

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. 12,728

APPLICATION OF ENERGEN RESOURCES)
CORPORATION FOR A NONSTANDARD GAS)
SPACING AND PRORATION UNIT AND AN)
UNORTHODOX GAS WELL LOCATION, RIO)
ARRIBA COUNTY, NEW MEXICO)

ORIGINAL

OCT-4 AM 10:10
OIL CONSERVATION DIV

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

September 20th, 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, September 20th, 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.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

I N D E X

September 20th, 2001
Examiner Hearing
CASE NO. 12,728

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<u>RICHARD P. CORCORAN</u> (Landman)	
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A P P E A R A N C E S

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 By: J. SCOTT HALL

* * *

1 WHEREUPON, the following proceedings were had at
2 8:17 a.m.:

3 EXAMINER STOGNER: Call this hearing to order.
4 Please note today's date, September the 20th, 2001, Docket
5 Number 31-01.

6 At this time I'll call Case Number 12,728, which
7 is the Application of Energen Resources Corporation for a
8 nonstandard gas spacing and proration unit and an
9 unorthodox coal gas well location in Rio Arriba County, New
10 Mexico.

11 Call for appearances.

12 MR. HALL: Mr. Examiner, Scott Hall, Miller
13 Stratvert Torgerson of Santa Fe, on behalf of the
14 Applicant, Energen Resources Corporation.

15 EXAMINER STOGNER: Any other appearances in this
16 matter?

17 MR. HALL: Mr. Examiner, I would note that this
18 case is being heard for the reason that there were
19 objections filed on behalf of four unleased mineral
20 interest owners. Those individuals have failed to enter an
21 appearance at the hearing today.

22 On behalf of Energen, we're willing to submit the
23 case to you and let it be taken under advisement and
24 approved on the administrative application. We are also
25 prepared to present testimony, should you wish.

1 EXAMINER STOGNER: Okay, just to review this
2 matter, I had received an objection in the administrative
3 filing prior to the 20 days. The Application of Energen
4 for this matter was initially received on August 2nd for
5 administrative review.

6 However by letter dated August 27th in which I
7 had stated that I believe there were three members of the
8 Candelaria family at the time in Salt Lake City, and also,
9 whenever I sent a copy of that letter to David J.
10 Candelaria, it came back from the address that I had, and
11 then subsequent to this time, I have received further
12 objections from other parties, and they're noted in the
13 file.

14 In light of this situation, I believe it would be
15 appropriate to take testimony at this time and review this
16 matter --

17 MR. HALL: Okay.

18 EXAMINER STOGNER: -- the record, and proceed
19 accordingly.

20 MR. HALL: Very well, sir.

21 At this time, Mr. Examiner, we would call Rich
22 Corcoran to the stand.

23 For the record, please state your name, sir.

24 COURT REPORTER: Excuse me, we haven't sworn the
25 witness yet.

1 MR. HALL: I'm sorry.

2 (Thereupon, the witness was sworn.)

3 EXAMINER STOGNER: And you only have one witness;
4 is that right?

5 MR. HALL: Yes, sir.

6 EXAMINER STOGNER: Okay.

7 RICHARD P. CORCORAN,

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

10 DIRECT EXAMINATION

11 BY MR. HALL:

12 Q. Again for the record, please state your name.

13 A. Rich Corcoran.

14 Q. Mr. Corcoran, where do you live and by whom are
15 you employed?

16 A. I live in Farmington, I'm employed by Energen
17 Resources Corporation as district landperson.

18 Q. And you've previously testified before the
19 Division and had your credentials accepted as a matter of
20 record?

21 A. I have.

22 Q. Are you familiar with the Application that's been
23 filed in this case?

24 A. I am familiar with it.

25 Q. And you're familiar with the lands that are the

1 subject of the Application?

2 A. That's correct.

3 MR. HALL: At this time, Mr. Examiner, we tender
4 Mr. Corcoran as an expert petroleum landman.

5 EXAMINER STOGNER: Mr. Corcoran is so qualified.

6 Q. (By Mr. Hall) If you would, Mr. Corcoran, please
7 explain what it is that Energen seeks by its Application.

8 A. Energen is seeking a nonstandard proration unit
9 at an unorthodox location for the San Juan 32-5 Number 112
10 well.

