

1 STATE OF NEW MEXICO  
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
3 OIL CONSERVATION DIVISION  
4 STATE LAND OFFICE BUILDING  
5 SANTA FE, NEW MEXICO

6 24 May 1989

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Meridian Oil, Inc. for CASE  
10 a non-standard proration unit , San 9681  
11 Juan County, New Mexico.

12 BEFORE: David R. Catanach, Examiner  
13

14  
15 TRANSCRIPT OF HEARING  
16

17  
18 A P P E A R A N C E S  
19

20 For the Division:

21 For Meridian Oil, Inc.: W. Thomas Kellahin  
22 Attorney at Law  
23 KELLAHIN, KELLAHIN & AUBREY  
24 P. O. Box 2265  
25 Santa Fe, New Mexico 87504

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1 MR. CATANACH: We'll call next  
2 Case 9681. Application of Meridian Oil, Inc., for a  
3 non-standard proration unit and an unorthodox coal gas well  
4 location, San Juan County, New Mexico.

5 Call for appearances in this  
6 case?

7 MR. KELLAHIN: I'm Tom Kella-  
8 hin from the Santa Fe law firm Kellahin, Kellahin & Aubrey,  
9 and I have two witnesses to present.

10 I'd like the record to reflect  
11 that Mr. Alexander and Mr. Caldwell have already testified,  
12 been sworn and qualified as expert witnesses in the prior  
13 case and we would like their continuing qualifications  
14 noted in the record of this case.

15 MR. CATANACH: The record  
16 shall so reflect, Mr. Kellahin.

17 MR. KELLAHIN: We've presented  
18 to you, Mr. Examiner, an exhibit booklet that contains two  
19 exhibits. In addition, Exhibit Three is my certificate of  
20 mailing of notice to the operators potentially affected by  
21 our application.

22 My first witness is Mr. Alex-  
23 ander.

24  
25 ALAN E. ALEXANDER,

1 being called as a witness being previously sworn and re-  
2 maining under oath, testified as follows, to-wit:

3  
4 DIRECT EXAMINATION

5 BY MR. KELLAHIN:

6 Q Mr. Alexander, I would like you, sir, to  
7 turn to the two displays that are shown behind Exhibit  
8 Number One and let's take the display that's got the pink  
9 shading on it and first of all have you describe for us  
10 what you've shown on this display.

11 A This display is a land ownership map  
12 with well locations, and what we have shown is the existing  
13 spacing units for the Mesaverde formation in this area.

14 Q Would you find for us the location of  
15 the Howell M 300 Well and the spacing unit that we have  
16 requested Division approval for as an -- as a nonstandard  
17 Fruitland coal gas spacing unit?

18 A Yes, sir. The well is shown and repre-  
19 sented by an orange dot and you will locate that -- you  
20 will see it located in the southwest quarter of Section 31,  
21 Township 30 North, Range 8 West. The spacing unit that we  
22 are proposing for this well consists of what would be the  
23 west half of Section 31, as well as the southwest quarter  
24 of Section 30. I say would be because these are irregular  
25 government surveys and they do not consist of a full 640

1 acres.

2 Q As follow the western boundary of this  
3 whole tier of townships, there are numerous nonstandard  
4 portions of the west half of each of these sections, are  
5 there not?

6 A Yes, sir.

7 Q What has been the solution that Meridian  
8 and other operators have utilized for resolving the town-  
9 ship irregularity for the development of the Mesaverde  
10 formation?

11 A We have proposed and would like to  
12 follow the existing Mesaverde spacing units and you can see  
13 that running up and down the township line there are  
14 several of those existing that do combine portions of sec-  
15 tions in order to compromise and a 320-acre unit, more or  
16 less, that would be plus or minus the 25 percent required  
17 by the rules.

18 Q For the Mesaverde, as opposed to the  
19 Fruitland Coal Gas, the existing solution for Mesaverde  
20 production is consistent then with the proposed solution  
21 you have for a spacing unit for the Fruitland Coal.

22 A Yes, sir, that's correct.

23 Q From a landman's point of view, do you  
24 see any advantage to a continuation of the solution that  
25 was utilized for Mesaverde production and have that

1 solution used for the coal gas production?

