

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

1 March 1989

EXAMINER HEARING

IN THE MATTER OF:

Application of Blackwood & Nichols Co., CASE
Ltd. for an unorthodox coal gas well 9614
location and a non-standard gas pro-
ration unit, San Juan County, New Mexico,
and

Application of Blackwood & Nichols Co., 9615
Ltd. for an unorthodox coal gas well
location and a non-standard gas pro-
ration unit, San Juan County, New Mexico,
and

Application of Blackwood & Nichols Co., 9616
Ltd. for an unorthodox coal gas well
location and a non-standard gas pro-
ration unit, San Juan County, New Mexico.

BEFORE: Victor T. Lyon, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

For Blackwood & Nichols
Co., Ltd.:

William F. Carr
Attorney at Law
CAMPBELL and BLACK, P. A.
P. O. Box 2208
Santa Fe, New Mexico 87501

I N D E X

WILLIAM F. CLARK

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E X H I B I T S

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Blackwood & Nichols Exhibit One-B, Form C-102 6

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Blackwood & Nichols Exhibit Two, Plat 6

Blackwood & Nichols Exhibit Three, Plat 7

Blackwood & Nichols Exhibit Four-A. Map 10

Blackwood & Nichols Exhibit Four-B, Map 10

Blackwood & Nichols Exhibit Four-C, Map 10

Blackwood & Nichols Exhibit Five, Letter 11

1 MR. LYON: We'll call Case
2 Number 9614, application of Blackwood & Nichols for an un-
3 orthodox coal gas well location and a nonstandard gas pro-
4 ration unit, San Juan County, New Mexico.

5 MR. CARR: May it please the
6 Examiner, my name is William F. Carr with the law firm
7 Campbell & Black, P. A., of Santa Fe. We represent Black-
8 wood & Nichols Company, Limited, in this case.

9 This case and the two follow-
10 ing cases involve adjoining nonstandard proration units
11 that are nonstandard because of variations in the U. S.
12 Public Lands Survey.

13 MR. LYON: Let -- let me call
14 those two cases.

15 MR. CARR: If we could consol-
16 idate them for purposes of testimony, we'd appreciate it.

17 MR. LYON: Case 9615, appli-
18 cation of Blackwood & Nichols, Limited, for an unorthodox
19 coal gas well location and nonstandard proration unit, San
20 Juan, New Mexico.

21 Case 9616, application of
22 Blackwood & Nichols, Limited, for an unorthodox coal gas
23 well well location and nonstandard gas proration unit, San
24 Juan County, New Mexico.

25 Cases 9614, 9615 and 9616 will

1 be consolidated for purposes of testimony.

2 MR. CARR: I have one witness
3 who needs to be sworn.

4 MR. LYON: Will you stand and
5 raise your right hand?

6
7 (Witness sworn.)

8
9 MR. LYON: Proceed, Mr. Carr.

10
11 WILLIAM F. CLARK,
12 being called as a witness and being duly sworn upon his
13 oath, testified as follows, to-wit:

14
15 DIRECT EXAMINATION

16 BY MR. CARR:

17 Q Will you state your full name for the
18 record, please?

19 A William F. Clark.

20 Q Mr. Clark, where do you reside?

21 A Durango, Colorado.

22 Q By whom are you employed and in what
23 capacity?

24 A By Blackwood and Nichols Company, Limit-
25 ed, as an operations manager.

1 Q Have you previously testified before
2 this Division or one of its examiners and had your cre-
3 dentials accepted and made a matter of record?

4 A Yes, I have.

5 Q And how were you qualified at that time?

6 A As a petroleum engineer.

7 Q Are you familiar with the applications
8 filed by Blackwood & Nichols Company, Limited, in each of
9 these consolidated cases?