11 Q. And is the proposed well a completion in the
12 Basin-Fruitland Coal Gas Pool?

13 A. It will be, yes.

14 Q. And you're familiar with the spacing and well
15 locational requirements and the pool rules for that gas
16 pool?

17 A. I am familiar that they should be a minimum of
18 660 and on 320-acre spacing in the northeast or southwest
19 of the proposed 320.

20 Q. The Application was originally proposed as an
21 administrative application to the Division, was it not?

22 A. Yes, it was.

23 Q. And it's only by virtue of objections received
24 from certain mineral interest owners that we appear today
25 here today at hearing?

1 A. That is correct.

2 Q. All right. Let's look at the exhibit packet. If
3 you would identify Exhibit 1, please, sir.

4 A. Exhibit 1 is my letter for administrative
5 application and attachments.

6 Q. That's the package that was submitted for
7 administrative approval?

8 A. That's correct.

9 Q. All right, let's look at Exhibit 2.

10 A. That's a map depicting the proposed unorthodox
11 location and nonstandard proration unit.

12 Q. All right. Now, why is the nonstandard unit and
13 unorthodox location necessary in this particular case?

14 A. For a number of reasons, the first being, it's a
15 small section, it's an odd-sized section, and the
16 topography in the area is extremely rough. In addition to
17 that, it's heavily laden with archaeological artifacts.

18 Q. All right. Let's look at Exhibit 3. Identify
19 that and explain what that shows.

20 A. Exhibit 3 is a map that's prepared that indicates
21 the location, again, of the well, of our proposed well, the
22 size and shape of the proposed spacing unit, and the
23 offsetting operators or owners.

24 Q. All right. For the record, what is the footage
25 location for the well?

1 A. The footage location is 410 feet from the south
2 line and 1320 feet from the east line, which turns out to
3 be -- turns out to be 1320 feet from the east line.

4 Q. And that distance is also shown on Exhibit 4, the
5 C-102 plat, is it not?

6 A. It is.

7 Q. All right. And does Energen propose that this be
8 a straight-hole completion?

9 A. We do.

10 Q. All right. Looking at Exhibit 4, what are the
11 side and end boundary lengths for this section, Section 19?

12 Q. The width of the section at this point is 1469
13 feet wide, and it's more standard in the length, but
14 leaving us no more than a 150-foot window for a legal
15 location.

16 Q. Let's look at Exhibit 5 now. Would you identify
17 that for the record?

18 A. That's a topographic map of the area, showing the
19 -- again, the location and our entrance to that location.

20 Q. All right. And what is the surface ownership?

21 A. Surface and minerals are owned by the Bureau of
22 Land Management.

23 Q. All right. By reference to Exhibit 5, is the
24 nature of the topography in Section 19 such that a standard
25 location is virtually precluded?

1 A. It is.

2 Q. Now, did the Bureau of Land Management impose
3 restrictions on your road location and your rig pad?

4 A. Yes, they did. Initially, we sought a location
5 at a legal location, and it was not an acceptable location
6 for a number of reasons, but primarily it was so tough
7 topographically that to get in and out of there we would
8 have had to move way more dirt than the BLM wanted us to.
9 Furthermore, there were a number of artifacts in the area,
10 and the area has got a number of recognized archaeological
11 sites, and so they asked us to move it to an existing
12 location that was approved for a previous well we drilled
13 in the area.

14 Q. All right. Is it accurate to say there's
15 previous locations for a Blanco-Mesaverde and a Dakota --

16 A. Yes --

17 Q. -- well at this --

18 A. Yes, it is --

19 Q. -- rig pad?

20 A. -- as a matter of fact, this pad is the same
21 location that we have the 1R well, the 32-5 Unit Number 1R,
22 which -- that's the location for a Mesaverde well there.