2           A           Yes, sir. Since we already have an es-  
3 tablished pattern of rights and ownerships, which would be  
4 the production received from the wells through the working  
5 interest owners, the royalty owners, and the other burden  
6 owners, it would be much better to follow the existing  
7 patterns so that the owners would recognize what their  
8 ownership is and it would not cause confusion if we were to  
9 construct spacing units of a different size and shape.

10                   We also have title opinions and we have  
11 Division orders outstanding that could also be used by the  
12 various parties involved and would again decrease the  
13 amount of confusion if we stay with the existing Mesaverde  
14 spacing.

15           Q           Let's turn to that display behind Exhi-  
16 bit Number One that has an outline in blue, then, do you  
17 have that display?

18           A           Yes, sir.

19           Q           What have you done there?

20           A           We have shown the spacing units for the  
21 Basin Fruitland Coal that we have proposed in the immediate  
22 area. This map may not show all of the spacing units pro-  
23 posed. It may not be up to date because those are current-  
24 ly being filed by different partners, and this could  
25 change. It will change as time goes on.

1           Q           Does the utilization of the existing  
2 Mesaverde nonstandard proration unit for the coal gas  
3 production continue to accommodate all the nonstandard  
4 proration units that will be available in this township so  
5 that we don't strand some acreage that would not otherwise  
6 be dedicated to coal gas production?

7           A           Yes, sir, that's correct.

8           Q           We're not leaving any windows, then, in  
9 any of the sections immediately near us that cannot then  
10 subsequently be dedicated to a coal gas well.

11          A           No, sir, we are not and will not if we  
12 follow the Mesaverde pattern.

13   MR. KELLAHIN: That concludes  
14 my examination of Mr. Alexander.

15

16   CROSS EXAMINATION

17 BY MR. CATANACH:

18          Q           Mr. Alexander, you -- were those  
19 Mesaverde proration units approved by the Division?

20          A           Yes, sir, they were.

21          Q           Do you happen to know what order that  
22 was?

23          A           No, sir, we have available that order  
24 number if you would like it, but I do not list it here.

25          Q           I'll probably be able to find it.

1 MR. KELLAHIN: We'll be happy  
2 to call it in to you, Mr. Examiner. We can find it.

3 MR. CATANACH: All right.  
4 That's all I have of this witness. He may be excused.

5 MR. KELLAHIN: I'd like to call  
6 Mr. Caldwell.

7  
8 JOHN W. CALDWELL,  
9 being called as a witness and being duly sworn upon his  
10 oath, testified as follows, to-wit:

11  
12 DIRECT EXAMINATION

13 BY MR. KELLAHIN:

14 Q Mr. Caldwell, I'd like to direct your  
15 attention to Exhibit Number Two in the exhibit book, if  
16 you'll take a moment and identify that display for us.

17 A Exhibit Two in this hearing is an appro-  
18 ximately 4 section by a 5 section picture of the Fruitland  
19 Coal net coal thickness isopach, comprising approximately  
20 20 sections in Township 29 North and 30 North, Ranges 8 and  
21 9 West, centered on the Howell M 300 location in Section 31  
22 of Township 30 North, Range 8 West.

23 Q On top of the coal thickness map have  
24 you also located additional information?

25 A Yes, sir, we have.

1 Q And how is that shown?

2 A The green dot indicated on Exhibit Two  
3 indicates the location of the Howell M No. 300 location  
4 we're here to talk about today.

5 Q What does the solid red dot show?

6 A The solid red dots indicate Meridian  
7 operated and drilled Fruitland Coal completions.

8 Q And then the open red circle on the dis-  
9 play shows what?

10 A The open red circles on the display in-  
11 dicate other proposed wells either by Meridian that have  
12 not been drilled yet, or our best, most updated information  
13 on outside operator activity in this area.

14 Q Am I correct in understanding that as a  
15 result of the size and shape of the nonstandard unit that  
16 there is not in fact a standard location anywhere in the  
17 spacing unit that falls within all the Fruitland coal gas  
18 well location rules?

19 A Yes, sir, that's correct.

20 Q In terms of finding a location, then,  
21 for the nonstandard unit, any location would be unorthodox.

22 A Yes, sir.

23 Q In your opinion is this the optimum lo-  
24 cation within the nonstandard unit in which to penetrate  
25 and test the Fruitland coal gas formation?

