

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. 12,492

APPLICATION OF TEXAKOMA OIL AND GAS )  
 CORPORATION FOR COMPULSORY POOLING, )  
 SAN JUAN COUNTY, NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

September 21st, 2000

Santa Fe, New Mexico

00 OCT -4 PM 7:54

CLERK OF COURT

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

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## I N D E X

September 21st, 2000  
 Examiner Hearing  
 CASE NO. 12,492

## PAGE

APPEARANCES

3

APPLICANT'S WITNESSES:

JOHN M. RICHARDSON (Landman)

Direct Examination by Mr. Bruce

4

Examination by Examiner Stogner

12

A.R. KENDRICK (Petroleum consultant)

Direct Examination by Mr. Bruce

16

Examination by Examiner Stogner

23

REPORTER'S CERTIFICATE

28

\* \* \*

## E X H I B I T S

Applicant's	Identified	Admitted
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Exhibit 5A	24	27
Exhibit 6	21	22

\* \* \*

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

## FOR THE DIVISION:

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Legal Counsel to the Division  
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Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

JAMES G. BRUCE, Attorney at Law  
3304 Camino Lisa  
Santa Fe, New Mexico 87501  
P.O. Box 1056  
Santa Fe, New Mexico 87504

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   8:48 a.m.:

3           EXAMINER STOGNER: At this time I will call Case  
4   Number 12,492, which is the Application of Texakoma Oil and  
5   Gas Corporation for compulsory pooling, San Juan County,  
6   New Mexico.

7           Call for appearances.

8           MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,  
9   representing the Applicant. I have two witnesses to be  
10  sworn in.

11          EXAMINER STOGNER: Any other appearances?

12          Will the two witnesses please stand and be sworn  
13  at this time?

14          (Thereupon, the witnesses were sworn.)

15                   JOHN M. RICHARDSON,  
16  the witness herein, after having been first duly sworn upon  
17  his oath, was examined and testified as follows:

18                   DIRECT EXAMINATION

19  BY MR. BRUCE:

20           Q. Will you please state your name and city of  
21  residence for the record, please?

22           A. John Michael Richardson, Stanley, New Mexico.

23           Q. What is your occupation?

24           A. I'm a petroleum landman.

25           Q. What is your relationship to Texakoma in this

1 matter?

2 A. I am a contract landman for Texakoma Oil and Gas  
3 Corporation.

4 Q. Have you previously testified before the Division  
5 as a landman?

6 A. Yes, sir, I have.

7 Q. And were your credentials as an expert accepted  
8 as a matter of record?

9 A. Yes, sir, they were.

10 Q. And are you familiar with the land matters  
11 involved in this case?

12 A. Yes, sir.

13 MR. BRUCE: Mr. Examiner, I tender Mr. Richardson  
14 as an expert petroleum landman.

15 EXAMINER STOGNER: Mr. Richardson is so  
16 qualified.

17 Q. (By Mr. Bruce) Mr. Richardson, what does  
18 Applicant seek in this case?

19 A. Texakoma seeks an order pooling all of the  
20 mineral interests in the north half of Section 18 of  
21 Township 31 North, Range 13 West, from the surface to the  
22 base of the Fruitland Coal -- to the Fruitland formation.

23 Q. What is Exhibit 1?

24 A. Exhibit 1 is a land plat showing the north half  
25 of Section 18, which is comprised of Lots 5, 6 and 7, the

1 northeast quarter, and the southeast quarter of the  
2 northwest quarter, containing 255.73 acres. The well is  
3 located at an orthodox location, being 1296 feet from the  
4 north line and 665 feet from the east line of Section 18.

5 Q. What is Texakoma seeking to pool at this time?

6 A. Lots 5, 6 and 7 are subject to a federal lease,  
7 NM-86494, which is 100-percent owned by Texakoma. We do  
8 not seek to pool anyone in that acreage.

9 But the northeast quarter and the southeast  
10 quarter of the northwest quarter of Section 18 is a fee  
11 tract in which there are a number of unlocatable interests,  
12 and we seek to pool those unlocatable interests.

