

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. 12,651
)	
APPLICATION OF BURLINGTON RESOURCES OIL)	
AND GAS COMPANY FOR APPROVAL OF A PILOT)	
PROJECT INCLUDING UNORTHODOX WELL)	
LOCATIONS AND AN EXCEPTION FROM RULE 4)	
OF THE SPECIAL RULES AND REGULATIONS FOR)	
THE BASIN-FRUITLAND COAL GAS POOL FOR)	
PURPOSES OF ESTABLISHING A PILOT INFILL)	
DRILLING PROGRAM TO DETERMINE PROPER)	
WELL DENSITY FOR FRUITLAND COAL GAS)	
WELLS, SAN JUAN AND RIO ARriba COUNTIES,)	
NEW MEXICO)	

OFFICIAL EXHIBIT FILE

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

May 17th, 2001

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, May 17th, 2001, 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.

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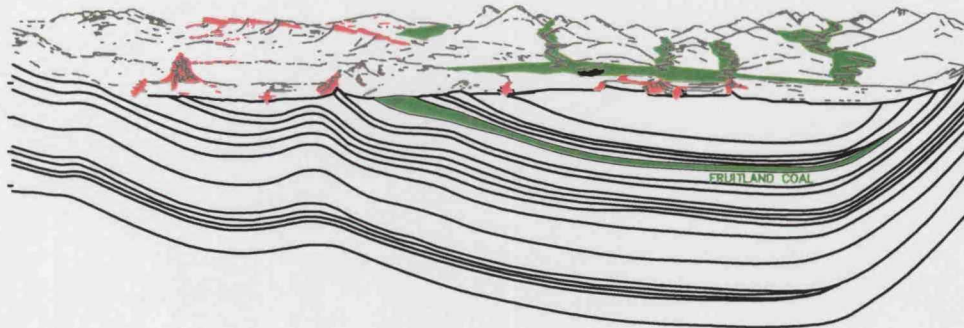
BURLINGTON RESOURCES OIL & GAS COMPANY LP



New Mexico Oil Conservation Division

Case # 12651

May 17, 2001



BURLINGTON RESOURCES
Hearing Summary
Basin-Fruitland Coal Infill Pilot Project
Case # 12651

The Basin-Fruitland Coal Gas Pool was originally spaced at 320 acres based on the recommendations of the NMOCD/Industry sponsored Fruitland Coalbed Methane Committee (hereinafter referred to as the "Committee") and defined on October 17th, 1988 by Order R-8768. During the hearing testimony, both the Committee and the Dugan Group recommended the adoption of a provision allowing for the drilling of a second well on a standard 320-acre proration unit when addressing variances in regional geologic trends. It was decided that insufficient evidence existed at that time to justify this provision. It was ordered however, that Case # 9420 would be reopened at a later date so that additional evidence and testimony could be presented relative to the determination of permanent rules and regulations for the Basin-Fruitland Coal Gas Pool.

Case # 9420 was reopened on February 22nd, 1991 where additional testimony was heard resulting in Order R-8768-A which was released on July 16th of the same year. The majority of testimony presented at this hearing was the result of a reservoir engineering study done by ICF Resources (ICF) and the Gas Research Institute (GRI) who had been commissioned by the Committee. Evidence presented by ICF and GRI indicated that the best method available to evaluate drainage characteristics in coal seam reservoirs is reservoir simulation. The results of their simulation generally established that one well could efficiently drain and develop 320 acres. Their simulation further indicated however, that there might be areas where certain combinations of reservoir parameters exist such that infill drilling may be required to increase gas recovery within the pool. As a result of this testimony, Rule #4 was amended to provide operators an opportunity to appear before a Division Examiner and present evidence to support the drilling of a second well on standard 320-acre proration units for limited, defined areas of the pool.

On January 20th of the year 2000, Burlington Resources testified in Case # 12296 seeking an amendment to the well location requirements outlined in Rule (7) of Order R-8768-A. Based on this testimony, Rule (7) was amended which resulted in Order R-8768-B. During this hearing, Burlington presented technical evidence demonstrating that the Basin-Fruitland Coal Gas Pool can be subdivided into an over-pressured (Fairway) area and an under-pressured (UPE) area. Burlington contended that the nearly all of the Fairway area has been developed and is being adequately drained on the current 320-acre proration units. Burlington also stated that a substantial portion of the UPE area is not fully developed and that existing data would seem to indicate that current wells are draining less than 320 acres in some areas.

Since the original spacing order was established in 1988 and amended in 1991, production from the Basin-Fruitland Coal Gas Pool has matured considerably. The cumulative production from this Pool has served to highlight the sharp contrast in producing characteristics from coals located within the Fairway and those in the UPE. Most of the reservoir engineering and simulation data evaluated in the original pooling rules were based on wells in the Cedar Hill portion of the Fairway. Burlington contends that the type of Fairway coal data used to justify

320-acre proration units throughout the Basin-Fruitland Coal Gas Pool must also be collected in the UPE areas. Although initial indications are that additional wells may be required in the UPE areas in order to adequately develop this resource, Burlington does not believe that the evidence currently available in these areas meets the standards previously set and approved by the Division and the Committee for the evaluation of coal seam reservoirs.

Therefore, Burlington proposes to drill one additional pilot well per 320-acre spacing unit at five locations throughout the UPE area. These five locations were selected with the intention of capturing a representative sampling of the geological and productive variation observed to date within the UPE. The objective of this proposal will be to drill, complete and produce the pilot wells in a manner similar to the surrounding Fruitland Coal wells in order to adequately evaluate the current level of depletion. Significant testing of the pilot wells will be undertaken to determine potential production differences between the different coal seams encountered in the pilot wells. This will include obtaining adsorption isotherms from cuttings, determining average density measurements, calculating gas in place by layer, pre-stimulation build up pressures and after frac spinner surveys. The evaluation will include basic reservoir simulation of the pilot wells and their immediate offsets using reservoir parameter data obtained from the infill pilot wells of the type previously approved by the Division.

The following is Burlington's planned timeline for completion of this Infill Pilot Study.

Obtain Regulatory and NMOCD approval	2 nd quarter 2001
Drill, gather reservoir data and complete the pilot wells	3 rd quarter 2001
Production testing	4 th quarter 2001
Simulation Results	1 st quarter 2002
Results to the NMOCD	2 nd quarter 2002