

3 IN THE MATTER OF THE HEARING CALLED  
4 BY THE OIL CONSERVATION DIVISION FOR  
5 THE PURPOSE OF CONSIDERING:

ORIGINAL

5 AMENDED APPLICATION OF CONOCO PHILLIPS  
6 TO TERMINATE THE TRAIL CANYON-  
7 GALLUP GAS POOL AND EXPAND THE  
8 BASIN-MANCOS GAS POOL,  
9 SAN JUAN COUNTY, NEW MEXICO

CASE NO. 15011  
Consolidated with the  
Below-Listed Cases:

8

9 APPLICATION OF BURLINGTON RESOURCES  
10 OIL & GAS COMPANY, LP FOR THE  
11 ESTABLISHMENT OF A DOWNHOLE COMMINGLING  
12 REFERENCE CASE, INCLUDING THE  
13 DELETION OF NOTICE REQUIREMENTS,  
14 FOR ITS SAN JUAN 27-4 UNIT, PURSUANT  
15 TO DIVISION RULE 19.15.12.11.D,  
16 RIO ARRIBA COUNTY, NEW MEXICO.

CASE NO. 15012

13

14 FIRST AMENDED APPLICATION OF  
15 BURLINGTON RESOURCES OIL & GAS  
16 COMPANY, LP TO TERMINATE THE CEREZA  
17 CANYON-GALLUP POOL, INCLUDING THE  
18 CONCOMITANT EXPANSION OF THE  
19 BASIN-MANCOS GAS POOL, AND FOR THE  
20 ESTABLISHMENT OF A DOWNHOLE COMMINGLING  
21 REFERENCE CASE, INCLUDING THE DELETION  
22 OF NOTICE REQUIREMENTS, PURSUANT TO  
23 DIVISION RULE 19.15.12.11.D, FOR ITS  
24 SAN JUAN 27-5 UNIT, RIO ARRIBA COUNTY,  
25 NEW MEXICO.

CASE NO. 15013

20 APPLICATION OF BURLINGTON RESOURCES  
21 OIL & GAS COMPANY, LP FOR THE ESTABLISHMENT  
22 OF A DOWNHOLE COMMINGLING REFERENCE CASE,  
23 INCLUDING THE DELETION OF NOTICE REQUIREMENTS,  
24 FOR ITS SAN JUAN 28-5 UNIT, PURSUANT TO  
25 DIVISION RULE 19.15.12.11.D, RIO ARRIBA  
COUNTY, NEW MEXICO.

CASE NO. 15014

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1 APPLICATION OF BURLINGTON RESOURCES CASE NO. 15015  
 OIL & GAS COMPANY, LP FOR THE  
 2 ESTABLISHMENT OF A DOWNHOLE  
 COMMINGLING REFERENCE CASE,  
 3 INCLUDING THE DELETION OF NOTICE  
 REQUIREMENTS, FOR ITS HUERFANO UNIT,  
 4 PURSUANT TO DIVISION RULE 19.15.12.11.D,  
 SAN JUAN COUNTY, NEW MEXICO.  
 5  
 APPLICATION OF BURLINGTON RESOURCES CASE NO. 15016  
 6 OIL & GAS COMPANY, LP FOR THE  
 ESTABLISHMENT OF A DOWNHOLE  
 7 COMMINGLING REFERENCE CASE,  
 INCLUDING THE DELETION OF NOTICE  
 8 REQUIREMENTS, FOR ITS HUERFANITO UNIT  
 PURSUANT TO DIVISION RULE 19.15.12.11.D,  
 9 SAN JUAN COUNTY, NEW MEXICO.

10

11 REPORTER'S TRANSCRIPT OF PROCEEDINGS

12 EXAMINER HEARING

13 July 11, 2013

14 Santa Fe, New Mexico

15 BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER  
 DAVID K. BROOKS, LEGAL EXAMINER  
 16 PHILLIP GOETZE, TECHNICAL EXAMINER

17

18 This matter came on for hearing before the  
 New Mexico Oil Conservation Division, Richard Ezeanyim,  
 19 Chief Examiner, David K. Brooks, Legal Examiner, and  
 Phillip Goetze, Technical Examiner, on Thursday, July  
 20 11, 2013, at the New Mexico Energy, Minerals and Natural  
 Resources Department, 1220 South St. Francis Drive,  
 21 Porter Hall, Room 102, Santa Fe, New Mexico.

22

23 REPORTED BY: Mary C. Hankins, CCR, RPR  
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APPEARANCES

FOR APPLICANT CONOCOPHILLIPS/BURLINGTON RESOURCES:

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1 (8:32 a.m.)

2 EXAMINER EZEANYIM: So at this point, the  
3 first six cases, ConocoPhillips and Burlington  
4 Resources, I think there is a request for us to  
5 consolidate the six cases and hear them at the same  
6 time.

7 What I would do at this point is call all  
8 the six cases, see if it's what you want, and then we  
9 can hear all the cases at the same time.

10 At this time, I call Case Number 15011,  
11 application of ConocoPhillips to terminate the Trail  
12 Canyon-Gallup Gas Pool and expand the Basin-Mancos Gas  
13 Pool, San Juan County, New Mexico;

14 Case Number 15012, application of  
15 Burlington Resources Oil & gas Company, LP for the  
16 establishment of a downhole commingling reference case,  
17 including the deletion of notice requirements, for its  
18 San Juan 27-4 Unit, pursuant to Division 19.15.12.11.D,  
19 Rio Arriba County, New Mexico.

20 And continuing on page 2: Amended  
21 application of Burlington Resources Oil & Gas Company,  
22 LP to terminate the Cereza Canyon-Gallup pool, including  
23 the concomitant expansion of the Basin-Mancos gas pool  
24 and for the establishment of a downhole commingling  
25 reference case, including the deletion of notice

1 requirements, pursuant to Division Rule 19.15.12.11.D  
2 for San Juan 27-5 Unit Rio Arriba County, New Mexico.

3 Call Case 15014, application of Burlington  
4 Resources Oil & Gas Company, LP for the establishment of  
5 a downhole commingling reference case, including the  
6 deletion of notice requirements, for its San Juan 27-5  
7 Unit, pursuant to Division Rule 19.15.12.11.D, Rio  
8 Arriba County, New Mexico;

9 This is Case Number 15015, application of  
10 Burlington Resources Oil & Gas Company, LP for the  
11 establishment of a downhole commingling reference case,  
12 including the deletion of notice requirements, for its  
13 Huerfano Unit, pursuant to Division Rule 19.15.12.11.D.  
14 San Juan County, New Mexico;

15 This is Case 15016; application of  
16 Burlington Resources Oil & Gas Company, LP for the  
17 establishment of a downhole commingling reference case,  
18 including the deletion of notice requirements, for  
19 Huerfanito Unit -- is that different from Huerfano? --  
20 Huerfanito Unit, pursuant to Division Rule  
21 19.15.12.11.D, San Juan County, New Mexico.

22 All these six cases, call for appearances.

23 MR. KELLAHIN: Mr. Examiner, I'm Tom  
24 Kellahin, at the Santa Fe law firm of Kellahin &  
25 Kellahin, appearing this morning on behalf of the two

1 Applicants, and I have three witnesses to be sworn.

2 EXAMINER EZEANYIM: Any other appearances,  
3 please?

4 No other appearances.

5 Would the witnesses stand up, state your  
6 name carefully and be sworn?

7 MR. CREEKMORE: Charles Creekmore.

8 MR. PIPPIN: Eddie Pippin.

9 MR. PERTUSO: Dayonis Pertuso.

10 (Mr. Creekmore, Mr. Pippin and Mr. Pertuso  
11 sworn.)

12 EXAMINER EZEANYIM: Counselor, as you know,  
13 we have a full docket, and as you know, my policies and  
14 procedures are to streamline process. I want to hear  
15 all the information and intelligence first and --

16 MR. KELLAHIN: Yes. I will explain to you  
17 in a second here how we organized this.

18 EXAMINER EZEANYIM: Please.

19 Let me make a comment before you begin.

20 The background you gave me is different  
21 from the docket context, so I don't know which unit  
22 needs criteria today examined, because, you know, when I  
23 read your background and read the docket, some of them  
24 were asking for exemption from criteria requirements,  
25 but in the background, they were just notice

1 requirements. So before we begin, the OCD would like to  
2 know what you are asking, because if I don't know what  
3 you are asking, I don't know how I can listen to the  
4 testimony.

5 MR. KELLAHIN: Yes, sir.

6 EXAMINER EZEANYIM: On the six cases, I  
7 want you to tell me, on the 15011, what you are asking,  
8 and go through there before we call the witnesses.

9 MR. KELLAHIN: Absolutely. You have before  
10 you six separate hearing books. They are consolidated  
11 in such a way that each book can stand alone if you care  
12 about a particular unit, and so the unit owners, the  
13 background information, the technical data is within a  
14 single book.

15 For terms of presentation, we're going to  
16 start with the first case and use that as our  
17 boilerplate for all six cases. Where there is a  
18 difference, we will explain it to you.

19 Of the six cases, only three involve  
20 technical testimony. Since filing the applications, the  
21 geologist and the engineer have further studied their  
22 area of development and have decided that certain  
23 combinations are not necessary for downhole-commingling  
24 approval.

25 This is one of our subsequent projects with



1 ConocoPhillips to continue what we did several months  
2 ago, when we brought to you 14 units for  
3 downhole-commingling approval. Within the context of  
4 those cases, we're looking for the opportunity to  
5 commingle Dakota, Mesaverde and Basin-Mancos. Within  
6 some of these areas, there are old Gallup pools that  
7 have been carved out of the Mancos.


8                   The cases you have before you deal with  
9 those units that have old Gallup pools in them, for  
10 which we're either seeking to terminate those pools and  
11 consolidate that acreage into the Basin Mancos or, in  
12 one exception, to take that pool and give you the  
13 criteria by which you can give us an exception as a  
14 reference case for that portion of the Dakota produced  
15 in that wellbore.

16                   So to answer your question, when you run  
17 down the docket and look at the first case, this is for  
18 termination of the Trail Canyon. The unit area involved  
19 is the 32 and 8 Unit. The examination of the data there  
20 demonstrates to the technical man that we can terminate  
21 that pool and consolidate that acreage into the  
22 Basin-Mancos. There will be no material difference in  
23 any of the components of that existing Gallup pool that  
24 would cause it to stand alone as a separate pool.

25                   If that's achieved, then the part of the

1 application that you'll need to deal with is granting  
2 our application to delete the notice requirement, for  
3 the 11 -- for the 011 case, which is termination of the  
4 Trail Canyon. The end result of our request would be to  
5 terminate that Gallup pool and to approve the deletion  
6 of the notice. That's all.

7 EXAMINER EZEANYIM: Okay.

8 MR. KELLAHIN: We go to 012. 012 involves  
9 the 27-4 Unit. The 27 and 4 Unit has a small Gallup  
10 pool called the BS Mesa-Gallup. When you look at the  
11 Division Rule on commingling of preapproved pools,  
12 you'll find the BS Mesa-Gallup authorizes for  
13 commingling with Dakota, and they also authorize for the   
14 Mesaverde. What you don't have is a specific order that  
15 authorizes the commingling of that Gallup with other  
16 Mancos. It may not matter.

17 Should that matter to you, we have a  
18 technical witness that will tell you there is no  
19 difference when you deal with the Mesa-Gallup as you  
20 would deal with the Basin-Mancos. So if you choose to  
21 have a reference approval for that pool to let us  
22 continue the plan of commingling, then that's action  
23 you'll have to take.