10 A Yes, I am.

11 Q Are you familiar with the subject area
12 and the development of the Fruitland coal seams in this
13 area?

14 A Yes, I am.

15 MR. CARR: Are the witness'
16 qualifications acceptable?

17 MR. LYON: Yes, they are.

18 Q Mr. Clark, would you briefly state what
19 Blackwood and Nichols seeks with this application?

20 A Blackwood & Nichols requests approval of
21 an unorthodox location of each of these wells and a non-
22 standard proration unit for each of these cases, so they're
23 both nonstandard where the well is going to be located and
24 then the gas proration unit is of a nonstandard size.

25 Q Mr. Clark, have you prepared certain ex-

1 hibits for presentation in this case?

2 A Yes, we have.

3 Q Initially I'd like you to just identify
4 for Mr. Lyon what has been marked as Blackwood & Nichols
5 Company Exhibits One-A, One-B and One-C.

6 A Exhibit One-A, One-B and One-C are the
7 State of New Mexico -- or excuse me, the OCD Form C-102,
8 which shows the dedicated acreage for these particular
9 wells. You'll note that the east half of these particular
10 sections are truncated due to the irregular public surveys.

11 Q The unorthodox locations for each of the
12 wells are also shown on these exhibits, is that correct?

13 A That's correct. The footages are indi-
14 cated.

15 Q Would you now go to Blackwood & Nichols
16 Exhibit Number Two, identify that and review it, please?

17 A Exhibit Number Two is a plat showing the
18 dedicated acreages for each of the proposed wells.

19 Case Number 9614 for the Northeast
20 Blanco Unit No. 453, which will be located 930 feet from
21 the south line and 610 feet from the west line of Section
22 6, Township 30 North, Range 7 West, will have an acreage
23 dedication being the west half -- excuse me, the east half
24 of Section 6 and the southwest of Section 31. That's indi-
25 cated in the pink on Exhibit Number Two.

1 Well number -- Case Number 9615, the
2 Northeast Blanco Unit No. 449, which will be located at 320
3 feet from the south line, 1250 feet from the west line of
4 Section 19, Township 31 North, Range 7 West, will have the
5 acreage dedicated as indicated, being the east half of Sec-
6 tion 19 and the very top northwest part of Section 30, as
7 indicated on Exhibit Two in yellow.

8 Case Number 9616 for the Northeast
9 Blanco Unit No. 457, will be drilled at a proposed location
10 at 2,255 feet from the north line and 340 feet from the
11 west line in Section 31, Township 31 North, Range 7 West.
12 In Section 31 the northwest corner is dedicated to this
13 well with the addition from Section 30, the southwest
14 quarter of Section 30 and the southwest of the northwest of
15 Section 30, as indicated in green on Exhibit Two.

16 Q Now, Mr. Clark, would you refer to
17 Exhibit Number Three and again the subject proration units
18 are color coded as on the prior exhibit. Would you review
19 the other information contained on this plat?

20 A Exhibit Number Three is the Northeast
21 Blanco Unit area map. You see the cross hatched line
22 approximately one section to the east of the three proposed
23 nonstandard dedicated proration units that continued up and
24 goes around on the side around the top of the yellow one
25 continuous.

1 The majority of the wells indicated
2 there with the circle are Mesaverde wells. The wells with
3 triangles are either proposed or currently drilled Fruit-
4 land coal wells.

5 You will note that for Case Number 9614
6 and Case Number 9616 there are no offsetting operators.
7 The -- those proration units are entirely surrounded by
8 Northeast Blanco Unit dedicated acreage.

9 On the -- Case 9615 is indicated in
10 yellow, does have an offsetting operator, in this case to
11 the north and to the east, being Northwest Pipeline. The
12 Northwest Pipeline additionally has an ownership in the
13 Northeast Blanco Unit under the unitized lands of approxi-
14 mately 5 percent.

15 Q And have you obtained from Northwest a
16 waiver of objection to the proposed location?

17 A Yes, that's -- we do have that and that
18 will be introduced a little later as Exhibit Five.

19 Q Now, I think it would be helpful if you
20 would explain to Mr. Lyon exactly why these particular non-
21 standard units are now being proposed.