23 Q. All right. Now Mr. Corcoran, in your opinion do
24 the surface access and use restrictions and the topographic
25 conditions constitute unusual circumstances that justify an

1 exception to the Division's well-location requirements?

2 A. Yes, they do.

3 Q. Does Energen seek an exception to the well-
4 location requirements due to any geologic conditions?

5 A. No.

6 Q. All right. Given the irregular sections we're
7 dealing with here, is there a bottomhole location within
8 the standard window, standard drilling window established
9 by Rule 104, to which the well could be directionally
10 drilled?

11 A. There is, however with the nature of the wells in
12 this area that produce from this formation, although you
13 could physically drill the well you could not produce it,
14 there's so much water to move that we would have to use a
15 pumping mechanism that you can't use with a directional
16 well.

17 Q. Does Energen anticipate installing a rod pump?

18 A. Yeah, it would require that.

19 Q. To remove the water?

20 A. Yes.

21 Q. And that's why anything but a --

22 A. -- a straight hole

23 Q. -- a straight hole is precluded?

24 A. That is correct.

25 Q. Will the San Juan 32-5 Number 112 well at its

1 unorthodox location be situated so as to efficiently and
2 economically recover Basin-Fruitland Coal gas reserves from
3 the location?

4 A. Yes.

5 Q. And does the nonstandard proration Energen seeks
6 in this case conform to previously approved nonstandard
7 units for the Blanco-Mesaverde?

8 A. Yes, it does. Previously they have been approved
9 for these odd-sized sections combined.

10 Q. And for the Basin Dakota Pool as well?

11 A. Both, yes.

12 Q. All right. And let's see, the well would be
13 located in the equivalent of the southwest quarter of the
14 section, would it not?

15 A. That's correct.

16 Q. And so the well is situated in conformance with
17 the prevailing spacing pattern for the area, for Fruitland
18 Coal wells?

19 A. That is correct.

20 Q. If Energen's Application is not approved, will
21 its correlative rights be affected?

22 A. We won't be able to produce it, yes.

23 Q. All right. Let's look at Exhibit 6 now, please,
24 sir. Could you identify this for the Hearing Examiner and
25 explain what it shows?

1 A. This is a list of all the parties noticed of our
2 administrative application. It represents approximately
3 60-some-odd unleased mineral interest owners, as well as a
4 host of operators on the second page.

5 Q. Now, does Exhibit 6 also contain the last known
6 mailing addresses of all of the mineral interest owners and
7 offset operators you notified in connection with your
8 Application?

9 A. Yes, it does. It also sets out, if we were
10 notified by any of the parties of a new address for a
11 sibling, a second attempt to locate those folks --

12 Q. All right.

13 A. -- or to mail to those folks.

14 Q. So in addition to contacts from siblings and
15 family members, all the addresses were derived from
16 information available from the public records and the
17 counties?

18 A. That's correct.

19 Q. By the way, which counties did you search in this
20 case?

21 A. Well, since this -- the location of this property
22 is such that it borders Navajo Lake, and the center of
23 Navajo Lake is the dividing line for San Juan and Rio
24 Arriba Counties, we found ourselves looking in both of
25 those abstract offices, as well as county records.

1 Furthermore, it's very close to the Colorado border, so we
2 found ourselves in La Plata County, Colorado as well. So
3 we made a search of three different counties in the records
4 and their abstractors.

5 Q. All right. If you'd turn to the second page of
6 Exhibit 6, is that a listing of all the offset operators?

7 A. It is.

8 Q. And are the offset operators' interests shown on
9 Exhibits 2 and 3 as well?

10 A. They were, yes, they were.

11 Q. Their ownership position?

12 A. Yeah.

13 Q. Where their acreage is located is shown on
14 Exhibits 2 and 3?

15 EXAMINER STOGNER: Which exhibit are you
16 referring to?

17 MR. HALL: Mr. Examiner, the second page of
18 Exhibit 6 is a list of all offsetting operators.

19 EXAMINER STOGNER: Okay.

20 MR. HALL: And Exhibits 2 and 3 shows where their
21 respective acreages are located.

22 EXAMINER STOGNER: Okay, let's look at that a
23 little closer, because my name appears on that.

24 THE WITNESS: Right. Yeah, well, you're
25 obviously not an operator. You're another party that --

1 EXAMINER STOGNER: That's what I wanted to make
2 clear.

3 (Laughter)