24 EXAMINER EZEANYIM: No. I don't choose  
25 anything. You choose.

1 MR. KELLAHIN: Well, that's a request we're  
2 making of you, to take that action.

3 EXAMINER EZEANYIM: Now, are you -- are you  
4 requesting exemption for this criteria be stated in the  
5 document?

6 MR. KELLAHIN: Yes, sir. Yes, sir.

7 EXAMINER EZEANYIM: You are requesting for  
8 that on 012?

9 MR. KELLAHIN: I think that's the clearest  
10 solution.

11 EXAMINER EZEANYIM: In the background, it  
12 doesn't say that. That's why I was asking. Okay. I  
13 mean, you can ask for it. I'm not looking for  
14 volunteer -- so you tell me what you want. Then I  
15 consider it.

16 MR. KELLAHIN: Yes, sir.

17 When you get to the 15013 [sic], that's the  
18 Cereza Canyon Pool. This is just like the Trail Canyon  
19 in the first case. In the 13 case, this involves the 27  
20 and 5 Unit. The solution here is to terminate the  
21 Gallup pool. When that disappears, then it's resolved.  
22 You would need to grant the exception for the notice  
23 issue only.

24 When you get down to Number 14, that is the  
25 San Juan 28 and 5 Unit. And in that pool, you'll see

1 the Munoz Canyon. That is one that needs an exception,  
2 so we will have to create an exception for a reference  
3 case for that Gallup pool.

4 EXAMINER EZEANYIM: For all criteria?

5 MR. KELLAHIN: Yes.

6 The reason that's being done is, there is  
7 an ownership problem that precludes us from reforming a  
8 320-spacing unit for the Gallup without disrupting  
9 Mancos. There is not a scientific reason to propel that  
10 pool. There is just an ownership problem that violates  
11 correlative rights.

12 When you get down to the 1113 [sic] case,  
13 that is the Huerfano Unit, and you find three pools  
14 involved in that. There's the Angel Peak associated  
15 pool, the Gallup-Dakota [sic] associated pool, and then  
16 there is the Dufers Point. Since the application was  
17 filed, the engineer has recommended that we not worry  
18 about deleting exceptions for those pools, particularly  
19 with the associated pool, because he does not intend to  
20 drill wells that would be in combinations with those  
21 pools.

22 EXAMINER EZEANYIM: You're talking about  
23 015, not 013?

24 MR. KELLAHIN: 015. That is the Huerfano.  
25 The only action for Huerfano is to grant the exception

1 for notice, despite what this app says.

2 EXAMINER EZEANYIM: So no criteria  
3 exemption for 015?

4 MR. KELLAHIN: That's right. ✓

5 Now, when you go down to the last case, the  
6 16 case, that's the Huerfanito. That's a different  
7 unit. That unit also involves the Angel Peak-Gallup  
8 associated pool. It's got part of that pool within the  
9 boundaries. Again, the answer is the same. The  
10 engineer doesn't intend to drill that Gallup in  
11 association with commingling Mesaverde, Dakota and/or  
12 Mancos. So the only thing left to do in that case is to  
13 grant the notice of exception.

14 EXAMINER EZEANYIM: On the 016?

15 MR. KELLAHIN: 016, yes, sir.

16 EXAMINER EZEANYIM: Now, where you say  
17 "criteria exceptions" -- so I get it right. When your  
18 background says you don't want it -- it's important to  
19 understand what you want. So, like, 015, you don't need  
20 that because -- we don't need it at this point. So in  
21 that case, I know I don't need criteria exception for  
22 that unit.

23 MR. KELLAHIN: And that's why we took the  
24 care to give you the detailed pre-hearing statement,  
25 because since filing the application, the summary and

1 the pre-hearing statement shows the current request  
2 which is now being modified as I've just described.

3 EXAMINER EZEANYIM: So you have -- let's  
4 see -- only two cases here that are required criteria  
5 exceptions that you noticed?

6 MR. KELLAHIN: Right.

7 EXAMINER EZEANYIM: Now I think the  
8 Division is understanding what you are asking, because  
9 it's complicated when you have to -- we have your  
10 background and then the docket. So I begin to wonder  
11 what is that, and we need to understand what you want  
12 before we consider what to do.

13 MR. KELLAHIN: Yes, sir.

14 EXAMINER EZEANYIM: Good. Now I think I  
15 get it. Okay. Now you may call your first witness.

16 MR. KELLAHIN: My first witness is Chuck  
17 Creekmore.

18 I've got more hearing books for you,  
19 Mr. Brooks.

20 EXAMINER BROOKS: Okay. Yeah. I was going  
21 to ask.

22 MR. KELLAHIN: There is a full set in front  
23 of you, Mr. Ezeanyim, and there are three sets up there  
24 already.

25 EXAMINER BROOKS: If you don't have another

1 set, I'll request to use the court reporter's set. Do  
2 you have another set?

3 MR. KELLAHIN: Yes. That one is special.

4 EXAMINER BROOKS: You have one that has  
5 your notes (laughter)?

6 MR. KELLAHIN: Yes, sir (laughter).

7 If you'll take a moment before we start  
8 with Mr. Creekmore's testimony and do two things for me:  
9 If you'll find the first hearing book, which is the 011  
10 case, this has to do with San Juan 32 and 8 Unit, as  
11 well as the map I've handed you. Each of the six  
12 exhibit books has the same map that Mr. Brooks is  
13 looking at. The ones I've handed out to you have been  
14 color-coded so that you can find the six areas for which  
15 we are having discussions this morning.

16 EXAMINER BROOKS: It's good to have more  
17 copies of this map. The Aztec District Office wouldn't  
18 let me have it back.

19 EXAMINER EZEANYIM: That's unfortunate.

20 MR. KELLAHIN: Mr. Creekmore, please be  
21 seated, sir.

22 CHARLES E. CREEKMORE,  
23 after having been previously sworn under oath, was  
24 questioned and testified as follows:

25

1 DIRECT EXAMINATION

2 BY MR. KELLAHIN:

3 Q. For the record, sir, would you please state  
4 your name and occupation?

5 A. Charles Creekmore. I'm employed as a landman  
6 with ConocoPhillips, which also includes Burlington  
7 Resources, and I reside in Farmington, at their office  
8 there.

9 Q. On prior occasions, have you testified before  
10 the Division and been qualified as an expert petroleum  
11 landman?

12 A. Yes, I have.

13 Q. Included among your duties, is the obligation  
14 to your company to stay informed with the regulatory  
15 rules associated with the Oil Conservation Division?

16 A. Yes.

17 Q. In these six cases, have you done those things?

18 A. Yes, I have.

19 Q. On prior occasions, did you testify before  
20 Examiner Ezeanyim, when we brought some 14 units before  
21 him for approval for downhole commingling?

22 A. Yes, I did.

23 Q. Is this a continuation of that same project?

24 A. Yes, it is.

25 Q. Are the exhibit books that we're about to look



1 at, including the technical work, organized and compiled  
2 under your direction and supervision?

3 A. Yes.

4 Q. To the best of your knowledge and information,  
5 are those displays correct, accurate and current?

6 A. Yes, they are.

7 MR. KELLAHIN: We tender Mr. Creekmore as  
8 an expert petroleum landman.

9 EXAMINER EZEANYIM: So qualified.

10 Q. (BY MR. KELLAHIN) Mr. Creekmore, let's start  
11 real quickly with the locator map, and talk to us about  
12 the six units we're talking about today.

13 A. You will find in front of you the six units set  
14 out, four of which are easier than the others because  
15 they're township units, and including mostly the entire  
16 township, and they're designated by the township.

17 Up at the top, you have the 32-8 Unit,  
18 which goes down into 31-8. On the right-hand side of  
19 the map, you'll see the 28-5 Unit, and below that, the  
20 27-5 and the 27-4 Unit. If you go over to 26-9 and  
21 26-10 and adjoining townships, you'll see the Huerfano.  
22 And my Huerfanito didn't get outlined in yellow. I'm  
23 glad to outline yours in yellow, too. The Huerfanito is  
24 just right next -- to the northeast of the Huerfano.

25 EXAMINER EZEANYIM: Mr. Creekmore, are

1 these color-coded units? We want to identify the units  
2 where they are located in relation on this map. Which  
3 one is that 32-8? Is it color-coded? How do we find  
4 it.

5 THE WITNESS: We've outlined it in yellow  
6 the units that we're talking -- or discussing today.

7 EXAMINER EZEANYIM: In yellow? Okay.

8 THE WITNESS: And as I said, the Huerfanito  
9 on my map didn't get colored. We can color yours.

10 EXAMINER BROOKS: You went very fast,  
11 Mr. Creekmore. I found the 32-8 because it's in 32-8,  
12 so I knew where to look (laughter).

13 THE WITNESS: Yes. 27-4, 27-5 and 28-5 are  
14 likewise in the -- covering most of those townships.

15 EXAMINER BROOKS: Okay. I found the 27-5  
16 and the 28-5.

17 THE WITNESS: Now, if you go left of the  
18 27-5 and down one township to the left, into 26-9 and  
19 26-10, primarily, you'll find the Huerfano Unit.

20 EXAMINER BROOKS: Okay. I found the  
21 Huerfano.

22 THE WITNESS: And then to northeast of  
23 that, in the 27-9 and 26-9, you'll find the Huerfanito.  
24 And it maybe didn't get outlined in yellow. But these  
25 are the six units that we're discussing today.

1 EXAMINER BROOKS: Okay. I've got it. Oh.

2 28-5, 27-5 and 27-4 are three separate units?

3 THE WITNESS: Yes, they're three separate  
4 units.

5 EXAMINER BROOKS: Okay. I've got six.

6 THE WITNESS: They're what we refer to as  
7 township units because they use the township name.

8 EXAMINER BROOKS: Well, that makes sense.

9 Q. (BY MR. KELLAHIN) Mr. Creekmore, with regards  
10 to my opening statement to the Examiners, is there  
11 anything that you want to correct?

12 A. No, there isn't.

13 Q. Now, when you look at the pre-hearing  
14 statement, is that a pre-hearing statement that you  
15 helped me prepare?

16 A. Yes, it is.

17 Q. Appended to that pre-hearing statement is an  
18 item called "Exhibit A"?

19 A. Yes.

20 Q. Was that prepared by you?

21 A. Yes, it was.

22 MR. KELLAHIN: With your permission,  
23 Mr. Examiner, I'm going to hand out to you additional  
24 copies of Exhibit A, which is Mr. Creekmore's  
25 spreadsheet.

1 Q. (BY MR. KELLAHIN) What was your objective in  
2 preparing the spreadsheet, Mr. Creekmore?

3 A. The objective was -- as Mr. Ezeanyim might  
4 recall, we came with 14 units that didn't -- that were  
5 primarily Basin-Mancos, with the Basin-Dakota and the  
6 Blanco Mesaverde, and they didn't have these smaller  
7 pools in them, so we could lump those 14 units into one  
8 case. And then we had another separate case that  
9 adjoined that.

10 This time, because of the need for  
11 technical data and to address the smaller pools within  
12 these units, we felt like we had to do it in separate  
13 books rather than one book, but we used, from the land  
14 perspective, many of the same exhibits. So I think we  
15 can simplify our case here today and not take up so much  
16 time by going through all these exhibits in one unit but  
17 apply them to all six.

18 Q. If we use your spreadsheet, which is marked  
19 Exhibit A that was attached to the pre-hearing  
20 statement --

21 A. Yes.

22 Q. -- that would be our outline by which we can  
23 make those transitions into the six cases?

24 A. Yes.

25 Q. Let's start with the exhibit book, then, that

1 is marked for the San Juan 27-8 Unit, which has the  
2 termination of the Trail Canyon component to it.