22 A These nonstandard units are a reflection
23 of what has already been previously proposed and approved
24 by the OCD for the existing Mesaverde wells on this irregu-
25 lar town -- or irregular land survey. The acreage is dedi-

1 cated 296.02 for Case 9604 and 259.82 for Case 9615 and
2 250.65 for Case Number 9616, are the same as the Mesaverde
3 ones which are previously approved.

4 MR. CARR: Mr. Examiner, those
5 Mesaverde approvals were in Division Orders R-749, R-750=A,
6 and 751.

7 Q What are the standard spacing require-
8 ments for Basin Fruitland Coal wells.

9 A Order R-8768, the special pool rules for
10 the Basin Fruitland Coal wells, requires in Rule 4 a stand-
11 ard dedication of 320 acres.

12 Rule 5 allows a deviation of plus or
13 minus 25 percent, which would be a minimum of 240 acres;
14 therefore, all of these wells' dedications are permissible;
15 that is, they're greater than 240 acres; however, Rule 6
16 goes on and addresses the irregular shapes due to public
17 land surveys. They also require that it be in a particular
18 section and that's the necessity of this hearing is because
19 our proposed gas proration units are not within a particu-
20 lar governmental half section.

21 Q Why is Blackwood and Nichols requesting
22 the unorthodox locations that are proposed?

23 A We are requesting the unorthodox --
24 well, these wells are unorthodox under the Basin Fruitland
25 special rules because they are closer than 790 feet to the

1 outer boundaries. That is necessitated by the extreme
2 topography in this area next to Navajo Lake.

3 Q Would you refer to Blackwood and Nichols
4 Exhibits Four-A, Four-B and Four-C and review those for the
5 Examiner?

6 A Yes, I would. Exhibit Four-A is for the
7 Case 9614 and is a vicinity map for the Northeast Blanco
8 Unit Number 449. You'll see the proposed location, the
9 topography is fairly severe and a good part of that section
10 is in Navajo Lake and the banks of it or the (unclear)
11 going off the cliffs are fairly severe.

12 Exhibit One --

13 Q Four.

14 Q Excuse me, Exhibit Four-B, for Case
15 9615, is the vicinity map for the Northeast Blanco Unit No.
16 457. Again you will see fairly severe topography in this
17 area. You'll also note that in this particular one we are
18 twinning an existing well as opposed to going in and dis-
19 turbing additional territory around this recreational area.

20 Exhibit Four-C, the Northeast Blanco
21 Unit No. 453, is very similar to the Exhibit Four-B. It
22 shows that we are twinning, offsetting the well, and again
23 in the rough topography.

24 Q In making the selection of the well
25 locations have you been required to work with government

1 officials?

2 A That's correct. Blackwood and Nichols
3 has worked closely with the New Mexico State Park personnel
4 and the Bureau of Reclamation personnel, which are juris-
5 dictional agencies over the Navajo Reservoir and we select-
6 ed these locations so that they would not have an adverse
7 environmental impact on the people recreating on the Nava-
8 jo waters.

9 Q Now, would you identify what has been
10 marked as Blackwood & Nichols Company Exhibit Number Five?

11 A Exhibit Number Five is a letter dated
12 January 9th, 1989, which was sent certified to Northwest
13 Pipeline. They signed and returned it to us dated January
14 24th, 1989. This was to advise them of the Northeast Blan-
15 co Unit Well No. 449, specifically Case 9615, would have a
16 nonstandard location and a nonstandard gas proration unit
17 dedication and they waived their objection to both.

18 Q Mr. Clark, these were originally
19 proposed for administrative approval, is that correct?

20 A That is correct and then the Division
21 scheduled them for hearing.

22 Q And that was because the nonstandard
23 units cross the section line, was that the reason given?

24 A That would be my understanding.

25 Q How soon are you prepared to go forward

1 with the drilling of these wells?

2 A We are currently waiting on working in-
3 terest owner approval but we anticipate we would be drill-
4 ing these wells within 30 to 60 days.