13 Q. What is Exhibit 2?

14 A. Exhibit 2 is a list of the interest owners we  
15 seek to pool, along with their fractional interest in the  
16 fee tract.

17 Q. Okay. Now -- And all of these are unleased  
18 mineral interest owners, are they not?

19 A. Yes.

20 Q. Okay. Why are these people in such a large --  
21 You know, it's almost half of the mineral interest. Why  
22 are they difficult to locate?

23 A. This land was patented to Patrick and James  
24 McGuinn back in the early 1900s. They died in 1919, or  
25 approximately there, without any surviving parents or

1 brothers and sisters. And one of the brothers died  
2 unmarried and was childless, and his four brothers -- or  
3 four siblings -- had a combined total of 22 children, and  
4 these are the persons that inherited all of this interest.

5 Q. So in other words, the two brothers died, and  
6 everything went to the 20 or 22 -- what would they be? --  
7 nephews and nieces --

8 A. -- nieces, that is correct, yes, sir.

9 Q. And where did they reside? Did they live in San  
10 Juan County, the nephews and nieces?

11 A. No, sir, they primarily resided in Minnesota, New  
12 York and Michigan.

13 Q. So they were all out of state?

14 A. Yes, sir, that is correct.

15 Q. Now, I believe the probate on the two brothers  
16 was conducted where? Around 1920?

17 A. I think that's correct, yes, sir.

18 Q. And that is the only probate that's been  
19 conducted in San Juan County regarding this land; is that  
20 correct?

21 A. Yes, sir, that is correct.

22 Q. Now, when the nephews and nieces died -- and like  
23 you said, there was 20 of them -- did they have New Mexico  
24 probates conducted?

25 A. No, sir, they did not.

1 Q. Did they have probates conducted in their home  
2 states?

3 A. No, sir, they did not.

4 Q. So it went to about 20 people, and then from  
5 there it went to their children?

6 A. That is correct.

7 Q. So we are dealing with quite a large number of  
8 people?

9 A. Yes, sir, we are.

10 Q. Have there been many deeds recorded in San Juan  
11 County regarding these interests?

12 A. Just a very few.

13 Q. I believe we both looked at the records. Maybe  
14 six or eight deeds over the last 80 years?

15 A. Yes, sir, that sounds about right.

16 Q. So in other words, you had to reconstruct  
17 ownership of this 200 acres with maybe a half a dozen  
18 instruments recorded with the County Clerk over the last 80  
19 years?

20 A. Yes, sir.

21 Q. Now, what sources have you examined in order to  
22 determine the ownership of these interests and the names of  
23 these people?

24 A. We examined the records of the County Clerk and  
25 the Clerk of the District Court of San Juan County, we



1 accessed the Internet, 411 Director, the ASGs, the  
2 Microsoft Directory, the county records in various other  
3 states where we thought that these people may have resided.

4 Q. Okay. So when you went to the county records  
5 like -- One of them was what? Hennepin County, Minnesota?

6 A. Yes, sir.

7 Q. And you checked there for probates, but very  
8 little success there either; is that correct?

9 A. No success. And I'd like to clarify, we did not  
10 go there physically, we did those searches by telephone.

11 Q. Right. You were able to track down some family  
12 members or some distant family members; is that correct?

13 A. Yes, sir, that is correct.

14 Q. And that is how you essentially came to this list  
15 and the list of the other people who have executed leases?

16 A. Yes, sir.

17 Q. Now, you on behalf of Texakoma are not the only  
18 person who's checked the records for these mineral owners;  
19 is that correct?

20 A. Yes, sir, that is correct.

21 Q. What other companies or persons have checked the  
22 records, looking for the mineral owners?

23 A. Texakoma has acquired some interest from San Juan  
24 Resources, Jerry McHugh and Merrion Oil and Gas.

25 Q. And both McHugh and Merrion have conducted their

1 own extensive title examinations over the years, over the  
2 last ten years or so?