3 A. That's 32 and 8.

4 Q. I'm sorry. 32 and 8.

5 A. Yes.

6 Q. Summarize, again, for Mr. Ezeanyim what it is  
7 you're seeking to do in this case today.

8 A. Well, in this particular case -- actually, this  
9 case and the 27-4 case were heard within the 14, and we  
10 did get approval for a reference case where we didn't  
11 have -- where we no longer have to give notice every  
12 time we add the Basin-Mancos.

13 We have had an exemption for our wells in  
14 the past with the Basin-Dakota and the Blanco Mesaverde,  
15 so we don't have to send out notices. And in these  
16 units, these large units, when you have a participating  
17 area, you can have as many as 350 to 500 owners. When  
18 you add the Basin-Mancos to it, you now have to give  
19 notice again, where we were exempt when we were just in  
20 the Mesaverde and the Dakota. So that becomes quite  
21 time-consuming, expensive, because we estimate that it's  
22 \$20 for the certified mail, to monitor that and to keep  
23 track of that and also just to pay for that. I mean,  
24 the \$20 times 500, it gets quite expensive. And we  
25 didn't have to do that with the Mesaverde and the

1 Dakota, but now that we're adding the Basin-Mancos,  
2 we're having to do that all over again.

3 So you-all granted us those exemptions in  
4 the 14 cases, and it also relieved us from having to  
5 send the C-107A to you-all in Santa Fe for approval  
6 instead of going to the Aztec office, which we had to  
7 build in that timeline in our drilling program. And  
8 sometimes that was up to a month, and it also took your  
9 time to approve that here in Santa Fe.

10 Q. So what are we going to do about the Trail  
11 Canyon?

12 A. So the Trail Canyon -- as I said, we got  
13 approval to do that with the Basin-Mancos, but the Trail  
14 Canyon, there are no wells in the 32-8 Unit in the Trail  
15 Canyon, but it traverses -- if you'll look on your map,  
16 on the 32-8, the Trail Canyon is up there in Sections 16  
17 17, and 18, and there are only two wells associated with  
18 that. One is currently producing in the Trail Canyon,  
19 and they're outside the unit. But we didn't get  
20 preapproval for a reference case in the Trail Canyon,  
21 where we did in the Basin-Mancos, in this 32-8 Unit.

22 EXAMINER EZEANYIM: That unit is also in  
23 the Basin-Mancos, that unit? That Trail Canyon Unit is  
24 also in the Basin-Mancos?

25 THE WITNESS: No. No. It's a separate

1 pool. It's a separate Gallup pool.

2 And we've been working and some of the  
3 other companies have been working to eliminate some of  
4 these smaller Gallup pools that are within the  
5 Basin-Mancos. And as we'll show in two of these units,  
6 it's no longer necessary and there is no -- we've got  
7 common ownership, so there are no ownership disputes  
8 because a lot of the Gallup pools are on different  
9 spacing and density than what you find in the  
10 Basin-Mancos, but we'll get into that.

11 We're wanting to dissolve this pool because  
12 as you can see, it's isolated all by itself up there,  
13 and that's why we're wanting to delete it -- or to  
14 eliminate it, because it's not necessary to have a  
15 separate pool within the broader Basin-Mancos gas area.

16 Q. (BY MR. KELLAHIN) Is it your understanding,  
17 Mr. Creekmore, that if the Examiner terminates the  
18 Gallup, there's no other action you're asking him to  
19 take with regards to the notice because that is already  
20 covered by prior orders?

21 A. In the 32-8 Unit, yes. You've already approved  
22 that, so I would think it would automatically be exempt  
23 from notice.

24 MR. KELLAHIN: And we will have technical  
25 testimony on this pool to show the reason for

1 termination.

2 EXAMINER EZEANYIM: Okay. That makes it  
3 simpler now, because we have already approved --  
4 I remember we approved the 32-8 for notice requirements,  
5 so you don't have to do notice requirements anymore.

6 THE WITNESS: (Indicating.)

7 EXAMINER EZEANYIM: So all we have to do is  
8 hear the technical witness, so we can decide the Trail  
9 Canyon-Gallup. If we terminate it, then everything is  
10 okay with that unit?

11 THE WITNESS: Yes.

12 MR. KELLAHIN: Yes.

13 EXAMINER EZEANYIM: Okay.

14 Q. (BY MR. KELLAHIN) Without going through each of  
15 these exhibits, go through your outline and show the  
16 Examiner how you've indexed this book and how it  
17 compares to the index of the other five books, so he can  
18 see how you've organized this thing.

19 A. Okay. There is one error under 28-5. It  
20 should be -- the third entry down there is a four, and  
21 it should have been a three. But that's on the  
22 spreadsheet if you go to 28-5.

23 What I've done is put all the six units  
24 that we're here today for and given you an indication of  
25 what each of the exhibits are. And the stars down to



1 the side of each of the exhibits, that means they're the  
2 same exhibit in each of the six unit cases. So I think  
3 we can -- if it's okay with you-all to just go through  
4 one of the books, and then apply it to all six.

5 EXAMINER EZEANYIM: That would be fine.

6 Q. (BY MR. KELLAHIN) In each book, then, have you  
7 put in a copy of the application itself?

8 A. Each of the books, as you'll see under Exhibit  
9 1, has the application for each specific case, so the  
10 case number is designated right there.

11 Q. After the application, then, have you included  
12 the notices to the parties that were entitled to notice  
13 for that case?

14 A. The notice receipts -- how we sent out  
15 notices, we sent them to the owners that were affected  
16 by the -- by the -- we combined all the owners that were  
17 in all the units, and then we sent notice to the parties  
18 that had -- we sent out notices one time if they owned  
19 in all six or two of the six units; then we just sent  
20 one packet to them. We sent out 704 packets.

21 Q. Out of those packets sent, did you receive any  
22 objections?

23 A. No, we received no objections. I have received  
24 about six phone calls, but no objections past that. I  
25 also individually called and went by the BLM and had

1 discussions and took notebooks to the Aztec office of  
2 OCD, and I also -- I played telephone tag, but I had  
3 several telephone messages from Pete Martinez, and he  
4 never called with an objection. And I asked him, If you  
5 really do -- if you have any concerns, Call me back, and  
6 he never called me back.

7 Q. So you have no objections --

8 A. No objections.

9 Q. When you go through the exhibit book, there is  
10 the big map that everyone has unfolded. That same map  
11 appears in all books?

12 A. Yes, in all the books. The units aren't  
13 outlined. We outlined them today for you for quick  
14 reference.

15 Q. Now, there is a small copy of a Basin map.  
16 What is this?

17 A. This is a small copy of the large map you  
18 received. So we felt like we should give you a large  
19 map, so you could see where this is. But this is in  
20 relation to the entire Basin and all of the Gallup  
21 pools. And the noncolored portion is the Basin-Mancos  
22 in San Juan County and Rio Arriba County.

23 Q. As you go through this book, what is behind  
24 Exhibit Tab 4?

25 A. Exhibit Tab 4 is, again -- goes back to the

1 specific units, and they're set out in here. And, of  
2 course, the 32-8 is really addressing primarily the  
3 Trail Canyon-Gallup pool, even though we refer to it as  
4 32-8, because it is -- we've already had -- you've  
5 already granted us approval of what we're requesting in  
6 the other units. We just had to go back --

7 Q. This is another locator map --

8 A. A locator map.

9 Q. -- where the Trail Canyon-Gallup pool is,  
10 right?

11 A. Yes.

12 Q. Behind Exhibit Number 5, what is that tab?

13 A. Exhibit Number 5 is the Basin-Mancos pool order  
14 that was granted primarily on testimony from Steve  
15 Hayden.

16 Q. This is the one that allowed the Basin-Mancos  
17 to be preapproved for downhole commingling?

18 A. No. No, it is not. The next tab, Number 6 --  
19 ConocoPhillips came back to the Commission. Steve  
20 Hayden requested a preapproval for downhole commingling  
21 with the Basin-Mancos --

22 Q. Let me correct myself. If we go back,  
23 Mr. Creekmore, and look at tab five, then, this is the  
24 order that created the Mancos pool -- Basin-Mancos pool?

25 A. Yes, but it --

1 Q. That six, then, is the follow-up that you filed  
2 to get the Basin-Mancos as a commingled preapproved  
3 pool?

4 A. Preapproved pool, yes. And you granted that  
5 under this order.

6 Q. After that, tab seven is what, sir?

7 A. It is an internal document that we have  
8 created, and it shows you -- if you go over -- these are  
9 all the units that we operate, and in a couple of the  
10 units, we're a sub-operator. But these include the 14  
11 units that we got preapproval for the Mesaverde and the  
12 Mancos and the Dakota. And it just shows whether you  
13 have preapproval for downhole commingling in it.

14 And the remaining noes and the yes-noes are  
15 what we're doing today. And below the break, we're also  
16 addressing the Huerfanito and the Huerfano Unit for the  
17 Mesaverde and Gallup pools.

18 EXAMINER EZEANYIM: Mr. Creekmore, those  
19 two pools, I don't know how to call them, Huerfanito,  
20 Huerfano. They're not included with your unit. Are  
21 those new units?

22 THE WITNESS: No, no. They're very old  
23 units. They've been around for a long time. They're  
24 pronounced different ways, but I pronounce them  
25 Huerfano, Huerfanito.

1 MR. KELLAHIN: Mr. Examiner, if you look at  
2 tab seven, there are two blocks on that spreadsheet.  
3 The lower block contains the Huerfano and the  
4 Huerfanito.

5 EXAMINER EZEANYIM: Oh, okay.

6 THE WITNESS: Yeah. They're down below the  
7 line.

8 EXAMINER EZEANYIM: Those are all the units  
9 you operate?

10 THE WITNESS: I'm sorry?

11 EXAMINER EZEANYIM: Those are all the units  
12 you operate?

13 THE WITNESS: Yes. Yes. We're a  
14 sub-operator in that Lindrith B Unit.

15 Q. (BY MR. KELLAHIN) And the first column has  
16 "Origin," and that's the code showing which one of these  
17 companies is the operator?

18 A. The Burlington or the Heritage ConocoPhillips.

19 Q. Please continue, Mr. Creekmore. If we then  
20 turned to Exhibit Tab 8 in this book, there is a  
21 "Williams" order. What is this about?

22 A. This order was one of the first orders you-all  
23 granted that gave permission to downhole commingle  
24 between the Basin-Mancos and the Mesaverde and the  
25 Dakota.

1 Q. Based upon all your research, Mr. Creekmore,  
2 have you found an example where the Division has denied  
3 an operator the opportunity to commingle production from  
4 any of these combinations?

5 A. No, other than the initial Basin-Mancos order  
6 that we came back and you-all subsequently granted.

7 Q. Well, that was not granted because there wasn't  
8 enough evidence?

9 A. Right.

10 Q. So that was supplied and has been granted?

11 A. Right.

12 Q. Subsequent to that, all these things have been  
13 approved?

14 A. Yes.

15 Q. And when we look at 7 [sic]?

16 A. In 7 [sic], I included the XTO Rincon Unit,  
17 where you-all granted a reference case for downhole  
18 commingling, and you also granted the contracting of the  
19 South Blanco-Tocito Oil Pool and expand the Basin-Mancos  
20 pool, which we are asking in some of our units today.

21 Q. And when we get through those -- when we look  
22 at those exhibit numbers all the way, I think, through  
23 tab ten, those are examples of approvals?

24 A. Yes.

25 Q. And then when we get to 11, I believe those are

1 the Division rules?