5 Q In your opinion will granting these ap-
6 plications be in the best interest of conservation, the
7 prevention of waste, and the protection of correlative
8 rights?

9 A Yes, these locations will be those
10 things in giving us the best available drainage pattern for
11 this part of the unit.

12 Q And were Exhibits One-A, B and C, Exhi-
13 bits Two, Three, Four-A, B and C, and Five prepared by you
14 or compiled under your direction and supervision?

15 A Yes, they were.

16 MR. CARR: May it please the
17 Examiner, at this time we'd move the admission of Blackwood
18 & Nichols Exhibits One through Five and all sub-parts
19 thereof.

20 MR. LYON: Is there objection?
21 The exhibits you've enumerated will be admitted into evi-
22 dence.

23 MR. CARR: And that concludes
24 my direct examination of Mr. Clark.

25

CROSS EXAMINATION

BY MR. LYON:

Q Mr. Clark, the coal gas order requires wells to be located either in the northeast quarter or the southwest quarter, is that not correct?

A That is correct.

Q And I believe that your wells are so located except for No. 457, which is located in the northwest quarter.

A That's correct, sir.

Q Or the equivalent thereof. And your reason for doing that is that you're drilling a well near -- I don't remember if this is the one that is twinned.

A That's by the 66-A, that's correct, it's a twin location.

Q This is a twin well, so you're minimizing surface standards by locating at that place, is that right?

A That being a fact and then also with the Navajo Lake there, how we had to move other wells and then trying to maintain the most reasonable drift drilling drainage patterns for each of these wells. So it's -- it's kind of a twofold decision of -- there is an existing location there offsetting the 457 but then we also look at

1 where are the other wells that due to topography are having
2 to be shifted and where would this well be best or ideally
3 located.

4 Q All right. Now, as you've testified,
5 you're drilling fairly close to Navajo Lake.

6 A That's correct.

7 Q Are any of these wells in the state
8 park?

9 A No, sir, none of these wells are in the
10 state park. There is a well, or there is another piece of
11 acreage that's extremely or just directly south of the pink
12 acreage, the Well 453, that we are currently discussing
13 with the state park people and their concerns about that
14 one, but none of these three -- or let me put it this way:
15 They are not in the developed part of the state park. Part
16 of the acreage dedicated may be in the state park but these
17 three parties -- or these three particular wells, they do
18 not have any problems and we have worked to identify these
19 locations.

20 I'm aware that there's a concern on what
21 will be proposed at a later hearing, the Northeast Blanco
22 Unit No. 461, which is to the south of this existing -- the
23 wells we're talking about, and that one will have to be lo-
24 cated in the state park and we're currently evaluating pro-
25 posals to try to come up with a least -- location with the

1 least impact.

2 Q Yeah. So you are working with -- with
3 the --

4 A That's correct, sir, and that's why we
5 didn't include it on this one because we're not quite sure
6 where is the best location to drill that well at this par-
7 ticular time.

8 Q Okay, that -- that -- these wells do not
9 impact that park.

10 A That is correct.

11 Q And I assume that you will take every
12 precaution to prevent any pollution of the lake during your
13 operations.

14 A That's correct. All of these wells, I
15 believe, are -- have Federal APD's which will require us to
16 line the pits, cut them into the up-hill side, line the
17 pits, and take other precautionary methods.

18 Q Very good.

19 MR. LYON: Are there any other
20 questions of Mr. Clark?

21 MR. CARR: No further ques-
22 tions.

23 MR. LYON: Mr. Clark may be
24 excused and we'll take the cases under advisement.

25 A Thank you.

(Hearing concluded)

C E R T I F I C A T E

I, SALLY W. BOYD, C. S. R. DO HEREBY
CERTIFY that the foregoing Transcript of Hearing before the
Oil Conservation Division (Commission) was reported by me;
that the said transcript is a full, true and correct record
of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 964.
heard by me on March 1 1989.

W. S. Lynn, Examiner
Oil Conservation Division