2 MR. WARNELL: No questions.

3 MR. EZEANYIM: I got a couple.

4 EXAMINATION

5 BY MR. EZEANYIM:

6 Q. Assuming we just abolish, these are just regular
7 pools. Are you then going to put in for the Mancos?

8 A. Yes.

9 Q. Is the Gallup pool and the Mancos, are they the
10 same?

11 A. The Gallup is a strata within the greater Mancos,
12 yes.

13 Q. They are a strata? So once we admit it, then you
14 go to the Mancos?

15 A. Yes.

16 Q. I heard you say you might even downhole commingle
17 the Mancos and the Basin-Dakota.

18 A. Yes.

19 Q. Now, what -- on the Mancos, it was based on what?
20 Are those ones who are limited and spaced on 160 -- what is the
21 Mancos based on, 160 as well?

22 A. 320 with 80-acre density.

23 Q. Okay. So if we admit all these Gallups, are you
24 going to go to 320?

25 A. 320.

1 Q. Is that what the Mancos is based on?

2 A. Yeah. We wish to go to 320 with 80-acre density
3 to be consistent with the Mesaverde and Dakota pools.

4 Q. And then it would be --

5 A. Four wells per spacing unit.

6 Mr. Brooks, I'd like to clarify something. Within
7 Rosa, if you expand or contract lands around a well within
8 Rosa, there is a retroactive investment adjustment. Even if
9 there wasn't some inconsistencies with the royalty or
10 overriding royalties, all of those are royalty overrides as
11 well as and the working interest, those people have paid for
12 them and will be reimbursed if there was any acreage contracted
13 out of the spacing for the well. And that is written into the
14 Rosa unit agreement, the Rosa unit operating agreement.

15 MR. BROOKS: Okay. Thank you.

16 Q. (By Mr. Ezeanyim): Okay. I know you must have
17 said this in your testimony, but why do this? Why do you want
18 to eliminate those pools, those Gallup pools?

19 A. We are currently in the Mancos development
20 program within Rosa, and we may at some point go to the 80-acre
21 density. And also, the ownership would be on 320 acres. It is
22 mostly for the consistency between the three formations that we
23 will be producing out of each well bore.

24 Q. Okay.

25 MR. EZEANYIM: Any questions?

1 MR. WARNELL: No questions.

2 MR. EZEANYIM: Anything further?

3 MS. MUNDS-DRY: Nothing further for Mr. Hansen.

4 MR. EZEANYIM: You may step down.

5 Call your next witness.

6 MS. MUNDS-DRY: I'd like to call Mr. McQueen.

7 MR. EZEANYIM: You may proceed.

8 MS. MUNDS-DRY: Thank you.

9 KENLEY HAYWOOD MCQUEEN JR.

10 after having been first duly sworn under oath,

11 was questioned and testified as follows:

12 DIRECT EXAMINATION

13 BY MS. MUNDS-DRY:

14 Q. Mr. McQueen, would you please state your name for
15 the record?

16 A. My name is Kenley Haywood McQueen Jr.

17 Q. And where do you reside?

18 A. I reside in Tulsa, Oklahoma.

19 Q. And by whom are you employed?

20 A. I'm employed by Williams Exploration and
21 Production.

22 Q. And what was is your position with Williams?

23 A. I'm the director of the San Juan Region.

24 Q. Have you previously testified for the Division
25 and were your credentials made a matter of record?

1 A. I have.

2 Q. And have you made an engineering study of the
3 lands that are the subject of this application?

4 A. I have.

5 MS. MUNDS-DRY: Mr. Examiner, we would tender
6 Mr. McQueen as an expert witness in petroleum engineering.

7 MR. EZEANYIM: Mr. McQueen is so qualified.

8 Q. (By Ms. Munds-Dry): Mr. McQueen, would you
9 please turn to what's been marked as Williams Exhibit No. 5 and
10 identify and review that for the Examiners?

11 A. Exhibit 5 reflects the three Gallup pools that
12 are present in the Rosa unit which, as described by Mr. Hansen,
13 there are currently eight producing wells scattered across
14 those three Gallup pools. I might review those for you.