2 A. Yes. 10 and 11 go hand in hand. 10 is the  
3 case that was brought, 11346 [sic], and the order was --  
4 all of the downhole -- many of the downhole commingle  
5 initial orders were set out, and then you codified them  
6 in your Title 19, Chapter 15, Part 12 Downhole Commingle  
7 Pools.

8 And I'd like to note that under the 27-4  
9 Unit, the BS Mesa Gallup was allowed to be commingled  
10 with the Dakota and also allowed to be commingled with  
11 the Mesaverde.

12 And then when we get over into the Huerfano  
13 Unit, the Angels Peak-Gallup associated pool and the  
14 Gallegos-Gallup associated pool were allowed to be  
15 commingled with the Dakota. And, again, in the  
16 Huerfanito, where you also have the Angels Peak  
17 associated-Gallup associated pool, it was allowed to be  
18 commingled with the Dakota.

19 Q. What's your next exhibit tab over there,  
20 Mr. Creekmore? What do you have?

21 A. The next exhibit is 12. And this is another  
22 reason why we want to be exempt from sending out notice.  
23 This was a hearing where we sent out notice, and one of  
24 the small royalty owners in the participating area  
25 objected to our downhole commingling. And we discussed

1 it with her, and she maintained her objection. We had  
2 to bring over for hearing an engineer, a geologist and a  
3 landman because she objected.

4 She did not show up for the hearing, and so  
5 we had to spend a considerable amount of money. Not  
6 only the first notice we had to send out, but then we  
7 had to send out notice for the hearing and come over for  
8 the hearing just because somebody objected to the  
9 notice. And we were granted an order granting us  
10 permission to proceed. So we're trying to avoid those  
11 type of situations.

12 Q. Is this the only example where you could find  
13 where a party had objected and required a technical  
14 hearing on the basis of that objection?

15 A. Recently, yes. I didn't go back. I just knew  
16 that this one happened in the last year, I believe, or  
17 year and a half.

18 Q. Let's turn to the next tab, and this is the  
19 order approved by Mr. Ezeanyim back in November of last  
20 year as to the 14 units?

21 A. Yes, it is. And, again, the 32 and 8 and 27  
22 and 4 Unit were included in that order for the  
23 Basin-Mancos, with the exception of the two pools that  
24 we're here today on. And, of course, the rest of the  
25 cases weren't heard. But, yes, we did receive approval



1 for 14 of our units at that time.

2 Q. And then lastly, with regard to this book,  
3 behind Exhibit Tab 14, what do you have here?

4 A. Well, 14, I need to probably go through each  
5 unit individually because now there is a separation  
6 between the six units.

7 Q. I'm looking at the order that approves and  
8 abolishes various combinations of pools, which is 7077  
9 [sic]. Is that what you're looking at, under tab 14?

10 A. Under 7277?

11 Q. Yeah.

12 A. Okay. Yes. That is the order for the Trail  
13 Canyon pool.

14 Q. Well, let's stop at this point. As we go  
15 through each of the six books, you will have Division  
16 orders that apply to that pool?

17 A. Exactly.

18 Q. This is the one for Trail Canyon?

19 A. Or pools. Pools.

20 Q. Some of them have more than one?

21 A. Yes.

22 Q. Let's see if we can simplify this. Assuming  
23 that all the books are as you've described, in the Trail  
24 Canyon, now, when you look at the docket sheet, we've  
25 asked to terminate the Trail Canyon pool?

1 A. Yes.

2 Q. Are there any correlative rights problems with  
3 terminating that pool and taking that acreage and  
4 consolidating it into the Basin-Mancos?

5 A. No.

6 Q. And we'll have technical testimony to explain  
7 how we can do that?

8 A. Yes. And it's common ownership in the two  
9 areas outside the unit that have wells.

10 Q. Okay. Let's move on, then, to the second case.  
11 Let's look at Case 12, which is your application for the  
12 San Juan 27 and 4 Unit. And in this case, it requires  
13 your explanation of what you find in the orders with  
14 regards to how the Division is dealing with commingling  
15 and how you've been handling the BS Mesa-Gallup pool.  
16 Would you summarize that for us, please?

17 A. In this case, what's in 14 and the others is  
18 actually in 15. The BS Mesa-Gallup pool is under tab  
19 15. Under tab 14 is a reference case for the 27-4 Unit  
20 brought by, I think, Burlington -- brought by Burlington  
21 for a notice exemption for downhole commingle.

22 Q. As to what pools?

23 A. As to the Mesaverde and Dakota. And we're  
24 attempting to add -- well, Mr. Ezeanyim's case on the  
25 14, we've already got approval for the Basin-Mancos.

1 Now we're asking approval for the BS Mesa-Gallup.

2 Q. Do you find any specific criteria exemption as  
3 a reference pool for the BS Mesa-Gallup pool?

4 A. I'm sorry, can you --

5 Q. Yes. This application in the docket asks to  
6 eliminate criteria for downhole commingling.

7 A. Yes.

8 Q. The question is: Have you found an order that  
9 does, that grants exemptions from the criteria for the  
10 BS Mesa-Gallup pool?

11 A. Yes.

12 Q. Do you have that?

13 A. In the orders, yes.

14 Q. That's my question.

15 A. Yes.

16 Q. Now, show them the orders by which that gets  
17 done.

18 A. That's under -- let's see. That's found in the  
19 order under tabs 10 and 11, where the BS Mesa-Gallup,  
20 with the Dakota and the Mesaverde, were exempt, and then  
21 the downhole-commingling case for that unit is under tab  
22 13.

23 EXAMINER EZEANYIM: Mr. Creekmore, what do  
24 you mean by BS?

25 THE WITNESS: That's the name of the pool

1 (laughter). I wasn't around when the pool was named.

2 EXAMINER EZEANYIM: Well, I read it, and I  
3 said, What is that, you know? Since you are talking  
4 about it, I wanted to see if you know what --

5 THE WITNESS: No, I don't know what those  
6 initials stand for.

7 EXAMINER EZEANYIM: It's just a name? It's  
8 just a name, right?

9 THE WITNESS: Yes.

10 Q. (BY MR. KELLAHIN) Maybe I'm not making myself  
11 clear, Mr. Creekmore. The triple combination is not one  
12 in which there is a specific approval?

13 A. No.

14 Q. When I talk about the Dakota, Mesaverde and  
15 Mancos, how does that pool set apply to the BS  
16 Mesa-Gallup? Is that inherently approved in some  
17 fashion?

18 A. Not that I'm -- other than the orders I've  
19 given you, I'm not sure.

20 Q. That's all we could find?

21 A. Yeah.

22 Q. So the issue, then, is whether or not -- if  
23 you're targeting the producing portion of the BS  
24 Mesa-Gallup and commingling that with Mancos, Dakota or  
25 Mesaverde, you don't have authorization to do that?

1 A. No.

2 Q. You don't have preapproval?

3 A. We don't have preapproval for that.

4 MR. KELLAHIN: So that's what I was saying  
5 in my opening statement; I think we need preapproval.

6 EXAMINER EZEANYIM: That's why you are  
7 here.

8 MR. KELLAHIN: Yes. And we will get the  
9 engineer to talk about that.

10 EXAMINER EZEANYIM: Okay. Good.

11 Q. (BY MR. KELLAHIN) Other than that and the  
12 approval of the deletion of the requirement for notice,  
13 then that's all the action you're asking Mr. Ezeanyim to  
14 take on the case that involves the San Juan 27 and 4  
15 Unit?

16 A. Yes, because we've already --

17 Q. Got the rest?

18 A. -- got the rest, yes.

19 Q. Now, drop down to the 13 -- number 13 case, and  
20 that's with your San Juan 27 and 5 Unit. And we're  
21 terminating the Cereza Canyon-Gallup pool?

22 A. Yes. Yes, that is correct.

23 EXAMINER BROOKS: Where are you looking  
24 now?

25 THE WITNESS: 27 and 5 Unit, and go down to

1 under 14, the third column over, where it says "Cereza  
2 Canyon." I've given you the order creating the Cereza  
3 Canyon under tab 14.

4 Q. (BY MR. KELLAHIN) From a regulatory management  
5 standpoint and from a land standpoint, Mr. Creekmore, if  
6 we terminate that pool and take that acreage and  
7 consolidate it into the Basin-Mancos, are we disrupting  
8 correlative rights?

9 A. No. That whole section is one lease, and it's  
10 common ownership.

11 Q. So the royalty overrides and interest owners  
12 will be the same regardless of the acreage dedication to  
13 that pool if it's now a Mancos pool?

14 A. Yes. That is correct.

15 Q. And, again, we will have technical data to  
16 demonstrate we can terminate that pool.

17 A. I also have given the well history for the 27-5  
18 138 E well, which is tri-mingled with the Mesaverde,  
19 Dakota and Gallup, and also included the reference case  
20 for that unit, which refers to the Dakota, Mesaverde  
21 Pictured Cliffs and Fruitland Coal, under tab 16.

22 Q. We turn, then, to the next case. We're going  
23 to look at 15014, and that's your application that deals  
24 with the San Juan 28 and 5 Unit. And in this case,  
25 you're asking for a reference case for the Munoz

1 Canyon-Gallup pool?

2 A. Yes.

3 Q. And why are you asking for a reference case  
4 from a land perspective for that pool?

5 A. Well, we're also asking for a reference case  
6 for the Basin-Mancos in that unit, in addition to the --  
7 and I maybe didn't say that, but we're also asking for  
8 the reference case in Cereza Canyon for the  
9 Basin-Mancos, because it covers -- as you can see on  
10 your maps, it covers a majority of the unit. And these  
11 are just isolated pools in the unit, and we don't have  
12 approval for the downhole commingling for the  
13 Basin-Mancos there. And, also, here, we're asking for  
14 the Munoz Canyon and the Basin-Mancos, under tab 14. I  
15 don't know if I said it, but that's the order for the  
16 Munoz Canyon. And then the previous order for downhole  
17 commingling, under tab 15, for the 28-5, has the Dakota,  
18 Mesaverde, Fruitland Coal and Pictured Cliffs.

19 Q. Now, on 25 [sic], one option for some of these  
20 units was to terminate the Gallup pool. Why is that an  
21 option -- why is that not an option for you in the  
22 San Juan 28 and 5?

23 A. Because it has -- it's a larger -- larger pool.  
24 It's not a smaller isolated pool, and you have owners  
25 based on those pool rules. So the ownerships and JOAs

1 that exist now won't allow you to eliminate that pool.

2 EXAMINER EZEANYIM: But you want to keep  
3 that pool? You don't want to terminate it?

4 THE WITNESS: No.

5 EXAMINER EZEANYIM: But you want to  
6 downhole commingle if necessary with the other Mancos --

7 THE WITNESS: Yes.

8 MR. KELLAHIN: So we'll get an engineer to  
9 talk about that.

10 Q. (BY MR. KELLAHIN) Now we're going to go down to  
11 the 15015, and that deals with the Huerfano Unit?

12 A. Yes. The Huerfano Unit is a large unit. A  
13 great deal of the unit is already covered by pools.  
14 I've given you the order, R-5353, which created both the  
15 Angels Peak associated-Gallup associated pool and the  
16 Gallegos Canyon-Gallup associated pool.

17 And then under tab 15, the Dufers Point is  
18 in a small portion in the southeast. Part of the  
19 unit -- and it is a Gallup-Dakota pool, so it is already  
20 a commingled pool.

21 Q. So when we look at the Huerfano Unit, what  
22 action do you want the Examiner to take on this  
23 application?

24 A. Here we want to be exempt. Again, it's the  
25 problem of having to send out so many notices when these



1 pools are commingled with the Dakota and the Dakota PA.

