

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. 12,356
	)	
APPLICATION OF PHILLIPS PETROLEUM	)	
COMPANY FOR APPROVAL OF SIX NONSTANDARD	)	
GAS SPACING AND PRORATION UNITS AND AN	)	
UNORTHODOX GAS WELL LOCATION, SAN JUAN	)	
COUNTY, NEW MEXICO	)	
	)	

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

March 16th, 2000

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, March 16th, 2000, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*

COURT REPORTER  
 30  
 AM 11:16  
 2000-03-16

## I N D E X

March 16th, 2000  
Examiner Hearing  
CASE NO. 12,356

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\* \* \*

## E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	5	-
Exhibit 2	6	-
Exhibit 3	7	-
Exhibit 4	7	-
Exhibit 5	7	-
Exhibit 6	8	-
Exhibit 7	8	-
Exhibit 8	8	-

\* \* \*

## A P P E A R A N C E S

## FOR THE DIVISION:

BRUCE ROGOFF  
 Assistant General Counsel  
 Energy, Minerals and Natural Resources Department  
 2040 South Pacheco  
 Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

KELLAHIN & KELLAHIN  
 117 N. Guadalupe  
 P.O. Box 2265  
 Santa Fe, New Mexico 87504-2265  
 By: W. THOMAS KELLAHIN

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   9:40 a.m.:

3           EXAMINER CATANACH: Okay, at this time we'll call  
4   Case 12,356, which is the Application of Phillips Petroleum  
5   Company for approval of six nonstandard gas spacing and  
6   proration units and an unorthodox gas well location, San  
7   Juan County, New Mexico.

8           Call for appearances in this case.

9           MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of  
10   the Santa Fe law firm of Kellahin and Kellahin, appearing  
11   on behalf of the Applicant.

12          EXAMINER CATANACH: Any additional appearances?  
13          Okay, Mr. Kellahin?

14          MR. KELLAHIN: Thank you, Mr. Examiner.

15          Mr. Examiner, Phillips seeks the approval by the  
16   Division of six nonstandard gas proration units for the  
17   Pictured Cliff formation.

18          In addition, we ask your permission to approve an  
19   unorthodox well location for a well that's currently in the  
20   Mesaverde Pool, for which Phillips has plans to add the  
21   Pictured Cliff. As part of that workover, I would assume  
22   they will file the appropriate downhole commingling  
23   Application for that well.

24          I have compiled a number of items out of the  
25   Division records and out of Phillips' file to demonstrate

1 to you the appropriateness of approval of this Application.  
2 It was docketed for approval by the Division in the absence  
3 of objection.

4 As you go through the exhibit book, you'll find  
5 Exhibit Number 1, which is a composite display, and I'll  
6 attempt to clarify for you.

7 We're dealing with a portion of the 32-and-7 Unit  
8 operated by Phillips. It is very close to the Colorado  
9 border. There is a series of federal exploratory units in  
10 this area.

11 The north boundary is part of the same unit. You  
12 see the north boundary of the exhibit here, it says  
13 Sections 36 through 34. That's still part of this unit.

14 The first thing to describe for you is, if you'll  
15 look in irregular Section 4, the configuration of this  
16 township is such that along the northern boundary of the  
17 township and the western boundary of the township there are  
18 irregular lots.

19 The history has been that, for example, in  
20 Section 4, if you'll ignore the color code and follow the  
21 dashed line, that will lead you through Section 4, it will  
22 pick up Tract 5 in Section 5. That, taken together, is the  
23 existing approved nonstandard proration unit for Mesaverde-  
24 Basin Dakota-Fruitland Coal.

25 What I've asked Phillips to do is to try to

1     subdivide those existing gas spacing units to conform to  
2     their outer boundaries, but first of all attempt to form a  
3     standard Pictured Cliff spacing unit, so that in this  
4     example you can see the southwest quarter of 4 becomes a  
5     standard 160-acre GPU for a PC well.

6             The balance of that existing spacing unit for  
7     other formations would then be dedicated as a nonstandard  
8     spacing unit for the Pictured Cliff. And as you work your  
9     way through the color codes, then, you can see that there  
10    will be six nonstandard PC gas spacing units to consider  
11    for approval.