15 In the Laguna Seca Gallup pool, we have Well No. 98,
16 which has cumed 336 million feet of gas and is currently
17 producing 39 MCF per day.

18 We have Well No. 59, which has cumed 173 million
19 cubic feet per day and is not producing.

20 We have Well 101, which has cumed 104 million cubic
21 feet per day and is currently producing 5 MCF per day.

22 We have Well 116, which has cumed 209 million cubic
23 feet to date and is currently producing 4 MCF per day.

24 And we have Well 77, which has cumed 386 million
25 cubic feet and is currently producing 16 MCF per day.

1 In the Cedro Gallup pool, we have one producer well,
2 109. It's cumed 107 million cubic feet. It's currently
3 producing 4 MCF per day.

4 And in the Willow Gallup pool, we have two producers.
5 Well 86 has cumed 60 million cubic feet and is currently
6 producing 8 MCF per day.

7 And Well 87 has cumed 84 million cubic feet to date
8 and is currently producing 2 MCF per day.

9 Q. And it also looks like you have what is shown on
10 the map here written as red dots as Mancos providers.

11 A. Yes. We have an ongoing development program
12 exploiting zones down to the Dakota. And, of course, with a
13 Dakota penetration, we see the Mancos zones. And by year-end,
14 we expect to have the four wells shown in red as first
15 delivered producing from the Mancos zone.

16 And for the reason for showing these wells is that
17 the 5-C, for example, would currently be included in the Laguna
18 Seca Gallup area. The other wells would be included under the
19 Basin-Mancos rules. And part of our reason for going forward
20 as we continue to look at exploitation opportunities in the
21 Mancos is to be able to have all of our Mancos producers under
22 the same rules.

23 Q. Mr. Ezeanyim asked Mr. Hansen earlier about
24 whether the Gallup was within the Mancos. Let's talk about
25 that a little bit now. What are the vertical limits for these

1 Gallup pools?

2 A. The Commission established through Mr. Hayden's
3 testimony last summer with Case No. 14133 the vertical limits
4 of the Basin-Mancos pool. And the vertical limits of the
5 Basin-Mancos pool shall be from the base of the Point Lookout
6 formation, which is the lowest subdivision of the Mesaverde, to
7 the base of the Greenhorn member of the Mancos formation.

8 And the horizontal boundary shall be all of San Juan,
9 Rio Arriba, and all of Section 21, Township 23, 5 West, of
10 Sandoval, New Mexico.

11 The Gallup lithological interval sits within this
12 larger defined interval as Mr. Hayden said in his testimony
13 last summer.

14 Q. And then can these Gallup wells that you've just
15 referred to in Exhibit No. 5 be redesignated in the Mancos
16 pool?

17 A. That's our intent, yes.

18 Q. Will moving from 160-acre dedication to a
19 320-acre dedication cause any drainage issues?

20 A. None at all.

21 Q. In fact, it looks like these production volumes
22 would not cause any issues, obviously, by going to a larger
23 unit.

24 A. These production volumes have been minimal and
25 we've not even come close to 80-acre drainage with those sorts

1 of volumes.

2 Q. In fact, it is Williams' intent to commingle some
3 of this Mancos production with other zones.

4 A. That is our intent, and that's the reason we're
5 appearing is so that we have consistent spacing and
6 requirements in the three pools, the Mesaverde, the
7 Basin-Mancos, and the Dakota, in order to commingle those zones
8 and produce economically.

9 Q. You and Mr. Hansen have both referred to a Mancos
10 development program. Would you please turn to Williams'
11 Exhibit No. 6 and identify that for the Examiners?

12 A. As I mentioned earlier, our Mancos development
13 program is part of our drilling program to exploit the zones
14 down through the Dakota. And as I mentioned, by year-end, we
15 expect to have four wells, the one shown in red first,
16 delivered from the Mancos formation.

17 The wells that I've shown with a black triangle are
18 wells that have been drilled and we believe have potential for
19 re-completion in the Mancos. Some of those are currently
20 producing from the Dakota. Some of those are currently
21 producing commingled from the Dakota and the Mesaverde.