2 And we initially had the Mesaverde involved  
3 in that, but we've withdrawn having the Mesaverde  
4 commingled with that. That was a question -- after we  
5 decided not to do that, that was a question that we  
6 received from Aztec, and that was the only question that  
7 Bill Hoppe, the geologist at Aztec had. And he was  
8 satisfied. Once I told him that we had withdrawn the  
9 Mesaverde, he didn't have any other questions.

10 EXAMINER EZEANYIM: So, Mr. Creekmore, when  
11 it comes to those two units in 015 and 016, Huerfano and  
12 Huerfanito, you know that the criteria has not been  
13 exempted? So whenever you want to apply for downhole  
14 commingling, you have to send your application to  
15 Santa Fe.

16 THE WITNESS: Yes. Huerfanito -- you're  
17 right. It is similar to the other -- to the Huerfano,  
18 and it only has the Angels Peak associated pool.

19 EXAMINER EZEANYIM: Okay.

20 THE WITNESS: Yes.

21 Q. (BY MR. KELLAHIN) Is it your understanding from  
22 your technical people that they have no intention to  
23 drill that combination at this time?

24 A. To add the Mesaverde? No. Just the Dakota and  
25 these pools and the Basin-Mancos.

1 Q. So we do not now need a downhole reference case  
2 for the Angels Peak-Gallup for these two units?

3 A. With the Dakota, we need one, I believe, for  
4 the Dakota. The Dakota is preapproved under Title 19,  
5 Chapter 15.

6 Q. Yeah, you've already got that done. That's  
7 done. That's done.

8 A. Yeah, I understand.

9 Q. The rest of this application asks for a  
10 reference case for the Angels Peak, the Gallup-Dakota  
11 and the Gallegos-Gallup, none of which we need.

12 A. No. No. We just need an exemption for the  
13 notice.

14 Q. Right.

15 A. Okay. I'm sorry.

16 Q. So you have approval for the commingling that  
17 you want to take place. You just want to delete the  
18 notice when that commingling takes place?

19 A. Yes. I'm sorry, I misunderstood your question.  
20 Yes.

21 EXAMINER EZEANYIM: So, Mr. Creekmore, tell  
22 me again on that Huerfano and Huerfanito. I want to  
23 make sure I understand you correctly.

24 On the docket here, you want an exception  
25 to the criteria. You are saying that you don't want

1 that anymore because your engineer says you don't need  
2 it. So I say to you that if you need the downhole  
3 commingle in those two units, Huerfano, Huerfanito,  
4 because the criteria are not excepted, so what you are  
5 going to do is submit the Form C-107A to Santa Fe. But  
6 the only thing you are asking on those two units is to  
7 except the notification for notice requirements to, you  
8 know, make sure you don't need --

9 THE WITNESS: Yes.

10 EXAMINER EZEANYIM: -- those notice  
11 requirements?

12 THE WITNESS: Right.

13 EXAMINER EZEANYIM: But the criteria has to  
14 be justified any time you want to downhole commingle; is  
15 that correct?

16 MR. KELLAHIN: Yes, sir.

17 Q. (BY MR. KELLAHIN) You've covered the  
18 Huerfanito, then?

19 A. I believe so.

20 MR. KELLAHIN: That concludes my  
21 examination of Mr. Creekmore. At this point, we would  
22 move the introduction of his exhibits. I believe  
23 they're 1 through -- I don't know the numbers.

24 THE WITNESS: If I may, 1 through 16 under  
25 the 32-8 Unit; 1 through 15 in the 27-4 Unit, under

1 15012; 1 through 16 in Case 15013; and 1 through 15 in  
2 Case 15014; and 1 through 15 in 15015; and 1 through 14  
3 in 15016. And the first one I didn't give the case  
4 number, and that was 15011, instead of the 32-8.

5 EXAMINER EZEANYIM: Exhibits 1 through 16,  
6 including Exhibit Number A -- I hope you wanted to admit  
7 that.

8 MR. KELLAHIN: Yes.

9 EXAMINER EZEANYIM: Exhibits 1 through 16  
10 [sic] in the six cases, including Exhibit A, are  
11 admitted.

12 (ConocoPhillips/Burlington Resources  
13 Exhibit Numbers 1 through 16, Case 15011;  
14 1 through 15, Case 15012; 1 through 16,  
15 Case 15013; 1 through 15, Case 15014;  
16 1 through 15, Case 15015; 1 through 14,  
17 Case 15016; and Exhibit A were offered and  
18 admitted into evidence.)

19 EXAMINER EZEANYIM: Any other  
20 cross-examination?

21 MR. KELLAHIN: No, sir.

22 EXAMINER BROOKS: No.

23 EXAMINER GOETZE: No questions.

24 EXAMINER EZEANYIM: Okay. I think I asked  
25 you all the questions I wanted. You may step down.

1 Call your next witness.

2 MR. KELLAHIN: Mr. Examiner, at this time,  
3 I call Mr. Eddie Pippin. Mr. Pippin is a petroleum  
4 geologist with my client.

5 EXAMINER EZEANYIM: Mr. Pippin, you have  
6 been so sworn, so you are under oath.

7 THE WITNESS: Okay.

8 EDDIE PIPPIN,  
9 after having been previously sworn under oath, was  
10 questioned and testified as follows:

11 DIRECT EXAMINATION

12 BY MR. KELLAHIN:

13 Q. Mr. Pippin, for the record, sir, would you  
14 please state your name and occupation?

15 A. Eddie Pippin. I'm a geologist for  
16 ConocoPhillips.

17 Q. Where do you reside, sir?

18 A. Farmington, New Mexico.

19 Q. On prior occasions, have you testified before  
20 the Divison and testified as an expert petroleum  
21 geologist?

22 A. Yes, I have.

23 Q. With regards to the six applications involved  
24 in this case, what has been your role as a geologist?

25 A. My role here is going to be to demonstrate that

1 across these pools that we're looking to eliminate,  
2 there really is no difference in the rock from inside to  
3 outside the pools.

4 Q. What are your general responsibilities for the  
5 Mancos for your company?

6 A. General responsibilities: We study the Mancos  
7 in various ways, correlating tops, studying the rock.  
8 We have ores that we integrate into our models, and  
9 we're just gathering whatever data we can to better  
10 understand the resource.

11 Q. Based upon that study, have you compiled a set  
12 of exhibits to present to the Examiner for these six  
13 cases this morning?

14 A. Yes, sir.

15 Q. When we look at the package of six cases, they  
16 all involve a geologic component. Can you generally  
17 characterize for us the Mancos Formation as we see it in  
18 the San Juan Basin, so we can have a visual pictorial of  
19 how the Mancos is organized and how it's subdivided?

20 A. Sure. The Mancos, in general, is a  
21 depositional environment out in the water. So we've got  
22 Dakota sandstone below us, which is more or less a beach  
23 sand. We've got the Mesaverde Formation above us,  
24 which, again, is more or less a beach sand. So we're  
25 looking at the waters rising and falling, the sea

1 level -- or the shoreline moving back and forth. And  
2 each of those sands that are Mesaverde and Dakota  
3 deposited when we had a lower sea level and the  
4 shoreline was right there at the San Juan Basin time.

5 The Mancos, however, is when we had a  
6 higher sea level and a little different depositional  
7 environment. Instead of the sands of the Mesaverde and  
8 Dakota, we've got the muds and the gunk of a deeper  
9 water environment that have turned into mostly shales  
10 through the Mancos section.

11 EXAMINER EZEANYIM: Okay. Before you  
12 continue, Counselor, do we need to qualify this witness  
13 as an expert witness?

14 MR. KELLAHIN: Yes, sir. I'm just about  
15 there.

16 EXAMINER EZEANYIM: Are you getting there?

17 MR. KELLAHIN: I'm almost there.

18 EXAMINER EZEANYIM: It appears to me that  
19 he's already defined [sic], because I know he's talking  
20 about depositions.

21 MR. KELLAHIN: Right.

22 Q. (BY MR. KELLAHIN) With regards to the study of  
23 the Mancos, then, do you consider yourself a geologic  
24 expert on that environment?

25 A. Yes, sir.

1 Q. As part of your study, have you prepared  
2 certain exhibits for introduction today?

3 A. Yes.

4 Q. And those are your exhibits?

5 A. Correct.

6 Q. And based upon those exhibits, you have certain  
7 opinions?

8 A. Yes, sir.

9 MR. KELLAHIN: We tender Mr. Pippin as an  
10 expert petroleum geologist.

11 EXAMINER EZEANYIM: So qualified.

12 Q. (BY MR. KELLAHIN) Mr. Pippin, do you have an  
13 illustration in one of the books that we can start with?

14 A. Yeah. We can start with -- Trail Canyon would  
15 be good.

16 Q. Let me find the tab that that's behind.

17 A. It looks like tab 17.

18 Q. Did you find it, Mr. Pippin?

19 EXAMINER BROOKS: Which book?

20 MR. KELLAHIN: The first book.

21 A. Trail Canyon, 32-8.

22 Q. (BY MR. KELLAHIN) I have the 15011 book. Do  
23 you have that book?

24 A. Yes.

25 Q. And that's the Trail Canyon, the San Juan 32



1 and 8 book?

2 A. That is correct.

3 Q. And you've turned us to a locator behind tab  
4 17?

5 A. Yes, sir. And, actually, each of the three  
6 cases that I've got exhibits on, we've got three  
7 different pages to look at. And I'll start from the  
8 third page and work my way forward, a little bit  
9 backwards.

10 EXAMINER EZEANYIM: Under tab 17?

11 THE WITNESS: Yes. Under tab 17, it should  
12 be the third exhibit.

13 EXAMINER EZEANYIM: Okay.

14 THE WITNESS: That is labeled on the  
15 diagram as "Figure SJ-4.3."

16 A. Really that's included just to kind of  
17 demonstrate where we have come in our understanding or  
18 interpretation of the Mancos. This diagram was dated or  
19 at least pulled from a document dated 1978. And you can  
20 see -- one thing to point out is that the same rock  
21 section has been referred to both the Mancos and Gallup  
22 in the past, and for much of the industry, it's used  
23 interchangeably; maybe not correctly always, but that's  
24 how we have referred to it.

25 And then if you compare that document to

1 the second document in each of the books, that one being  
2 titled "Mancos Stratigraphic Terminology Summary." That  
3 is where our company is today and how we're looking at  
4 this section of rock.

5 I'm going to try to refer to the larger  
6 section as the Mancos, which is sandwiched in between  
7 the Mesaverde above it. We're showing the bottom part  
8 of that as Point Lookout in the diagram and the Dakota  
9 below the Mancos.

10 And there is probably a correction we need  
11 to make on this diagram. The Mancos actually extends on  
12 down to the base of the Greenhorn, rather than the top  
13 of the Greenhorn. The Greenhorn is actually part of the  
14 Mancos, and then we have the Dakota directly below the  
15 Greenhorn.

16 Q. (BY MR. KELLAHIN) Mr. Pippin, for purposes of  
17 this display, can you show us what portion of the  
18 subsection of the Mancos wells have existed in the Trail  
19 Canyon-Gallup?

20 A. Sure. For Trail Canyon, we're looking at a  
21 couple of different sections; namely, the El Vado C and  
22 the Juana Lopez have been completed in the two wells  
23 that have been tested in the Trail Canyon area. And  
24 that is, for the most part, the pay that we're  
25 interested in much of the Basin. There is maybe a

1 little potential pay in the upper part of the Mancos.  
2 Most of our attention as a company has been paid to the  
3 El Vado sections, primarily the El Vado C. We also  
4 believe there is maybe some potential in these lower  
5 sections, in the Juana Lopez and the Lower Carlile.