3 A. Yes, sir, they've been working this area for  
4 quite some time.

5 Q. And you were also provided with copies of most of  
6 their title data?

7 A. Yes, sir, we were.

8 Q. And the net result is still that about half the  
9 property is questionable?

10 A. That is correct.

11 Q. Now, certain interests were tracked down, about  
12 -- at least what, 13/24 of the mineral interests?

13 A. Yes, sir, approximately 55 percent.

14 Q. And leases have been taken from those people?

15 A. Yes, sir, they have.

16 Q. And any of the people that you've been able to  
17 locate you do not seek to force pool?

18 A. No, sir, we do not.

19 Q. Okay. Now, in connection -- Texakoma also  
20 drilled a well up in the what? The southeast of the  
21 southeast of Section 7, immediately to the north?

22 A. Yes, sir, that is correct.

23 Q. And that was about a year ago?

24 A. Yes, sir, I think last June, if memory serves me  
25 correctly.

1           Q.    Now, for that hearing I believe you mailed out  
2 notices to last known addresses, to at least a few of the  
3 people?

4           A.    Yes, sir, we did.

5           Q.    How old were those addresses that you had?

6           A.    They ranged anywhere from 60 to 80 years old.

7           Q.    Did the mailing of any -- did that result in any  
8 -- Were those addresses good, is the --

9           A.    No, sir, they were not. They all came back  
10 address unknown.

11          Q.    Okay. So for this hearing you didn't mail out  
12 any letters to any old addresses?

13          A.    No, sir, they would have been the same people  
14 that we previously tried to locate.

15          Q.    Okay. In your opinion, has Texakoma made a good  
16 faith effort to locate all of the unleased mineral interest  
17 owners in the northeast quarter and the southeast quarter,  
18 northwest quarter of Section 18?

19          A.    Yes, sir, we have. We spent several months  
20 trying to locate these people.

21          Q.    And at this point you're pretty much at a dead  
22 end?

23          A.    Yes, sir, we are.

24          Q.    Okay. Other than these unlocatable mineral  
25 interests, is Texakoma the only working interest owner?

1 A. Yes, sir, they are.

2 Q. And does Texakoma request that it be designated  
3 operator of the well?

4 A. Yes, sir, they do.

5 Q. Were Exhibits 1 and 2 prepared by you or under  
6 your direction or compiled from company business records?

7 A. They were compiled by company business records,  
8 with input from myself and other people.

9 Q. Okay. In your opinion, is the granting of this  
10 Application in the interests of conservation and the  
11 prevention of waste?

12 A. Yes, sir, it is.

13 MR. BRUCE: Mr. Examiner, at this time I would  
14 move the admission of Texakoma Exhibits 1 and 2.

15 EXAMINER STOGNER: Exhibits 1 and 2 will be  
16 admitted into evidence at this time.

17 EXAMINATION

18 BY EXAMINER STOGNER:

19 Q. You had mentioned that another operator, Merrion  
20 Oil and Gas, had done some extensive work in trying to  
21 locate these people.

22 A. Yes, sir.

23 Q. Was that for this particular section or this  
24 particular lease, or is there some other property that is  
25 owned by the old --

1 A. The land --

2 Q. -- McGuinn party?

3 A. Excuse me. The lands in the southeast of the  
4 southeast of Section 7, as well as in the northeast quarter  
5 of Section 18, the southwest-northwest of 18 --

6 MR. BRUCE: Southeast of the --

7 THE WITNESS: Excuse me, southeast of the  
8 northwest of 18, the northeast of the southwest of 18 and  
9 the northwest of the southeast of 18 all have the same  
10 ownership. And Merrion had acquired a lease from two of  
11 the parties that own an interest in these lands several  
12 years ago, and Texakoma has acquired an interest in those  
13 leases.

14 Q. (By Examiner Stogner) Now, is there current --  
15 Okay, there is no current production in the south part of  
16 18?

17 A. No, sir, not to my belief.

18 Q. Okay, so it really doesn't look like there's  
19 anything in 18; you're sort of the first one to go in  
20 there?