4 THE WITNESS: Yourself nor the BLM operators.

5 EXAMINER STOGNER: Okay. You may continue, Mr.
6 Hall.

7 Q. (By Mr. Hall) Mr. Corcoran, did you receive
8 objections from any of the offset operators or Mr. Stogner?

9 A. I did, and -- I received four objections.

10 Q. From the offset operators themselves?

11 A. I'm sorry, no, none of the operators did I
12 receive any objections.

13 Q. All right. Mr. Corcoran, do you believe that
14 production from the 112 well should be restricted or
15 penalized due to its unorthodox location?

16 A. I do not.

17 Q. All right. Now, with respect to your
18 encroachment, you're encroaching to the west; is that
19 correct?

20 A. We are -- If at all, yes, we're encroaching to
21 the west.

22 Q. And who is the operator of the section to the
23 west?

24 A. Energen Resources Corporation is not only the
25 operator but 100-percent working interest owner in all the

1 wells to the west.

2 Q. All right. Mr. Corcoran, in your opinion would
3 granting Energen's Application be in the best interests of
4 conservation, the prevention of waste and the protection of
5 correlative rights?

6 A. Yes, it would.

7 MR. HALL: And were Exhibits 1 through -- I'm
8 sorry, let me go through one more exhibit, Mr. Examiner.

9 EXAMINER STOGNER: Sure.

10 Q. (By Mr. Hall) I missed one. Let's refer to
11 Exhibit 7. Is Exhibit 7 an example of the waiver form you
12 sent out to all the interest owners?

13 A. It is.

14 Q. And let's refer to Exhibit 8 now. Would you
15 identify that, please?

16 A. That is a listing of the known addresses at the
17 time we pulled this Application together, of the unleased
18 mineral interest owners.

19 Q. All right. Were Exhibits 1 through 8 prepared by
20 you or at your direction?

21 A. They were.

22 MR. HALL: That concludes my examination of this
23 witness, Mr. Examiner.

24 I'd move the admission of Exhibits 1 through 8.

25 EXAMINER STOGNER: Exhibits 1 through 8 will be

1 admitted into evidence.

2 EXAMINATION

3 BY EXAMINER STOGNER:

4 Q. Have you spoken to any of -- It appears that the
5 objecting parties might be one family; is that what you're
6 gathering, or --

7 A. It is. I did speak to those folks after their
8 objection, talked to one of the parties and offered to
9 elaborate. That party didn't really want to discuss it,
10 but I asked that they have any of the other family members
11 that might want to go into the matter to contact me and I
12 would be glad to get back to them, and they -- I've never
13 heard from them.

14 Now, I did talk to a number of other people along
15 the way, and when given the opportunity to explain why we
16 needed to do this, all those folks seemed to -- obviously
17 they agreed, they did not object.

18 Q. And where are their interests located?

19 A. They're up in -- I you'll look at Exhibit Number
20 2, what's identified as Tracts 7 and 9, which would be the
21 northwesternmost portion of the offsetting interest owners,
22 that is, the southwest quarter of Section 12 and the north
23 half of the northwest quarter of Section 13. The parties
24 that objected, that's where their interest stems from.
25 They each have 1.8 acres.

1 Q. Now, are they also a party in section -- What is
2 it, 16, 18 and 19 within your property?

3 A. No, sir, no, they're not. This interest stems
4 from an old condemnation procedure to dam up the river and
5 create the lake. And when it was condemned, the surface
6 was purchased from these folks, and they are the heirs of
7 these family members that lost the surface at that time.
8 They kept their mineral interests. And most of their
9 mineral interest, in most cases, is under the Navajo Lake.