6 In fact, if we then go to the first  
7 document behind tab 17 --

8 Q. And so we're all looking at the same document,  
9 Mr. Pippin, describe what we're seeing on this page.

10 A. Okay. This is the one has the locator map in  
11 the upper, left corner and the cross section along the  
12 bottom of the page. The locator map simply has the  
13 common symbology of the different formations completed  
14 in wells. The green triangle is for Fruitland Coal.  
15 The logs that I've used in the cross section come from  
16 mostly deeper wells that have been completed down in the  
17 Dakota, simply because those logs cover the section of  
18 our interests here today. Also on the locator map is  
19 the line of cross section from A to A prime, and that  
20 correlates to the cross section below going left to  
21 right.

22 Of those five wells, there are two within  
23 the Trail Canyon pool, Trail Canyon #2, the Susco 16  
24 State #1, while the other three wells, the center well  
25 of the cross section, both end members, are directly

1 outside of the pool.

2 And as mentioned, Trail Canyon #2 has been  
3 completed in the El Vado C. Maybe I should back up a  
4 little bit. The red line going across the top of the  
5 cross section is the Upper El Vado.

6 EXAMINER EZEANYIM: Is that where it's  
7 completed, on that red line?

8 THE WITNESS: No. The red line is just a  
9 reference point. If you go back to our terminology  
10 summary, it correlates to the top of the Upper El Vado  
11 section.

12 EXAMINER EZEANYIM: I'm trying to find the  
13 one we want to delete. On that map, on the second one  
14 -- before we go back to the third page, we are looking  
15 at Trail Canyon 1, Trail Canyon 2. Productively, where  
16 is Trail Canyon producing from? Do you know that.

17 THE WITNESS: Oh. Where are they completed  
18 at?

19 EXAMINER EZEANYIM: Yeah.

20 THE WITNESS: Yeah. So the Trail Canyon  
21 2 -- it's kind of hard to see on this diagram --

22 EXAMINER EZEANYIM: Yeah, I can't see.

23 THE WITNESS: -- but there is a rectangle  
24 with some -- a pink rectangle with some pink dots  
25 through the center, and if you give me just a moment,

1 the red line is the Upper El Vado and the three green  
2 lines represent the top of the El Vado A, B and C. And  
3 if you look at the Trail Canyon #2, within that El Vado  
4 C section, there is a small pink triangle almost lost in  
5 the grid of the log.

6 EXAMINER EZEANYIM: So the line -- the  
7 green line is A, El Vado A, right?

8 THE WITNESS: The upper green line is  
9 El Vado A, yes, sir.

10 EXAMINER EZEANYIM: Okay. Make it clear.  
11 Okay.

12 THE WITNESS: So if you drop down to that  
13 third green line, below that, you'll see that pink  
14 triangle on the Trail Canyon 2. Likewise, if you go  
15 over to the Susco 16 State #1, in the depth track this  
16 time, is that pink triangle. There is also perforations  
17 that are not shown, unfortunately, on this diagram down  
18 at the very base of this well in the Juana Lopez. The  
19 top of the Juana Lopez would be the bottom solid line  
20 going across that section.

21 EXAMINER EZEANYIM: Okay.

22 THE WITNESS: Again, if we back up to the  
23 Trail Canyon #2, it was tested in the El Vado C. It did  
24 not perform well enough, so it was plugged off, and is  
25 now only producing from the Mesaverde section. While

1 the Susco 16 State was completed in those two intervals,  
2 and that should still be producing today.

3 The cross section itself, I've got both  
4 digital data that looks a little bit cleaner and then  
5 some images, trying to gain the best logs I could to  
6 represent the section we're looking at.

7 On the left side of the depth track, you've  
8 got a black line, which is the gamma ray, on a scale of  
9 0 to 200. On the right side of the depth track is a  
10 blue line that is some form of resistivity, either the  
11 old resistivity or a little bit more modern ILD, scaled  
12 to 100 ohms.

13 Something I'd like to point out is that  
14 across this cross section, whether you're inside or  
15 outside of the pool, you have about the same thickness  
16 of each of the intervals and about the same log  
17 character across the entire stretch of the cross  
18 section. So in my opinion, there is no logical  
19 geological break that would indicate we need a pool  
20 here. It should all just be Basin-Mancos.

21 EXAMINER EZEANYIM: It's very hard to find  
22 those pink boxes.

23 THE WITNESS: They do not show up very  
24 well.

25 EXAMINER EZEANYIM: I mean, it's not there.

1 At what depth are those pink boxes? Because what you  
2 are saying, tied to what you're telling me now, there is  
3 no difference between that Trail Canyon and the Mancos.  
4 But I need -- I don't know where the pink boxes are. I  
5 can't see it in that diagram. They are not pink.

6 MR. KELLAHIN: Mr. Examiner, may I approach  
7 here?

8 EXAMINER EZEANYIM: Yeah, please; you can,  
9 because I want to understand what you are trying to do.  
10 I don't see any pink boxes.

11 MR. KELLAHIN: It looks red to me, but  
12 here's what he's looking at (indicating), this one down  
13 here (indicating).

14 EXAMINER EZEANYIM: You have a better one  
15 than mine.

16 MR. KELLAHIN: Keep mine. And yours is not  
17 colored.

18 EXAMINER EZEANYIM: No, no, it's not  
19 colored. It's difficult to understand what you're  
20 saying.

21 Okay. Now I think I have gotten the  
22 information. Go ahead.

23 Q. (BY MR. KELLAHIN) Before we leave the Trail  
24 Canyon case, Mr. Pippin, are there any other comments  
25 that you have about that request to terminate that pool

1 and take that acreage and consolidate it into the  
2 Basin-Mancos pool?

3 A. No. Just to repeat that across this area of  
4 the Basin, there is no significant change within these  
5 rocks, and they're pretty similar across the pool inside  
6 and out.

7 Q. The next application that you have prepared a  
8 geologic presentation for is the 15013, I believe, the  
9 Cereza Canyon. Is that your next one?

10 A. Yes.

11 Q. If you go down to the third case now and look  
12 at 15013, that's the Cereza Canyon for the San Juan 27-5  
13 Unit, and let's find that.

14 A. And that's after tab 17. So, again, after tab  
15 17 in this book, we have two of the same exhibits; plus,  
16 this one, the very first one, is a little bit different.  
17 Same setup. Again, a locator map in the upper left, and  
18 the cross section across the bottom.

19 Here the center well is the only one within  
20 the pool. The two end wells in the cross section are  
21 outside the pool. The same tops are displayed, with the  
22 top of the Upper El Vado in red. The El Vados, A, B and  
23 C, are in green. Before that center well, the 138 E.  
24 Hopefully this time the dashes show -- there are dashes  
25 this time because we have individual perms rather than



1 just a gross interval in that center well, the 138 E.  
2 Hopefully you can see depth track, the dashes this time.  
3 I think you may be in tab 18. We should be under tab  
4 17.

5 EXAMINER EZEANYIM: Oh. I'm in 18. Okay.  
6 I have 17. Which one? Page 3?

7 THE WITNESS: Yeah. The first one you've  
8 got displayed there should be what we're looking at.

9 So, again, the locator map, upper left;  
10 cross section on the bottom. And we're focusing  
11 primarily on that center well of the cross section, the  
12 138 E. The log curves are the same; gamma in the left;  
13 resistivity in the right, and through the depth track,  
14 down the center of that well are hopefully some better  
15 dashes that represent individual perforations rather  
16 than the gross interval that we had in the last cross  
17 section. Here they've gone through the entire El Vado,  
18 A, B and C, through the Gallup equivalent, down to the  
19 Juana Lopez, to the base of the log here.

20 Looking at the logs to the left or the  
21 right, again you see the same character, virtually the  
22 identical thickness in each of the zones. So some were  
23 completed out of those end members of the cross section.  
24 Probably focused on the same interval. Probably not  
25 everything that was completed in this well. We would

1     probably economize and build for what looks like to be a  
2     little bit better pay, but we've had the same  
3     opportunity to complete the same interval if we so  
4     desired.

5                     So, again, from my viewpoint, I don't see  
6     any geologic reason to have a pool here. There is no  
7     obvious division from within to without, to outside of  
8     the pool.

9             Q.     (BY MR. KELLAHIN) Let's turn to the third case  
10    in which you have analyzed the geologic data for this  
11    presentation this morning. Would you turn to Case  
12    15014. This is the application that deals with the  
13    San Juan 28-5 Unit, and here we're asking for criteria  
14    for a reference case exception for the Munoz  
15    Canyon-Gallup pool.

16            A.     And this time we're behind tab 16. The second  
17    and third pages are the same, again. And then for the  
18    first page, we have the same setup.

19                   EXAMINER EZEANYIM: What book are you  
20    looking at?

21                   MR. KELLAHIN: This is exhibit book 15014.

22                   EXAMINER EZEANYIM: Tab 16?

23                   THE WITNESS: Tab 16, yes, sir.

24                   EXAMINER EZEANYIM: Okay. Go ahead.

25            A.     So the same basic setup: The locator map in

1 the left, the cross section on the bottom.

2 This time I took a little bit different  
3 approach. I did not include a well actually within the  
4 pool. I was trying to stretch out the area that we're  
5 looking at a little bit more to help demonstrate that  
6 even though we're looking at -- instead of a one- or  
7 three-mile cross section, now we're six or seven miles  
8 stretching out. And it's still pretty consistent  
9 throughout the entire Mancos interval that we can see  
10 here.

11 And the wells I chose made the cross  
12 section look a little bit better, a little clearer to  
13 see. And the wells do span across the pool here.

14 None of these wells are completed within  
15 the Mancos interval, but we can tell pretty much the  
16 same story, that the log character is very similar; not  
17 identical, but very close to. We've got roughly the  
18 same thicknesses, a little variation across the  
19 seven-mile stretch, but close. And the log character is  
20 pretty much the same.

21 So, again, hopefully it demonstrates that  
22 through even larger areas of the Mancos, you don't have  
23 a lot of drastic changes. It's fairly consistent for  
24 even larger -- we could make -- throw in several  
25 townships worth of cross action, and you still would not

1 see much change in the rock section.

2 Q. (BY MR. KELLAHIN) In this case, Mr. Pippin, we  
3 are not asking for the termination of this pool. We're  
4 going to ask the engineer to demonstrate that we can be  
5 exempted from the various criteria for downhole  
6 commingling and have this approved more as a reference  
7 case for commingling.

8 From a geologic perspective, again, there  
9 is no reason to maintain the Munoz as a separate Gallup  
10 pool as different from the Mancos pool?

11 A. No, sir, I don't think so. I believe the cross  
12 section and what I've shown here indicates that we've  
13 got good consistency across not just the Munoz pool, but  
14 even larger extents.

15 Q. And as Mr. Creekmore testified, we're keeping  
16 this because of disruption of equities and correlative  
17 rights issues in the transition from one pool to the  
18 next?

19 A. (Indicating.)

20 Q. Anything else in your presentation, Mr. Pippin?

21 A. No, sir. I believe that covers it.

22 MR. KELLAHIN: Move the introduction of  
23 Mr. Pippin's exhibits.

24 EXAMINER EZEANYIM: Which ones?

25 MR. KELLAHIN: Tell him. I don't remember.

1 THE WITNESS: Behind tab 17 for the Trail  
2 Canyon and the Cereza Canyon; on tab 16, for Munoz  
3 Canyon.

4 EXAMINER EZEANYIM: Exhibits 17 for Trail  
5 Canyon --

6 THE WITNESS: Yes, sir.

7 EXAMINER EZEANYIM: -- and 16 for Munoz  
8 Canyon --

9 THE WITNESS: Yes.

10 EXAMINER EZEANYIM: -- are admitted.

11 Is that all you want to admit at this time,  
12 or do you have more?

13 THE WITNESS: I believe that --

14 MR. KELLAHIN: You had three cases. You  
15 have the Trail Canyon, the Cereza Canyon, and you had  
16 the Munoz Canyon.