1           A           Yes, sir, a lot of variability is asso-  
2           ciated with picking locations in the Fruitland coal and  
3           thickness is only one of them, but this location optimizes  
4           on net coal thick within that particular drilling and  
5           spacing unit.

6           Q           Do you see any other location within the  
7           nonstandard unit putting in all the multiple parameters  
8           that you do for the various criteria in deciding location  
9           that is better than the proposed location?

10          A           No, sir. This is the best location we  
11          feel to drill this 320-acre well.

12          Q           In an effort to attempt to preserve some  
13          consistency in the pattern and spacing of wells between and  
14          among themselves for coal gas production, how does this  
15          fit?

16          A           I feel visually it fits very well. By  
17          looking at the solid red dots, the open red circles, and  
18          the green dot, one gets a pretty good picture of optimal  
19          radial drainage pattern amongst all the wells.

20          Q           There is still an open coal gas location  
21          in the east half of Section 31?

22          A           Yes, sir, that's correct.

23          Q           Is that acreage that you control?

24          A           No, sir, it's not.

25          Q           You have left that acreage in a position

1 where a standard well location could be drilled and still  
2 preserve the spacing patterns necessary for 320 acre  
3 drainage?

4 A Yes, sir, that's correct.

5 MR. KELLAHIN: That concludes  
6 my examination of Mr. Caldwell, Mr. Catanach. We would  
7 move the introduction of his Exhibit Number Two.

8 MR. CATANACH: Exhibit Number  
9 Two will be admitted into evidence.

10

11

CROSS EXAMINATION

12 BY MR. CATANACH:

13 Q Mr. Caldwell, who is the operator of the  
14 east half of --

15 A I believe it's Amoco. Tenneco's inter-  
16 est was purchased by Amoco and they've checkerboarded our  
17 interest here.

18 Q Was Amoco given notice of this hearing?

19 MR. KELLAHIN: Yes, sir, Exhi-  
20 bit A shows the return receipt was sent on May 1st, 1989.

21 Q The proposed unorthodox location is --  
22 is, as I understand it, there -- there -- you can't be --  
23 can't have a standard well location, in that particular  
24 spacing unit?

25 A I believe our distances from the lines

1 (not clearly understood) spacing unit, would preclude that.

2 Q Do you know how far across the proration  
3 unit spans, what -- what the footage might be?

4 A How thick that --

5 Q Yeah, how wide is the proration unit in  
6 terms of (inaudible)?

7 A I've been handed an exhibit here that  
8 looks like a C-102, is that right, that shows some perti-  
9 nent information that might be of help to you. It indi-  
10 cates that 1276 feet across the base of Section 31, 1606  
11 across the base of Section 30, not the top of the drilling  
12 and spacing unit, but the top of the sections -- sorry, the  
13 bottom of Section (unclear).

14 Q What was it across the base of 31?

15 A 1276 indicated on this exhibit. 790  
16 times 2 is 1580 feet.

17 Q Mr. Caldwell, is it your opinion that  
18 this method of developing these reserves is the most effi-  
19 cient method of doing so?

20 A It's a compromise, there's no doubt  
21 about it, but I feel it's the best one that can be made.  
22 Meridian doesn't feel it's advantageous to drill a second  
23 well, say, in the southwest of Section 30. I don't think  
24 that helps anybody.

25 Q Did you -- did Meridian produce the

1 Mesaverde reserves under this proration unit?

2           A           I'm not prepared to answer that. I  
3 haven't even researched that, to be honest with you. This  
4 is a fairly prolific Mesaverde area. From my experience  
5 the wells produce 5 to 10 BCF per well pretty regularly in  
6 this area. I would assume that based on fracture trends  
7 they would produce them all.

8   MR. CATANACH: That's all I  
9 have of the witness. He may be excused.

10   Anything further in this case?

11   MR. KELLAHIN: No, sir.

12   MR. CATANACH: Case 9681 will  
13 be taken under advisement.

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15   (Hearing concluded.)

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## 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. 9081, heard by me on May 24, 1989.

David Catanzano, Examiner  
Oil Conservation Division