21 A. Yes, sir.

22 Q. Except there was an old saltwater disposal well,  
23 it looks like.

24 A. On that federal lease, yes, sir, that is correct.

25 Q. Okay. So that McGuinn, et al., fee acreage --

1 I've drawn it on Exhibit Number 1 -- that would include the  
2 northeast quarter of 18 and that little southeast quarter,  
3 southeast quarter of Section 7 --

4 A. Yes, sir.

5 Q. -- and then those little 40-acre tracts that are  
6 indicated to be connected, that surround the number "18";  
7 is that right?

8 A. Yes, sir, that's correct.

9 Q. Okay. So you're essentially looking at about 320  
10 acres there --

11 A. Yes, sir.

12 Q. -- in that lease.

13 Are they also the surface owners?

14 A. Yes, sir, they are.

15 Q. And who actually -- Is there a resident on the  
16 surface, or is it farm land, ranch land?

17 A. No, sir, it is ranch land. The taxes have been  
18 paid by one of the heirs, Mrs. Dorothy McGuinn throughout  
19 the years.

20 Q. Dorothy who?

21 A. McGuinn.

22 Q. McGuinn.

23 A. Yes, sir.

24 Q. So there is still a McGuinn that lives in the  
25 Farmington area?

1 A. She lives in Tucson, Arizona.

2 Q. Tucson, Arizona.

3 A. Yes, sir. And we do have her under lease.

4 Q. Now, did you talk to her about her ancestry?

5 A. Yes, sir, we talked to her and any of the other  
6 heirs that she could get us in touch with, had telephone  
7 numbers for, and we have -- we've tried to reconstruct the  
8 family tree, so to speak.

9 Q. Now, is Merrion part -- have any interest in this  
10 particular well that you're proposing in the north half of  
11 18?

12 A. No, sir. They have assigned their interest to  
13 Texakoma.

14 MR. BRUCE: They will have an override.

15 Q. (By Examiner Stogner) Oh, there is an override?

16 A. Yes, sir, excuse me, I thought you were talking  
17 about working interest.

18 Q. Now, you had mentioned that 55 percent of the  
19 interest owners in the north half of 18 have been found,  
20 and were not to be included in this force pooling; is that  
21 correct?

22 A. Yes, sir, that is correct, approximately.

23 Q. Okay, has this 55 percent actually joined in or  
24 made some sort of an agreement for the north half of 18?

25 A. They have leased their interest to Texakoma,

1 Merrion or San Juan Resources, Jerry McHugh, at one time or  
2 the other.

3 Q. So just merely the fact that they've been found  
4 doesn't -- it's because they have agreed to participate --

5 A. Yes, sir.

6 Q. -- and have some sort of lease mechanism, is why  
7 this 55 percent is not to be included?

8 A. Yes, sir, that is correct.

9 Q. Not just the mere fact that they were found?

10 A. No, sir.

11 EXAMINER STOGNER: Which would have been a  
12 miracle in itself, as it appears.

13 I don't have anything further of this witness.

14 You may be excused. Thank you, sir.

15 THE WITNESS: Thank you, sir.

16 MR. BRUCE: Mr. Examiner, before we begin, it may  
17 help to keep that Exhibit 1 around. Mr. Kendrick may have  
18 a few things to add about the matters on Exhibit 1.

19 A.R. KENDRICK,

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

22 DIRECT EXAMINATION

23 BY MR. BRUCE:

24 Q. Would you please state your name and city of  
25 residence?



1           A.    A.R. Kendrick, Aztec, New Mexico.

2           Q.    What is your relationship to Texakoma in this  
3 case?

4           A.    I'm a petroleum consultant for Texakoma in this  
5 case, and primarily it deals with paperwork.

6           Q.    Have you previously testified before the  
7 Division?

8           A.    Yes.

9           Q.    And were your credentials as an expert accepted  
10 as a matter of record?

11          A.    Yes.

12          Q.    And have you prepared a number of exhibits for  
13 presentation today?

14          A.    Yes, sir.

15          Q.    And are you familiar with the production and  
16 drilling and engineering matters related to this  
17 Application?