22 And then the wells spotted with the blue diamond on
23 the map are outlining what we have on our 2009 drilling program
24 to drill next year. And we anticipate drilling all of those to
25 the Dakota, so each one of those 36 wells shown with the blue

1 diamond are potential Mancos completion targets.

2 Q. Thank you. In your opinion, then, will the
3 granting of this application be in the best interests of
4 conservation and the prevention of waste and the protection of
5 correlative rights?

6 A. It will.

7 Q. Were Exhibits No. 5 and 6 either prepared by you
8 or under your direct supervision?

9 A. They were.

10 MS. MUNDS-DRY: Mr. Examiner, we move the admission
11 of Exhibits No. 5 and 6 into evidence.

12 MR. EZEANYIM: Exhibits 5 and 6 will be admitted.

13 [Applicant's Exhibits 5 and 6 admitted into
14 evidence.]

15 MS. MUNDS-DRY: And that concludes my direct
16 examination of Mr. McQueen.

17 MR. EZEANYIM: Thank you very much. Do you have any
18 questions?

19 MR. BROOKS: No questions.

20 MR. WARNELL: No questions.

21 MR. EZEANYIM: Mr. McQueen, you say that some of the
22 wells are currently producing downhole commingled within the
23 Basin-Mancos and the Dakota; is that correct?

24 THE WITNESS: No. What I said was that the wells
25 shown in black --

1 MR. EZEANYIM: In black.

2 THE WITNESS: The black diamonds are either producing
3 in the Dakota or commingled with the Dakota and the Mesaverde.

4 MR. EZEANYIM: Oh.

5 THE WITNESS: Going forward, they are Mancos
6 completion targets or re-completion targets.

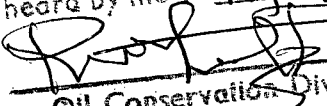
7 MR. EZEANYIM: Okay. Anything further?

8 MS. MUNDS-DRY: Nothing further. That concludes our
9 case, and we would ask this be taken under advisement.

10 MR. EZEANYIM: Thank you, Ms. Munds-Dry. The witness
11 may step down.

12 At this juncture, Case No. 14240 will be taken under
13 advisement.

14 * * *

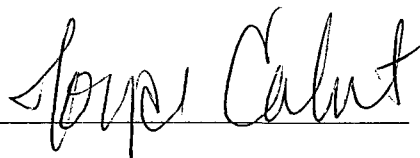
15
16
17 I do hereby certify that the foregoing is
18 a complete record of the proceedings in
19 the Examiner hearing of Case No. 14240
20 heard by me on 11/13/05
21 , Examiner
22 Oil Conservation Division
23
24
25

1
2 **REPORTER'S CERTIFICATE**
3

4 I, JOYCE D. CALVERT, Provisional Court Reporter for
5 the State of New Mexico, do hereby certify that I reported the
6 foregoing proceedings in stenographic shorthand and that the
7 foregoing pages are a true and correct transcript of those
8 proceedings and was reduced to printed form under my direct
9 supervision.

10 I FURTHER CERTIFY that I am neither employed by nor
11 related to any of the parties or attorneys in this case and
12 that I have no interest in the final disposition of this
13 proceeding.

14 DATED this 13th day of November, 2008.
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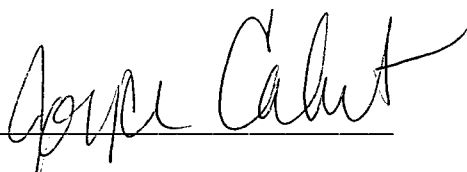
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2 COUNTY OF BERNALILLO)

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4 I, JOYCE D. CALVERT, a New Mexico Provisional
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6 Paul Baca, New Mexico CCR License Number 112, hereby certify
7 that I reported the attached proceedings; that pages numbered
8 1-28 inclusive, are a true and correct transcript of my
9 stenographic notes. On the date I reported these proceedings,
10 I was the holder of Provisional License Number P-03.

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