

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:

ORIGINAL

APPLICATION OF BURLINGTON RESOURCES CASE NO. 14314
OIL & GAS COMPANY, LP, FOR COMPULSORY
POOLING, SAN JUAN COUNTY, NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Legal Examiner
DAVID K. BROOKS, Technical Examiner

May 14, 2009

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Legal Examiner, and DAVID K. BROOKS, Technical Examiner, on Thursday, May 14, 2009, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91
Paul Baca Professional Court Reporters
500 Fourth Street, N.W., Suite 105
Albuquerque, NM 87103 505-843-9241

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1 A P P E A R A N C E S

2 FOR THE APPLICANT:

3 W. Thomas Kellahin, Esq.
 4 Kellahin and Kellahin
 5 706 Gonzales Road
 6 Santa Fe, New Mexico 87501

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1 MR. EZEANYIM: We call now Case Number
2 14314. This is the application of Burlington Oil & Gas
3 Company, LP, for compulsory pooling, San Juan County, New
4 Mexico. Call for appearances.

5 MR. KELLAHIN: Mr. Examiner, I'm Tom
6 Kellahin of the Santa Fe law firm of Kellahin and
7 Kellahin appearing this morning on behalf of Burlington
8 Resources. I have no witnesses. We're submitting this
9 by affidavit.

10 MR. EZEANYIM: Any other appearances? Mr.
11 Kellahin, you may proceed.

12 MR. KELLAHIN: Thank you. Mr. Examiner,
13 the exhibit package I have submitted to you has three
14 exhibits. First of all, there's a locator map. Second
15 of all, there's Mr. Terry Simcoe's affidavit prepared in
16 compliance with the Division rules for submitting a
17 prudent case by affidavit, and the last exhibit is my
18 certificate of notification.

19 To orient you, if you look at Exhibit 1, this
20 is the east half of Section 8. The existing east half of
21 Section 8 has several wells. Of relevance to you is --
22 there's an existing Mesaverde well in the northeast and
23 the southeast quarter. There are no Dakota wells.

24 The purpose of this application is to
25 consolidate two interest owners in the Dakota who have

1 not agreed to the Pierce 2B well. That well is to be
2 drilled as a downhole commingled Mesaverde and Dakota
3 well. The two parties involved are Koch and Four Star.
4 Burlington has attempted to consolidate those interests
5 into this spacing unit and has not been successful.

6 BPAmoco is the other principal operator in the
7 Mesaverde, as well as the Dakota, along with Burlington.
8 Burlington uses BP's operating procedures for cost
9 allocations, and as they've testified in prior cases, the
10 agreed-upon procedure which they have testified is
11 standard in the basin is to allocate 60 percent of the
12 cost to the Dakota and 40 percent of the cost to the
13 Mesaverde. The affidavit indicates that with the
14 attachments to it.

15 And you'll note in Mr. Simcoe's Affidavit,
16 Exhibit Number 2, that that is one of the attachments.
17 So when we look specifically at his affidavit, the Four
18 Star Oil & Gas Company has 3.125 percent of the Dakota,
19 and Koch Exploration has 21.875 percent of the Dakota.

20 The affidavit also indicates that back on
21 February 11th, Burlington proposed the well in writing to
22 those two companies, included a specifically identified
23 and itemized AFE allocating those costs to each zone and
24 showing how that was done and they've not been successful
25 in reaching a conclusion. Mr. Simcoe says the total cost

1 of the well is estimated to be \$1,322,000 plus. He would
2 ask that you allocate overhead rates and producing well
3 rates using \$7,000 a month drilling well per month, and
4 \$700 a month operating. Those are the rates currently
5 used by Burlington for the drilling of this well.

6 Burlington will comply with Division rules by
7 filing administratively for the commingling and proposing
8 to the Division the appropriate allocation tests for that
9 production in multiple choices. Normally, they use a
10 spinner and they set a temporary bridge plug between the
11 zones, take separate tests on both zones and use that as
12 the basis for the map.

13 Exhibit Number 3 is my Affidavit of Notice of
14 this hearing, in which we sent a copy of the application,
15 the notice letter and attached the copies of the green
16 cards showing those companies have received notice within
17 the appropriate period of time.