18          A.    Yes, sir.

19               MR. BRUCE:  Mr. Examiner, I tender Mr. as an  
20 expert.

21               EXAMINER STOGNER:  Mr. Kendrick is so qualified.

22          Q.    (By Mr. Bruce)  Mr. Kendrick, would you first  
23 identify Exhibit 3 for the Examiner, tell him what is  
24 exhibited on that plat?

25          A.    Exhibit 3 and Exhibit 4 are companion exhibits.

1 Exhibit 4 essentially describes what I tried to show on  
2 Exhibit 3. This is a copy of a portion of the topographic  
3 map. I've plotted the Fruitland Coal wells on this map  
4 that are drilled by Texakoma Oil and Gas.

5 And highlighted on this map in yellow are some  
6 sandstone ridges, which are outcrops, based on the folding  
7 in the San Juan Basin, either by the San Juan Basin  
8 sediment or by the Ute Dome Uplift.

9 These wells are -- drilled into the Fruitland  
10 Coal, are the westernmost wells in the Basin Fruitland Coal  
11 field in this proximity. There are none west of these  
12 wells toward the outcrop, which is just off the map to the  
13 west.

14 The La Plata Coal Mine is about three miles  
15 northeast of the corner of this map, where they mine  
16 Fruitland Coal and ship along what's identified on this map  
17 as the Coal Haul road, and they haul it to the power plant  
18 about ten miles southwest of this map.

19 This is identified to show that the Fruitland  
20 formation in this area is very near the outcrop and  
21 considered extremely marginal.

22 Q. What does Exhibit 5 show, Mr. Kendrick?

23 A. Exhibit 5 are generic townships for Townships 31  
24 and 32 North, Ranges 13 and 14 west, and show the wells  
25 that have been drilled -- or been completed in the

1 Fruitland Coal formation.

2 Three circles indicate three wells that have been  
3 permitted that are not yet completed, and the solid dot  
4 near the center of the plat is this subject well for this  
5 case.

6 The wells highlighted in green are those operated  
7 by Texakoma Oil and Gas.

8 Q. As you said, the outcrop of the Fruitland Coal is  
9 what, just immediately to the west of the proposed well, is  
10 it not?

11 A. Yes. On Exhibit 3, near the center, there's a  
12 canyon that comes in from the northwest that's identified  
13 as Coalbank Canyon. It got its name because it cuts  
14 through the coal outcrops in the Fruitland formation, just  
15 to the west of this map.

16 Q. Now, in looking at Exhibit 5, as you said, this  
17 well and then the well immediately to the north, which is a  
18 Texakoma well, would be the westernmost Fruitland Coal  
19 wells in this area; is that correct?

20 A. That's true.

21 Q. And there really isn't anything to the south  
22 either, is there?

23 A. There are some wells further south in Range 14  
24 West, down in Township 30 North, there are some wells in  
25 Range 14 West. But that's due to the circular appearance

1 of the San Juan Basin. And apparently, the geology is such  
2 that the coals did not form well in the southwest quadrant  
3 of Township 31 North, Range 13 West.

4 Q. Okay. Before we move on to the next exhibit,  
5 could you refer to Exhibit 1? And the Hearing Examiner did  
6 note that SWD well in the northwest quarter of 18. Could  
7 you identify what that well is and what the plans are for  
8 that well?

9 A. That well was drilled by Compass Exploration  
10 Company. It was plugged and abandoned in the Dakota and  
11 Gallup formations in 1959.

12 Texakoma has acquired that well to use as a  
13 saltwater disposal well to dispose into the Mesaverde  
14 formation. The intended disposal will be the water from  
15 these Fruitland Coal wells shown on Exhibit 5. It would be  
16 the waters produced from those wells.

17 Q. Okay. Is the La Plata 7-1 currently producing?

18 A. It's not yet connected to the pipeline, because  
19 we have not had a pipeline right of way assigned by the  
20 Bureau of Land Management.