17 THE WITNESS: Correct.

18 EXAMINER EZEANYIM: Most of these relate to  
19 all the cases.

20 MR. KELLAHIN: Right. Yes, sir.

21 EXAMINER EZEANYIM: So I understand that.

22 MR. KELLAHIN: Yes, sir.

23 (ConocoPhillips/Burlington Resources

24 Exhibit Numbers 16 and 17, Cases 15011,

25 15013 and 15014, were offered and admitted

1 into evidence.)

2 MR. KELLAHIN: That concludes my  
3 examination of Mr. Pippin.

4 EXAMINER EZEANYIM: Any questions?

5 EXAMINER BROOKS: No questions.

6 EXAMINER EZEANYIM: Any questions?

7 CROSS-EXAMINATION

8 BY EXAMINER GOETZE:

9 Q. I've got a question on your cross section. You  
10 show the Niobrara, the basic map, and then you have a  
11 solid line below the dash line. So that's the Gallup  
12 equivalent that you're representing there and the  
13 entire --

14 A. Yeah. The Gallup equivalent is that portion  
15 below the dash line. The dash line represents an  
16 unconformity where a certain portion of rock simply  
17 doesn't exist.

18 Q. You're not showing the rest of the pool  
19 Carlile. You're just showing the --

20 A. Correct.

21 Q. Thank you. No other questions.

22 EXAMINER EZEANYIM: Most of the questions  
23 have been answered. Okay. No questions.

24 Before we call your next witness, take a  
25 ten-minute break, and we will continue in ten minutes.

1 (Break taken, 9:52 a.m. to 10:08 a.m.)

2 EXAMINER EZEANYIM: Welcome back from  
3 break. Lets go back on the record and continue with  
4 these six cases.

5 And you have to call your next witness.

6 MR. KELLAHIN: Mr. Examiner, we call at  
7 this time Mr. Pertuso. Mr. Pertuso is a petroleum  
8 engineer.

9 DAYONIS PERTUSO,  
10 after having been previously sworn under oath, was  
11 questioned and testified as follows:

12 DIRECT EXAMINATION

13 BY MR. KELLAHIN:

14 Q. For the record, sir, would you please state  
15 your name?

16 A. Dayonis Pertuso.

17 Q. You'll have to speak up. There is no amplified  
18 voice in here, no microphones.

19 Where are you employed, sir?

20 A. ConocoPhillips.

21 Q. And where do you reside?

22 A. Farmington, New Mexico.

23 Q. On prior occasions, have you qualified as an  
24 expert petroleum engineer?

25 A. Yes, I have.

1 Q. And you've testified in these commingling cases  
2 on prior occasions; have you not?

3 A. Yes, I did.

4 Q. As part of your engineer studies, have you  
5 studied the various pools involved with these six  
6 applications?

7 A. Yes, I have.

8 MR. KELLAHIN: We tender Mr. Pertuso as an  
9 expert petroleum engineer.

10 EXAMINER EZEANYIM: When was the last time  
11 you testified?

12 THE WITNESS: Last year -- last year for  
13 the 14 cases.

14 MR. KELLAHIN: Back in October or November.

15 EXAMINER EZEANYIM: I didn't trust my  
16 memory.

17 MR. KELLAHIN: Well, maybe give him a  
18 chance --

19 THE WITNESS: You were here.

20 EXAMINER EZEANYIM: Yeah. That's why I  
21 asked.

22 THE WITNESS: Yeah, you were here.

23 EXAMINER EZEANYIM: Okay. You are so  
24 qualified.

25 Q. (BY MR. KELLAHIN) Let's start with the Trail



1 Canyon.

2 A. Sure.

3 Q. We're going to go to Case book 15011, and  
4 that's the termination of the Trail Canyon and the  
5 notice of exemption that involved the 32-8 Unit. And  
6 when you turn to the exhibit book in that, your  
7 engineering exhibits are found behind tab number what,  
8 sir?

9 A. 18.

10 Q. Tab 18?

11 A. The last tab of the exhibit.

12 Q. You're familiar with the Division rules with  
13 regards to the various criteria involved in approving  
14 downhole commingling?

15 A. Yes.

16 Q. As part of your study, have you taken the  
17 Division form and organized it on your exhibits so that  
18 we have it color-coded in a way that you can address  
19 each one of those criteria?

20 A. Yes.

21 Q. Let's turn to Trail Canyon and have you look at  
22 your first display. Tell us first what we're looking  
23 at, and then let's describe the display.

24 A. Sure. What you are looking at in the first  
25 slide is a map just for geographic references. The

1 highlighted area red-kind-of-pink depicts the pool, the  
2 Trail Canyon. And you have two points there. Those are  
3 existing producers in the pool, the Trail Canyon 2, that  
4 as Eddie Pippin, the geologist, described, it's only  
5 producing from the Mesaverde now. And then going to the  
6 east -- southeast of the unit, you will see the Susco 16  
7 State 1 well. That's currently producing from the  
8 Dakota and the Gallup pools.

9 If you move to the right-hand side of the  
10 slide, you will see a rate-versus-time plot in Mcf a  
11 day. That is showing the combined production of the  
12 well from the Dakota and the Gallup. The point I would  
13 like to convey here is that 75 percent of that  
14 production is coming from the Dakota. The Gallup-Mancos  
15 production is very, very marginal.

16 EXAMINER EZEANYIM: How do you know that?

17 THE WITNESS: Allocated volumes. That 75  
18 percent is allocation using an approved method by the  
19 Division, which in this case, we used the in-wire [sic]  
20 base method.

21 Q. (BY MR. KELLAHIN) So when you're dealing with  
22 the components for the Gallup only, you're dealing with  
23 marginal production?

24 A. Yes. And as the geologist stated, we're  
25 producing from El Vado C and Juana Lopez. That's where

1 we targeted in this well.

2 Q. When you address the fluid compatibility and  
3 water-density damages, what do you conclude?

4 A. All the dots you see inside, outside the unit,  
5 those are all existing producers from the Mesaverde, the  
6 Dakota, and in the unit, you have the Gallup. A common  
7 trend in all the production or performance, you don't  
8 see any water -- or significant water coming in from any  
9 of the formations. You didn't see significant oil,  
10 whether you look at the Mesaverde wells,  
11 Mesaverde-Gallup or Dakota-Gallup wells. So for  
12 compatibility issues, this is dry gas coming from all  
13 three formations.

14 And if we turn --

15 Q. Is there oil production to worry about?

16 A. No.

17 EXAMINER EZEANYIM: Why not?

18 THE WITNESS: There isn't any reported.  
19 These are dry gas reservoirs.

20 EXAMINER EZEANYIM: I want some oil  
21 (laughter).

22 THE WITNESS: We all want that (laughter).

23 EXAMINER BROOKS: Especially now.

24 Q. (BY MR. KELLAHIN) So if you turn to the second  
25 page of the Trail Canyon review, you're dealing with

1 three other components to commingling?

2 A. Yes.

3 Q. Identify and describe each of those.

4 A. The way I structured the exhibits is to address  
5 the criteria that we need to cover when we file C-107A.  
6 In my first slide, we covered the fluid compatibility,  
7 and we also talk about the pool performance of the  
8 Mancos or Gallup. Basically, the point to convey is, we  
9 need to commingle this formation with the Mesaverde and  
10 Dakota to make it economic. Right?

11 But the second slide, if you go -- if I can  
12 have your attention to the left-hand side, that's a BTU  
13 content comparison between the hydrocarbon streams being  
14 produced from the three reservoirs in this area.  
15 Something to notice is, you know, this gas is purely  
16 methane. More than 98 percent of what we produce is  
17 pure methane, and it's very consistent for all three.  
18 So you're not decreasing the value of any of the streams  
19 coming from each reservoir by combining production of  
20 common wellbores.

21 EXAMINER EZEANYIM: What is the BTU value?

22 THE WITNESS: It should be like 1,000.

23 It's methane, mainly. Right?

24 EXAMINER EZEANYIM: But it's not within  
25 that one, correct?

1 THE WITNESS: No. No. It's mainly  
2 methane, 98 percent; methane heat content, 1,000. That  
3 should be -- you have some -- a little ethane. So your  
4 BTU content should be a little higher than 1,000 BTU.

5 EXAMINER EZEANYIM: Now, on the three  
6 pools, do you anticipate the BTU to be the same?

7 THE WITNESS: Very close, yes.

8 EXAMINER EZEANYIM: How do you determine  
9 those BTUs?

10 THE WITNESS: Because of the concentration  
11 of methane. Methane's 98 percent. That's just the BTU  
12 driver right there.

13 EXAMINER EZEANYIM: So you just read it off  
14 the charts? Is that what you did to get the -- I want  
15 to know how you determine --

16 THE WITNESS: Basically, these come from a  
17 straight sample for stand-alone wells. And, yes, by  
18 applying individual heat content for each component, you  
19 do a weighted average, and that's how you come up with  
20 the BTU content. Right? Any questions on that?

21 EXAMINER EZEANYIM: I have a question on  
22 the fourth slide. If you go to the Gallup gas pool,  
23 okay, is that the extent of the pool? What color is  
24 that? Magenta?

25 THE WITNESS: I call it pink-reddish. It

1 is highlighted. Yes, that's the pool. It basically  
2 covers partially Sections 18, 17 and 16.

3 EXAMINER EZEANYIM: Yes. And then inside  
4 that pool, you know, colored pool -- you know, colored  
5 Trail Canyon, you have two wells producing, right?

6 THE WITNESS: That's correct.

7 EXAMINER EZEANYIM: The Susco 16 State #1,  
8 and then there is Trail Canyon 2, Mesaverde -- and I  
9 don't know what that is. Is that two wells producing.

10 THE WITNESS: Basically, the name of the  
11 well is Trail Canyon 2, and Mesaverde because it's  
12 producing only from the Mesaverde pool.

13 EXAMINER EZEANYIM: It's not even from the  
14 Trail Canyon?

15 THE WITNESS: No, it's not. No.

16 EXAMINER EZEANYIM: Is the Susco 16 State  
17 #1 producing from the Trail Canyon?

18 THE WITNESS: Correct.

19 EXAMINER EZEANYIM: What is the nature of  
20 the production? It's not what you show in your graph.  
21 Is that from the Trail Canyon?

22 THE WITNESS: That's combined. That's  
23 commingled --

24 EXAMINER EZEANYIM: Combined the Trail  
25 Canyon, you know, Dakota and Gallup?

1 THE WITNESS: Only the Dakota and Gallup.

2 We don't have the Mesaverde in that well.

3 EXAMINER EZEANYIM: Dakota and Gallup.

4 Okay.

5 THE WITNESS: And as I said before,  
6 allocated production, around 75 percent of that is  
7 coming from the Dakota. Uh-huh.

8 EXAMINER EZEANYIM: Go ahead.

9 Q. (BY MR. KELLAHIN) We're looking at the second  
10 slide here --

11 A. Yeah, second slide.

12 Q. -- the Trail Canyon, and you're getting ready  
13 to talk about pressure?

14 A. Yeah. Another part of that criteria we looked  
15 at in combining these three pools is pressure. We want  
16 to make sure we don't have significant differential  
17 pressure that could jeopardize any of the formations.