10 Q. What was their main concern?

11 A. They -- She would not elaborate. They really
12 didn't -- I think, frankly, in my opinion, it was
13 confusion. They didn't quite understand, and they thought
14 the easiest way to handle it is simply to object to it.
15 That's my opinion, because in fact we're moving further way
16 from their acreage rather than closer to it.

17 Q. So it wasn't their concern for the nonstandard
18 proration unit, as you see it; it's mostly confusion upon
19 where the location actually is?

20 A. Well, they're just -- They're individuals that I
21 don't think fully comprehend what -- why we would even --
22 why we're requesting it. And as I said, when I talked to
23 those that I did talk to, they -- you know, and you explain
24 to them that it's a requirement that if you locate it at
25 other than a standard location that they are to be

1 contacted and given an opportunity to discuss the matter,
2 it seemed to make sense to almost all the parties that had
3 any question, other than these folks, they went ahead and
4 objected first. Then when I contacted them after the
5 objection they didn't -- the one I did talk to didn't
6 really want an explanation, just decided it would be best
7 to object.

8 So I couldn't really answer why.

9 Q. Okay, I'm trying to -- I'm looking at Exhibit
10 Number 2, and I want to pinpoint where exactly their
11 interest is.

12 A. Okay, if you go up to Section 12, the
13 northwesternmost portion of that section, if you look at
14 what I've identified here as Tract 9 --

15 Q. Tract 9.

16 A. -- which would be the southwest quarter -- north
17 half, southwest quarter, and the south half of the
18 southwest quarter, it's identified as Tracts 7 and 9,
19 partially. So they're under that. And they're also under
20 the north half of the northwest quarter of Section 13.

21 And by our moving the location further south,
22 although we are moving a little further west, we are moving
23 it further south and thereby going away from their acreage.
24 I don't understand their objection myself.

25 Q. Okay, in looking at this I've marked this Tract

1 9, and sometimes it appears as Tracts 7 and 9 --

2 A. That's correct.

3 Q. -- Tract 9 doesn't even touch your proposed
4 proration unit, does it --

5 A. No, it --

6 Q. -- or spacing unit, I should say?

7 A. No, it does not. It's just that if you were to
8 lay down your spacing unit in 13, then you could -- You
9 could include them, but it's a stretch.

10 Q. Okay, let's refer to Exhibit Number 5. Now, this
11 was an existing -- Sections 18 and 19, this was an existing
12 what, Basin-Dakota or Blanco-Mesaverde proration unit at
13 one time?

14 A. Yes, there is presently both Basin-Dakota and
15 Mesaverde proration units covering Sections 18 and 19, as
16 the identified -- the approved proration unit for Mesaverde
17 and Dakota, as well as 30 and 31.

18 Q. Okay, now, let's stick with 18 and 19. Is there
19 a well currently producing from both of those zones in this
20 unit?

21 A. Well, there is from the Mesaverde. I don't know
22 that the Dakota is still producing. We drilled it, and I
23 think we backed out of it.

24 Q. Okay. Do you have a map or something where that
25 well is located?

1 A. It's the same identical location, yes, sir, my --
2 the Exhibit Number 2 would indicate the 1R well in the
3 southwesternmost corner -- I know it's not real legible,
4 but the southwesternmost corner of that proration unit,
5 there's a symbol there for the 1R. That is the proposed
6 location for this well, same pad.

7 Q. Okay. Now, because when I'm referring to Exhibit
8 Number 2 I see what looks like three well indicators.

9 A. That's correct, there was a 1X and a 1, both of
10 which have plugged and abandoned, were drilled years and
11 years ago.

12 Q. And then the 1R?

13 A. And then the 1R, which was drilled about a year
14 or two ago by us.

15 Q. Okay. Now, will you be on that same pad?

16 A. We'll be on that same pad.

17 Q. Now, is that well one of yours, or who operates
18 it?

19 A. No, that is ours, we operate it, we own 100
20 percent of the Dakota and 98.5 percent of the Mesaverde,
21 100 percent of the Fruitland Coal.