21 Our pipeline right of way would connect that well  
22 with the La Plata 8 Number 2 in the southwest quarter of  
23 Section 8, but due to some new policies of the Bureau of  
24 Land Management about not approving anything within the --  
25 or more distance than 300 feet from an existing pipeline,

1 causes them to drag their feet about making the assignment  
2 of the pipeline right of way.

3 Q. Okay. In your opinion, is this a high-risk well?

4 A. Yes, this is a very high-risk well.

5 Q. And in your opinion, should the maximum penalty  
6 be assessed against any interest owner who is nonconsent in  
7 this well?

8 A. Yes.

9 Q. Mr. Kendrick, what is Exhibit 6?

10 A. I don't have Exhibit 6.

11 EXAMINER STOGNER: I have Exhibit 6, Mr. Jim  
12 Bruce.

13 MR. BRUCE: I knew I'd forgotten something.

14 THE WITNESS: Exhibit 6 is an AFE.

15 Q. (By Mr. Bruce) It's Texakoma's AFE for the  
16 proposed well, isn't it?

17 A. It's for this proposed well, yes, sir.

18 Q. Okay. What is the proposed completed well cost?

19 A. Completed well cost is about \$223,000.

20 Q. Okay. Is the cost of the proposed well in line  
21 with the cost of other wells drilled to this depth in this  
22 area of New Mexico?

23 A. Yes.

24 Q. And what is your recommendation for the amounts  
25 which Texakoma should be paid for supervision and

1 administrative expenses?

2 A. I think \$4000 a month would be sufficient for  
3 their management during drilling and completion.

4 Q. Okay, and what about for a producing well? What  
5 are they recommending?

6 A. \$400 a month for a producible well.

7 Q. Are these amounts equivalent to those charged by  
8 Texakoma and other operators in this area for these  
9 Fruitland Coal wells?

10 A. Yes, sir.

11 Q. And should the overhead rates be adjusted  
12 according to the COPAS accounting procedure?

13 A. Oh, yes, sir.

14 Q. Were Exhibits 3 through 6 prepared by you or  
15 under your supervision or compiled from company business  
16 records?

17 A. Yes.

18 Q. And in your opinion, is the granting of  
19 Texakoma's Application in the interests of conservation and  
20 the prevention of waste?

21 A. Yes, sir.

22 MR. BRUCE: Mr. Examiner, I'd move the admission  
23 of Texakoma Exhibits 3 through 6.

24 EXAMINER STOGNER: Exhibits 3 through 6 will be  
25 admitted into evidence.

## EXAMINATION

BY EXAMINER STOGNER:

Q. You had mentioned in your testimony about the BLM's -- Let me rephrase that. You had commented about the BLM's right-of-way practices in this area. Now, this is on fee acreage, your well in Section 7 and the proposed well in 18. Is it the surrounding acreage that is the BLM for the pipeline to come into this area, or at least the production pipelines, to tie into the main line?

A. The production pipeline and the water pipeline would cross the north half of the southwest quarter of Section 18, which BLM property. It would enter into the northeast of the southeast of Section 7, which is BLM property, and the location of the dryhole in the northwest of Section 18 is on BLM property. But their policy is nondevelopment of anything further than 300 feet from an existing pipeline, except under rare circumstances, and this gives them great need to drag their feet.

This Application for the pipeline has been in since about March, so it's not anything new. It arrived -- I was told that we were lucky in that it arrived the day before they made their decision for this new policy, so they're telling me that that's not the reason they're dragging their feet. But all the paperwork is in, and there are no results.

1           Q.    On your Exhibit Number 5, is this showing all of  
2   the Fruitland Coal wells, or is there not any coal gas  
3   production to the west, over on the Ute Mountain  
4   Reservation.

5           A.    There is no production over there because the  
6   coal is not existent over there. It outcrops about the  
7   township line, or just west of the township line. And so  
8   there's no coal in that proximity.

9           Q.    Which brings me back to Exhibit Number 3. You  
10   had mentioned, and I have the Coalbank Canyon here, and I  
11   see the Coal Haul Road that extends from the northeast down  
12   to the southwest through here.