18 With your permission, Mr. Examiner, we would
19 ask that you admit Exhibits 1, 2 and 3 and take this case
20 under advisement.

21 MR. EZEANYIM: Exhibits 1, 2 and 3 will be
22 admitted.

23 Do you have any questions?

24 (Exhibits 1, 2 and 3 were admitted.)

25 MR. BROOKS: You're going to file a

1 separate administrative application for the downhole
2 commingling?

3 MR. KELLAHIN: Yes, sir.

4 MR. BROOKS: That's all.

5 MR. EZEANYIM: Okay. Let me understand
6 what you are asking for here. Are you drilling from the
7 surface of the base of the Dakota? The way I understand
8 it is that every interest owner in the Mesaverde
9 Formation has agreed to drilling of this well; right --

10 MR. KELLAHIN: Yes.

11 MR. EZEANYIM: Except those two people
12 in the Dakota?

13 MR. KELLAHIN: That's exactly right.

14 MR. EZEANYIM: Are you pooling all
15 interests from the surface to the base of the Dakota or
16 just Mesaverde and Dakota?

17 MR. KELLAHIN: It would just be for these
18 two parties in the Dakota for the commingled wellbore. I
19 have a sample of that type of order that Mr. Warnell
20 entered. It's Order Number R-13057 in Case 14100. With
21 your permission, I'll hand you a copy of that. This is
22 the one that was similar to what we're talking about now.

23 MR. EZEANYIM: So what is this order
24 supposed to indicate?

25 MR. KELLAHIN: We can turn over to the

1 ordering portion, and the Division uses its normal
2 ordering provision in Paragraph 1, simply indicated, "all
3 uncommitted interest owners wherever they may well be."
4 In this case it was the Mesaverde. In our case that was
5 the Dakota.

6 MR. BROOKS: In this case the uncommitted
7 interests were in the Mesaverde.

8 MR. KELLAHIN: That's right.

9 MR. BROOKS: The interest in the Dakota
10 were committed.

11 MR. KELLAHIN: That's right. And here
12 it's just the reverse.

13 MR. BROOKS: Okay.

14 MR. EZEANYIM: And your notification was
15 just only those two people?

16 MR. KELLAHIN: Yes, sir, those two
17 companies.

18 MR. EZEANYIM: There were no title
19 disputes, anything that would suggest escrowing some of
20 the -- no escrow requirements?

21 MR. KELLAHIN: No, sir.

22 MR. EZEANYIM: And the well location is
23 standard; right --

24 MR. KELLAHIN: Yes, sir.

25 MR. EZEANYIM: -- because it's in Unit P?

1 If it's --

2 MR. KELLAHIN: It meets the setbacks.

3 There's a C-102 attached.

4 MR. EZEANYIM: I can see 780 and 1,180; is
5 that correct?

6 MR. KELLAHIN: Yes, sir.

7 MR. EZEANYIM: Has the well been drilled?

8 MR. KELLAHIN: No, sir --

9 MR. EZEANYIM: Do you have any --

10 MR. KELLAHIN: -- not yet. There's no

11 API.

12 MR. EZEANYIM: No APD?

13 MR. KELLAHIN: I'm not sure it's been
14 filed. It's a federal permit, so it takes longer to get
15 those.

16 MR. EZEANYIM: Okay. I see. What is the
17 depth of this well in the Dakota; do you know?

18 MR. KELLAHIN: I think I have that. The
19 well proposal letter of February 11 indicates an
20 approximate total depth of 7,561 feet.

21 MR. EZEANYIM: Okay. At this point Case
22 14314 will be taken under advisement.

23

24

25

* * *
I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14314
heard by me on 5/14/07


Examiner
Oil Conservation Division

PAUL BACA PROFESSIONAL COURT REPORTERS


REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on May 14, 2009, proceedings in the
above captioned case were taken before me and that I did
report in stenographic shorthand the proceedings set
forth herein, and the foregoing pages are a true and
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by
nor related to nor contracted with any of the parties or
attorneys in this case and that I have no interest
whatsoever in the final disposition of this case in any
court.

WITNESS MY HAND this 22nd day of May, 2009.


Jacqueline R. Lujan, CCR #91
Expires: 12/31/2009