22 Q. Okay. Now, I want to take a look at Section 24
23 and 25 --

24 A. Yes, sir.

25 Q. -- the royalty interests. Are these federal

1 sections?

2 A. There is a small piece that's fee in what's
3 identified here as the southwest quarter and the west half,
4 southeast quarter, of Section 24, is a fee lease. A
5 hundred percent of that is ours, as far as the Fruitland
6 Coal goes, as -- both Sections 24 all and Section 25 all.
7 And we do operate all four of those wells.

8 The Fruitland Coal wells in those two sections
9 are identified with a triangle.

10 Q. Okay. Now, over there in Section 24 and 24, the
11 portion that is a fee lease --

12 A. Yes.

13 Q. -- I guess I'm still a little confused when I
14 look at Sections 24 and 25 as a whole. Are there some
15 federal acreage?

16 A. Yes, it's all federal other than those -- other
17 than that portion which is fee there, is -- you know, and
18 I'm doing that from memory.

19 Q. Okay. Now, who's the fee mineral owner?

20 A. Let's see, the gentleman's -- No, it's leased to
21 us, and we have 100 percent of the operating rights, and as
22 -- we're not notifying the royalty interest owner in that
23 quarter quarter.

24 Q. That's pursuant to the rule, right?

25 A. That is. We are the operator.

1 Q. Okay, how about in Section 30 and 31? Why don't
2 you review that a little bit for me, because at the same
3 time you made this Application administratively --

4 A. Yes,

5 Q. -- you've also filed one for Sections 30 and 31.

6 A. We did.

7 Q. Can you give me a little synopsis on that?

8 A. Okay, and what we did there is, we asked for the
9 same type of proration unit. That is, one that would
10 coexist with the existing Mesaverde and Dakota proration
11 units for that acreage block, to cover all of Sections 30
12 and 31. We own 100 percent of the operating rights of
13 those two sections in and to the Fruitland Coal zone. We
14 also are the operator of the unit in which that's
15 contained. It too was an off-pattern well and nonstandard.
16 However when we contacted all the surrounding owners there,
17 which are by and large the same here, other than the
18 unleased mineral interest owners, there were no objections.

19 Q. And the royalty interest in Section 30 and 31?

20 A. I believe that should be the Bureau of Land
21 Management, which we have leased.

22 Q. Okay, referring to Exhibit Number 5 again, this
23 is in the Navajo Lake area; is that right?

24 A. Yes, it is. Where the Navajo Lake is identified
25 best is on Exhibit Number 2. If you'll go back to it and

1 look, there is a line from the northeastern corner of
2 Section 12, there's a line that goes through the center of
3 the section down to the south, and it -- or to the
4 southwest. It covers about two-thirds of Section 12 and a
5 third or more of Section 13. It's everything west of that
6 line.

7 Q. Okay, does that indicate the high-water mark?

8 A. Yes, it does.

9 Q. Did you have to get approval from the -- or at
10 least notify the Bureau of Reclamation?

11 A. We did not notify them, because -- I don't know,
12 we did not notify them.

13 Q. Okay. But if you're adjacent to that lake or
14 closer to that lake, they're another federal agency you've
15 got to deal with; is that correct?

16 A. They are. They usually ask that the BLM look at
17 their position whenever we go for locations on these
18 particular properties. When we physically go to the
19 location we always contact them and ask them to be on site
20 to state any objections they may have, and generally the
21 response is that the BLM will -- well, if they can't make
22 it they turn it over to BLM. They're not a mineral
23 interest owner here.

24 Q. But they are a surface --

25 A. Yes.

1 Q. -- the surface-management agency?

2 A. They are the surface-management agency of part of
3 these lands.

4 Q. And you're not on the forest service because
5 that's back to the east of you about a mile and a half.

6 A. That's correct, and the stuff between where we're
7 at and the national forest is federal acreage which they've
8 decided not to allow to come up for lease again. So it's
9 going to remain open.