13          A.    Yes, sir.

14          Q.    Where on this map is the outcrop of the coal?  
15   Can that be determined?

16          A.    No, it's off of the --

17               MR. BRUCE: Mr. Examiner, if I could -- I dug  
18   this up out of our last hearing, Mr. Examiner. It's a  
19   production map. I can have Mr. Kendrick go through it, but  
20   it does give an outline.

21               Mr. Kendrick, I've handed you what we've marked  
22   Exhibit 5A, which is a production map of the area. Could  
23   you just briefly describe it, and the location of the  
24   Fruitland outcrop.

25               THE WITNESS: The outcrop of the Fruitland Coal



1 shown on this plat from Texakoma's files was prepared by  
2 them, but it is pretty much in line with some work we did  
3 in the preparation for the well in the southeast quarter of  
4 Section 7, which is just north of the subject well here  
5 today. But the coal does not outcrop -- The substantial or  
6 the better quality of coal does not outcrop in the area  
7 shown on my Exhibit 3. It's just west of this exhibit.  
8 But the dip in that proximity is between 20 and 60 degrees,  
9 so the formations are very steep in that proximity.

10 And in Section 5 of Township 31 North, Range 13  
11 West, near the center of Exhibit 3, there's a canyon in  
12 there that comes in from the north and intersects Coalbank  
13 Canyon about where the word "Canyon" is printed on the map.  
14 Between the word "Canyon" and the center of Section 5,  
15 there is a low-quality coal outcrop in that drainage, but  
16 that's not what we would consider the Fruitland Coal  
17 formation. It would be -- The Fruitland Coal formation is  
18 deeper than that and would outcrop just off this map to the  
19 west.

20 Q. (By Examiner Stogner) Okay. What's the  
21 approximate depth of the coal in this well?

22 A. The approximate depth of the coal here will be  
23 about 1600 feet. But with the outcrop being so close,  
24 there's a lot of water penetration down into the coal  
25 formation, you know, being so shallow and the outcrop is so

1 close that the percolation of water into the formation is  
2 easy.

3 Q. Do you have other disposal wells for the  
4 Texakoma-operated wells, other than that 7 out here that's  
5 not shown on the map?

6 A. The 7 is designed as a producible well. We  
7 intend to dispose the coal in the abandoned well in the  
8 northwest quarter of Section 18. But since we have not  
9 been able to get a gas connection to the well in Section 7,  
10 that line would be laid in the same right of way with the  
11 water disposal line that would go down into Section 18, to  
12 the SWD well.

13 Q. So there's none of these wells in Exhibit Number  
14 5 that you show as Texakoma-operated wells that are  
15 currently producing because of that delay?

16 A. No, sir, they are all producing. But the well in  
17 Section 7 makes so much water that it's too expensive to  
18 truck the water from the wellbore, so it hasn't been  
19 properly completed, dewatered sufficiently to have it  
20 cleaned up enough for a gas test.

21 And at this point I can't assure you that it will  
22 be dewatered enough to give a good gas test.

23 EXAMINER STOGNER: I have no other questions of  
24 this witness.

25 Should we accept Exhibit Number 5A as evidence?

1 MR. BRUCE: I move it be admitted. It was also  
2 admitted in the prior case, on the east half of Section 7.

3 EXAMINER STOGNER: I'll tell you what, for the  
4 record let's go ahead and accept Exhibit Number 5A as  
5 evidence into this case.

6 Is there anything further in Case Number 12,492?

7 MR. BRUCE: No, sir.

8 EXAMINER STOGNER: Then this matter will be taken  
9 under advisement.

10 Thank you, gentlemen.

11 (Thereupon, these proceedings were concluded at  
12 9:20 a.m.)

13 \* \* \*

14  
15  
16  
17 I do hereby certify that the foregoing is  
18 a complete record of the proceedings in  
the Examiner hearing of Case No. 12492  
19 heard by me on 12/14/2000

20  Examiner  
Oil Conservation Division  
21  
22  
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, 2000.



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STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 14, 2002