

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. 12,978
)
 APPLICATION OF APPLICATION OF XTO)
 ENERGY, INC., FOR A NONSTANDARD GAS WELL)
 LOCATION AND SIMULTANEOUS DEDICATION,)
 SAN JUAN COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

December 19th, 2002

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, December 19th, 2002, 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

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Examiner Hearing
CASE NO. 12,978

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E X H I B I T S

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A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

JAMES G. BRUCE
Attorney at Law
P.O. Box 1056
Santa Fe, New Mexico 87504
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* * *

ALSO PRESENT:

RICHARD EZEANYIM
Chief Engineer
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87505

WILLIAM V. JONES, JR.
Petroleum Engineer
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87505

* * *

STEVEN T. BRENNER, CCR
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1 WHEREUPON, the following proceedings were had at
2 8:23 a.m.:

3 EXAMINER STOGNER: With that, I will call first
4 Case Number 12,978. This is the Application of XTO Energy,
5 Inc., for a nonstandard gas well location and simultaneous
6 dedication, San Juan County, New Mexico.

7 Call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
9 representing the Applicant. I have a brief statement.

10 Mr. Examiner, this case involves an unorthodox
11 location in the San Juan Basin. XTO Energy, Inc., seeks
12 approval to drill its Dawson "A" Well Number 1G at an
13 unorthodox location to test the Basin-Dakota and Blanco-
14 Mesaverde Gas Pools.

15 This well was originally applied for in December,
16 2001. At the time, the pool rules did not allow a third
17 Dakota gas well and the Division rejected the Application.

18 The Applicant reapplied in March, 2002, after the
19 Dakota Pool rules were changed, seeking the unorthodox
20 location, but they provided insufficient information and
21 the Division wrote back specifying the information that was
22 required and saying that if the unorthodox location was
23 applied for again it would be set for hearing.

24 Applicant submitted another letter in October,
25 2002, and at that time the Division set this matter for a

1 hearing.

2 If you turn to Exhibit 1, it's a copy of a letter
3 I wrote to the Division on November 27th, attaching as
4 Exhibit A thereto the Division's letter of March 6th, 2002,
5 specifying the information that was lacking in the
6 Application.

7 And just very briefly, if I could direct your
8 attention to Exhibit C attached to that letter, the acreage
9 involved is the west-half equivalent of Section 4, 27
10 North, 8 West. There had been two wells specified as
11 Numbers 1 and 2, the Dawson "A" Number 1M and the Dawson
12 "A" Number 1. Subsequently, earlier this year, XTO Energy,
13 Inc., drilled its Dawson "A" Number 1F in the northwest
14 quarter, and that is spotted on the map. Therefore, there
15 are currently two wells in the northwest quarter of the
16 Section. The well we're here for today would be the fourth
17 well in the proration unit.

18 The Division requested certain information.
19 Basically there are two factors, although there is a flat
20 area which would be orthodox in the northeast quarter,
21 southwest quarter of this particular section. That places
22 it too close to the original well in the unit, the Dawson
23 "A" Number 1, and for drainage purposes Applicant desires
24 to move away from that well. There is not a flat location
25 at an orthodox spot in the southwest quarter of the

1 southwest quarter. And also to move as far away from the
2 existing well as possible, Applicant desired to drill in
3 the northwest quarter of the southwest quarter.

4 Placing the well at its proposed location places
5 it at a flat spot on the proration unit, and also very
6 close to an existing lease road. So there will be a
7 minimum amount of surface disturbance.

8 So for both topographic and engineering reasons,
9 or drainage reasons, Applicant requests approval of the
10 unorthodox location.

11 The only offset to the west is Burlington
12 Resources Oil and Gas Company, L.P. Submitted as Exhibit 2
13 is my affidavit of notice. At this point, this would be
14 the fourth notice that Burlington has gotten. They have
15 not objected to the location upon any of those notices. So
16 the proper notification was given.

17 At this point we would ask that this matter be
18 taken under advisement and a decision issued.

19 I took the liberty of drafting up a proposed
20 order on this matter on hard copy and disk if the decision
21 is favorable to the Applicant.

22 And I would move the admission of Exhibits 1 and
23 2.

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

1 Also, for the record, I'll take administrative
2 notice of the two previous administrative applications,
3 Application Number 229027137 and the older filing under
4 Application Number 204552732 and the record of the Division
5 on this well and its spacing unit.

6 On your review of this Application, is this well
7 located on federal, state or fee acreage?

8 MR. BRUCE: I thought it was on federal acreage,
9 Mr. Examiner.

10 EXAMINER STOGNER: That's what I was thinking.
11 I've noticed, however, your Exhibit D is on a C-103, and
12 neither state or fee.

13 MR. BRUCE: Yeah. Mr. Examiner, if it's okay
14 with you, after I get out of the Division today I am
15 heading to the BLM, and I can verify ownership of that leas
16 for you, if that would be acceptable.

17 EXAMINER STOGNER: That would be okay. Also,
18 I'll take administrative notice of the well file that we
19 have in this matter, and the three other wells out there
20 that -- I will take any other additional information that
21 you have. So essentially, this will be a third request
22 administratively. However, since it is appearing on the
23 docket today, I think an R order would be in order for this
24 case to be resolved.

25 Should there be any additional information once I

1 review the record, we may have to reopen to call witnesses.

2 MR. BRUCE: Yes, sir.

3 EXAMINER STOGNER: If not, an R order will be
4 issued based on the information provided.

5 Is there anything further in Case Number 12,978?

6 MR. BRUCE: No, sir.

7 EXAMINER STOGNER: This matter will be taken
8 under advisement. Thank you, Mr. Bruce.

9 (Thereupon, these proceedings were concluded at
10 8:30 a.m.)

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19 December 2002
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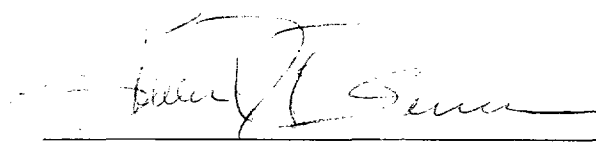
CERTIFICATE OF REPORTER

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 December 19th, 2002.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006

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