10 Q. And you're referring to what, Sections 17 and 20?

11 A. Yeah, 17, 20, 8 and 7.

12 Q. How about those portions of 9, 16, 21 and 28 that
13 aren't in the forest?

14 A. Well, that too, that which is not presently
15 producing they're not going to allow to be re-leased.

16 Q. But you're 1320 feet from that --

17 A. Oh, yeah, we're a long way off. We're a mile and
18 a half from the closest Fruitland production to the east.

19 Q. When was the on-site review with the BLM for this
20 well site?

21 A. Gosh, I'm guessing -- I think it was in mid-May.
22 Bill Lees from the Bureau of Land Management in the
23 Farmington District Office conducted the on-site with
24 another party in our office.

25 Q. Now, I notice when I refer to Exhibit Number 5

1 there is a road runs through Section 19 up to the north.

2 A. Yes.

3 Q. And then when I correspond that exhibit with
4 Exhibit Number 2, it looks like these old plugged and
5 abandoned wells were near that road.

6 A. They were. You can't use them anymore. They
7 will not allow us to use that road anymore. It's basically
8 -- Although it's indicated on the map, they've made it --
9 It goes right through known archaeological sites that are
10 listed on the national register, and it was done long
11 before they looked at the archaeological impact in the
12 areas. Now, today, they would not allow us to use that
13 road. So that's why we came in from the southwestern
14 corner of that section.

15 MR. HALL: Mr. Examiner, we have an additional
16 exhibit that might demonstrate that for you.

17 EXAMINER STOGNER: Okay, that might help.

18 MR. HALL: Mr. Corcoran if you would refer to
19 Exhibit Number 9, please, sir, and identify that for the
20 record?

21 THE WITNESS: This is a map, a topographic map of
22 the same area that we've been discussing, that depicts
23 known archaeological sites. And as you can see, the road
24 that you were just questioning me about goes right through
25 a rather large one in the easternmost portion of Section

1 24. And then -- Now, these are the sites that are on the
2 register. There's a ton of archaeological stuff -- or
3 artifacts, I guess, is the appropriate word -- from those
4 that are identified in that road, south to our location.
5 The low spot in that canyon area is just littered with it.

6 MR. HALL: Mr. Corcoran, is Exhibit 9 a portion
7 of an archaeological survey that Energen commissioned from
8 San Juan College for this site?

9 THE WITNESS: It is.

10 MR. HALL: We move the admission of Exhibit 9.

11 EXAMINER STOGNER: Exhibit Number 9 will be
12 admitted into evidence.

13 Q. (By Examiner Stogner) Well, let's see. I see
14 that old road there and I see all the arch sites. Are the
15 arch sites there because of the road, or the road there
16 because of the arch sites?

17 A. I don't know. But they have basically made that
18 road unusable anymore.

19 Q. Okay. Which was leading to my next question,
20 because whenever you had your on-site survey, didn't the
21 BLM have a restricted policy at that time about location of
22 wells near a road?

23 A. Yes, they had a policy where we were not to --
24 they would not approve any APD that disturbed -- that
25 created any new disturbances 300 feet from an existing

1 disturbed area.

2 Q. And this road that was shut down did not fit that
3 criteria?

4 A. No, you couldn't get from there to where we
5 needed to be.

6 Q. But you did have your road going up there to your
7 current Mesaverde producer, and you're on the same
8 wellsite?

9 A. Yes, which is the one that's depicted on Exhibit
10 Number 5. That is the one we're using now. And it is this
11 road just -- It's the same road as is identified on Exhibit
12 Number 9, however it stops at the northeasternmost corner
13 of Section 25 instead of continuing on, halfway through
14 Section 25 -- 24, and then to the east. That portion has
15 been withdrawn or closed.

16 Q. Okay, what kind of time frame are you looking at
17 as far as being able to move a rig out?

18 A. We're out there presently recavitating one well.
19 We've got two other wells, the one that was approved for
20 Section 30 and -- 30 and 31, that we're getting ready to
21 spud before the end of the drilling season this year, and
22 we have another one down in Section 32 that we would like
23 to spud this year.