12            If you turn past Exhibit 1 and find Exhibit  
13    Number 2, it's a copy of the Application, and we have  
14    specifically identified by legal description the size and  
15    the acreage content of each of these proposed spacing  
16    units.

17            The well location I have described as a proposed  
18    exception is located in Section 5. You can see in Section  
19    5 there is an unshaded square, in Exhibit 1, and it will be  
20    the southeast quarter of Section 5. That becomes a  
21    standard PC spacing unit, but there is an existing San Juan  
22    Unit 32 and 7 Well Number 18 in the Mesaverde. And if they  
23    add the Pictured Cliff, that well is 400 feet from the east  
24    line and 2225 feet from the south line. Because it's 400  
25    feet from the east line, it is unorthodox by 260 feet.

1 We're seeking approval to have that as an exception.

2 To satisfy the notice requirements, we have  
3 notified every interest owner in Sections 4, 5, 6 and 7  
4 from which these NSPs are being carved.

5 In addition, with regards to the well location,  
6 we have notified the offsetting interest owners, towards  
7 whom this well encroaches.

8 Attached to the Application, then, is a list of  
9 those parties. Exhibit Number 3 is the certificate of  
10 mailing. It shows the notice letter and gives you copies  
11 of the green cards. And then there were a few that we did  
12 not receive the green cards back, and they're also  
13 identified. There are three out of this population of  
14 notices.

15 The next series of exhibits is going to be a  
16 color display which shows you the Mesaverde and Fruitland  
17 nonstandard proration units. They're color-coded so you  
18 can see their configuration.

19 Behind that map, then, is a copy of the Division  
20 orders that approve those nonstandard proration units.  
21 There's Order R-1066. It did other things, but if you read  
22 through the order you'll find that it picks up the spacing  
23 units we're talking about.

24 In addition, the Fruitland Coal was added by  
25 Order R-9305, and that order is attached.

1           Once you turn to the next section, to show you  
2           how we've attempted to fit the pieces together so that  
3           there is no acreage stranded, there's a colored plat that  
4           has outlined on it five existing, currently approved  
5           Pictured Cliffs spacing units, and those were approved by  
6           Order R-5364.

7           And when you turn behind that colored tab to get  
8           to the next exhibit page, there's a copy of the order.  
9           Again, that order included other spacing units, but within  
10          the content of that order is the approval for the Pictured  
11          Cliff units.

12          The final portion of the exhibit book contains  
13          copies of the C-102 filings for the various Pictured Cliff  
14          wells that currently exist to the east, and they include  
15          the existing PC well that I've described for you. The very  
16          first one is the 32-and-7 Well 18, and that is the  
17          Mesaverde well. And you can see by the location plat where  
18          that well is physically located.

19          We're asking approval in this case to have the  
20          opportunity to add the Pictured Cliff in this wellbore.  
21          It's obvious to do so will be an economic savings to the  
22          operator and the working interest owners.

23          Behind that, then, is, for your information, the  
24          C-102s on the other Pictured Cliff wells so you can see  
25          where they are and how their GPUs fit together in this



1 complicated puzzle and quiltwork of regulatory solutions  
2 along this odd township boundary that was made necessary  
3 because of the survey adjustments when this township was  
4 laid out.

5 With your approval, then, Mr. Examiner, that  
6 completes our presentation of documents, and we would ask  
7 that you take this case under advisement and issue an  
8 appropriate order.

9 EXAMINER CATANACH: Thank you, Mr. Kellahin.

10 There being nothing further in this case, Case  
11 12,356 will be taken under advisement.

12 (Thereupon, these proceedings were concluded at  
13 9:52 a.m.)

14 \* \* \*

15  
16  
17  
18 I do hereby certify that the foregoing is  
19 a complete record of the proceedings in  
the Examiner hearing of Case No. 12356;  
20 heard by me on 11 Feb 19 2000.  
21 David R. Catanach, Examiner  
22 Oil Conservation Division  
23  
24  
25

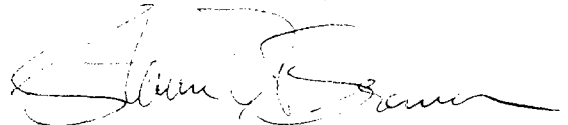
## CERTIFICATE OF REPORTER

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 March 18th, 2000.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 14, 2002

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OFFICIAL EXHIBIT FILE

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