24 So we'd like to do all three of these if
25 possible, but we may not be able to get them done because

1 there's a drilling window that requires us to be out of the
2 area for sensitive areas for big game by December 1st, I
3 believe it is, or November -- It's either November 1st or
4 December 1st. I think in this area it's December 1st. So
5 I don't know that we can get it done. If we can, we would
6 like to do it this year. If not, we're going to go next
7 year.

8 EXAMINER STOGNER: Mr. Hall, what I'm concerned
9 about is Rule 1207.E in the case of an administrative
10 application where the required notice was sent and a timely
11 filed protest was made to the Division to notify the
12 Applicant and the protesting party in writing that the case
13 has been set for hearing and the date of the hearing.

14 Well, in trying to do that, like I said, the
15 envelope came back. But I notice there are some other
16 addresses that pop up on some of these objecting parties,
17 and to be quite frankly, I did not have the time to send
18 those letters out.

19 However, noticing the notice requirements
20 pursuant to Rule 8 of the Basin-Fruitland Coal Gas rules,
21 all operators or owners of undrilled tracts offsetting the
22 proposed location shall be notified, and that which you
23 did. However, in the new notification procedures under
24 Rule 104, which really don't apply, they have a more
25 restricted notification procedure, only those affected

1 parties. So I'm having a little quandary here.

2 These parties did protest, they made adequate
3 notification, but Rule 1207 hasn't been applied to, but in
4 looking at this instance, they're not really an affected
5 party pursuant to the description or the definition of an
6 affected party in the Division Rules and Regulations. So
7 we have some special pool rules and general requirements
8 that sort of don't really conflict, but in this particular
9 instance they're not an affected party.

10 Do you have anything to say --

11 MR. HALL: Mr. Examiner, I would agree with your
12 assessment of the rules. I would also say if there is any
13 defect in notification to the parties, affected or not,
14 that defect was cured by virtue of the fact that the party
15 whose envelope came back to you had filed an objection
16 initially. So the record clearly establishes he was aware
17 of the Application and the proceeding.

18 EXAMINER STOGNER: Yeah, but Rule 1207.E hasn't
19 been fully complied with. Then there were some other
20 parties that did object subsequent to that, that have not
21 been notified either. Some of those weren't made within
22 the time period, but I've been in situations before where
23 we have had one objecting party that created a situation to
24 go to hearing and then subsequent objections have come in
25 that have been considered because it's an open case at that

1 particular time.

2 MR. HALL: I understand. I think it's been the
3 consistent interpretation of the Division that an Applicant
4 is obliged only to send notification to interest owners
5 whose addresses appear of record in the public records, and
6 Mr. Corcoran's testimony established that -- I think he
7 went beyond the effort usually required by examining a
8 title in three counties to ascertain all those addresses.

9 (Off the record)

10 EXAMINER STOGNER: Mr. Hall, do you have anything
11 further of this witness?

12 MR. HALL: No, Mr. Examiner.

13 EXAMINER STOGNER: Okay, you may be excused.

14 Mr. Hall, do you have anything?

15 MR. HALL: Let me advise the Examiner that the
16 previous order establishing the nonstandard proration unit
17 for Sections 18 and 19 for, I believe, the Blanco-Mesaverde
18 Pool is R-2319.

19 That concludes our case.

20 EXAMINER STOGNER: You are correct. Do you know
21 the administrative order that was issued, administrative
22 nonstandard location that reinstated that Division order
23 for the infill well?

24 MR. HALL: I don't have it.

25 EXAMINER STOGNER: For the record, that's

1 NSL-4482 (NSP). Those two orders will be -- or I'll take
2 administrative notice of those two orders.

3 Under the circumstances, I'm going to take this
4 case under advisement and act accordingly on what was
5 presented today.

6 If there's nothing further in Case Number 12,728,
7 then this matter will be taken under advisement.

8 (Thereupon, these proceedings were concluded at
9 9:04 a.m.)

10 * * *

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14
15 I hereby certify that I have read
16 a copy of the transcript of the proceedings
17 the above hearing of Case No. 12728
18 heard by me on 20 September 2001
19
20
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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 21st, 2001.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002