18 So what I'm showing there are the current  
19 estimated pressures for the three reservoirs: 1,100 for  
20 Dakota, 950 for the Mesaverde, 1,750 for the Gallup.  
21 The systems -- the gathering systems in this area is  
22 around 180. So these wells produce against 180, 170  
23 blind pressure. Normal production conditions,  
24 everything should flow through your line, and then you  
25 shouldn't have any cross-flow issues.

1 EXAMINER EZEANYIM: Okay. The Mesaverde  
2 and Dakota, the top parts, you are looking at the top  
3 parts now and see how the pressure excludes [sic] that  
4 hydrostatic.

5 THE WITNESS: Correct.

6 EXAMINER EZEANYIM: And then you compiled  
7 with, you know, the yellow [sic] body. I know here the  
8 yellow [sic] body is 3.6. So we have a leeway there.  
9 So we're being conservative --

10 THE WITNESS: Yes. Yeah. And to reinforce  
11 his point, these are tie gas reservoirs. It's hard to  
12 really -- although we achieve those high pressures in  
13 the wellbore, they have to be a very long shot -- that  
14 we don't have.

15 EXAMINER EZEANYIM: Okay.

16 Q. (BY MR. KELLAHIN) Do you see any evidence that  
17 the commingling of this production would reduce the  
18 total value of that production?

19 A. I don't see any.

20 Q. We're not asking for a reference case exception  
21 for this pool. The solution has been to simply  
22 terminate this pool, take this acreage and move it into  
23 the Basin-Mancos?

24 A. Yes.

25 Q. Do you see any engineering reason not to do



1 that?

2 A. I don't.

3 Q. The values and the components within the Mancos  
4 itself are not indistinguishable from this portion of  
5 the Gallup being produced in the Trail Canyon?

6 A. No. Same geology, same performance, same  
7 hydrocarbons. I don't see a reason to differentiate.

8 Q. Let's turn now, then, to another pool. Let's  
9 skip down, and let's go to the one we have in case  
10 15014. And that's the Munoz; that's the Munoz  
11 Canyon-Gallup. And that's behind your Exhibit Tab 17?

12 A. Munoz is 17.

13 EXAMINER EZEANYIM: Which book?

14 THE WITNESS: Oh, sorry. The book is San  
15 Juan 28-5.

16 MR. KELLAHIN: It will be 15014.

17 THE WITNESS: Yeah, the case is 15014.

18 Q. (BY MR. KELLAHIN) And you've turned to tab 17?

19 A. Yes. The last tab, yes, it's tab 17.

20 Q. And this first page is a color display, and  
21 it's got a yellow caption that says "Munoz Canyon-Gallup  
22 Pool"?

23 A. Correct.

24 Q. Describe for us what your conclusions are as an  
25 engineer with regards to this pool. This one is also

1 one we are seeking to establish downhole commingling  
2 criteria for. It's a reference case.

3 A. Right. This is the one we're just looking for  
4 the reference case. We're not looking at eliminating  
5 it. Same structure in my exhibits of the previous one.  
6 The first slide shows the map just to give some  
7 geographic references. The pink-red highlighted area,  
8 that's the pool. That's the Munoz Canyon. Don't read  
9 anything into -- probably you'll see different colors.  
10 It's the same thing. Don't read anything into that.

11 It covers Sections 20, 21, 17 and 18 of  
12 Township and Range 28-5. Same trends as we saw in Trail  
13 Canyon. We have numerous wells producing from the  
14 Mesaverde, from the Dakota and from the Gallup, or the  
15 Mancos outside the pool, and we don't see any  
16 significant water production. Most of them less than a  
17 barrel, if something, a day.

18 EXAMINER EZEANYIM: That's good.

19 A. Unfortunately, no oil. Dry gas as well.

20 So if I can direct your attention to the  
21 next slide; same structure. In this one, I incorporated  
22 a couple of wells that are in the pool that are  
23 producing from the Gallup and from the Dakota. The  
24 upper plot, that's a rate-versus-time profile in Mcf a  
25 day. It shows the combined production of the Dakota and

1 the Gallup. The lower plot, what it shows, is the  
2 production of the Gallup alone.

3 The point I want to make here, Gallup is  
4 currently making less than 17 Mcf a day. It never made  
5 more than 100 Mcf a day. Again, allocated production  
6 using an approved method. It's a marginal performance.  
7 Really, to develop this resource, we need to show the  
8 cost of that wellbore with the other formations. That's  
9 how we recover those hydrocarbons.

10 Going to the right-hand side of the slide,  
11 another example, a Gallup-Dakota well, less than a  
12 barrel of water a day, no oil. And if you look at the  
13 lower chart, it shows that the Gallup production is like  
14 10 Mcf a day. It picks up a little bit above 100, but  
15 it has been within 20 Mcf a day for at least the last  
16 nine to ten years. It reinforces the point, a marginal  
17 production, no water, no oil.

18 If I can have your attention to the next  
19 slide, unless you have questions here. What we're  
20 looking at in that gray chart is the same information we  
21 saw with the Trail Canyon. That's a typical gas  
22 composition for this area for each of the three  
23 formations. Gallup and Dakota and Mesaverde is dry gas.  
24 Very similar BTU content for that gas.

25 The pressure is, the Dakota, Mesaverde,

1     within 1,000 psi. The Gallup, we have a little higher  
2     pressure. It's still lower, but close to the frack  
3     pressure, assuming a frack gradient of .6. Again, these  
4     are tie gas reservoirs. This reservoir pressure -- it's  
5     hard to see that pressure in the wellbore that could  
6     jeopardize the shallower formations. We don't have  
7     those extended shut-in times. So I don't see any reason  
8     to believe that we can frack the shallower formation in  
9     a shut-in time.

10                   And they produce, again, 130 pounds of  
11     normal -- flowing conditions, everything will go through  
12     the line; no cross-flow issues I see here.

13           Q.     (BY MR. KELLAHIN) When you go through the  
14     checklist on the Form C-107A, are there any of those  
15     that you have not yet described in your exhibits yet?

16           A.     No.

17           Q.     So if you file this with your form, then, in  
18     your opinion, the Division would be able to grant the  
19     commingling?

20           A.     That is correct.

21           Q.     Is there any reason not to grant a reference  
22     case status for wells drilled in this pool?

23           A.     No.

24           Q.     Does the geology indicate there is no geologic  
25     difference as we move across the pool?

1 A. (Indicating.)

2 Q. Is your sampling of production information  
3 enough to tell you that you have sufficient uniformity  
4 across the pool to make this allocation?

5 A. No. Same geology, same reservoir, same  
6 hydrocarbons. I don't see a reason to differentiate.

7 Q. And the criteria, then, is not materially going  
8 to change?

9 A. No.

10 Q. Let's go to the Cereza Canyon-Gallup. That is  
11 going to be a different case book.

12 EXAMINER EZEANYIM: Okay. Now, I think I  
13 may have to ask a question before we go so that we can  
14 eliminate some of these questions.

15 CROSS-EXAMINATION

16 BY EXAMINER EZEANYIM:

17 Q. On this one -- I'm looking at the Munoz  
18 Canyon-Gallup pool. Are those wells -- start with the  
19 85 and the 54E. When were those Gallup wells drilled;  
20 do you know? Do you have an idea how long it's been  
21 producing, the first well that you show on that?

22 A. The production plots?

23 Q. Yeah, where you are trying to indicate your  
24 marginal criteria.

25 A. 1986.

1 Q. And is that about the same time most of those  
2 wells in that were drilled?

3 A. It's different vintages, I'd say. Different  
4 vintages.

5 Q. Yeah. So they are just almost going back to  
6 almost the economic limit, because they are all  
7 marginal, 100 Mcf per day, right?

8 A. Yes, Mancos production or Gallup, helped by  
9 commingling with the Dakota.

10 Q. Yes. And the other one, you talked about the  
11 BTU. What are the BTUs --

12 A. Very similar to the Trail Canyon.

13 Q. Because if you look at the other one we had,  
14 98 -- methane is 98, and this one is almost 95. So what  
15 is the typical BTU here?

16 A. A little higher than Trail Canyon, for sure,  
17 because you have higher meth- -- higher ethane -- lower  
18 ethane, not significantly higher. Just to give you some  
19 reference, the ethane is -- I think is 1,700, you know,  
20 BTUs per square foot. Your methane is 1,000. So if do  
21 the weighted average, it's a little bit -- probably  
22 1,200.

23 EXAMINER EZEANYIM: Okay. You can go back  
24 to the other one.

25 Q. (BY MR. KELLAHIN) Cereza Canyon-Gallup.

1 EXAMINER EZEANYIM: Which case?

2 MR. KELLAHIN: It's going to be Case Number  
3 15013, and this has to deal with the San Juan 27 and 5  
4 Unit, dealing with the Cereza Canyon. In this  
5 application, we're asking for the Cereza Canyon to be  
6 terminated.

7 Q. (BY MR. KELLAHIN) You have displays to share  
8 with us, Mr. Pertuso? Find the exhibit tab. What  
9 exhibit tab are we looking at?

10 A. Yes. If you go to Exhibit 18, again, the last  
11 exhibit, the first slide or exhibit you're going to see  
12 is similar to the previous one, a map to give some  
13 geographic reference.

14 The highlighted red-pink area, that's the  
15 pool. It's in the southeast quarter section of 19. We  
16 have two producers, the 138E and the 138P. When you  
17 look at the wells inside the pool, the wells outside the  
18 pool, they are producing from the common reservoirs.  
19 You don't see water production. Unfortunately, you  
20 don't see any oil production.

21 If I can have your attention to the -- if  
22 we can go to the next slide, similar to the previous  
23 exhibits we just covered, on the left-hand side, you  
24 will see the production of the San Juan 27-5 Unit, 138E.  
25 This is inside the unit. It is a tri-mingle well now

1 from the Gallup-Dakota-Mesaverde. The combined  
2 production is what you see in the upper plot. This is  
3 Mcf a day versus time. And then in the lower chart,  
4 you'll see the allocated production from the Gallup.

5 Similar story to the previous two areas: A  
6 very marginal vertical performance from the Mancos -- or  
7 Gallup, in this case.

8 If we go to the right-hand side of the  
9 slide, there is another rate-versus-time profile.  
10 That's a Mesaverde-Dakota only well. We don't have the  
11 Gallup. The point I just wanted to convey by having  
12 that is similar performing characteristics. Nothing  
13 really out of the ordinary that would make you think  
14 these pools can't be combined. Less than a barrel of  
15 water a day.

16 If we can go to the next slide, which  
17 should be familiar, the BTU table or gas-composition  
18 table. Here your BTU content should be above 1,000  
19 definitely. You have significant ethane, 1,300, 1,200.  
20 I don't expect it to be more than that. The pressures  
21 are within the limits. If you use a .6 frack gradient,  
22 taking into account the Mesaverde top curve [sic], you  
23 have like a 500 psi window. We produce against line  
24 pressure of 170 psi, so everything will go to the line.

25 And, again, as the other items, I don't see



1 any difference between the wells inside this little pool  
2 and the wells outside.

3 Q. Do you see any engineering reason not to  
4 terminate the Cereza Canyon-Gallup pool?

5 A. I don't see any.

6 MR. KELLAHIN: That concludes our  
7 presentation on this case, then, Mr. Examiner, with  
8 regard to the Cereza Canyon, Case Number 15013. Do you  
9 have any questions on this pool?

10 EXAMINER EZEANYIM: I'm going to ask  
11 questions, but go ahead.

12 Q. (BY MR. KELLAHIN) Let's turn to the last one,  
13 Mr. Pertuso. If you look at Case 15012, this is the one  
14 that has the BS Mesa-Gallup pool in it. Will you find  
15 that on Mr. Creekmore's display, so we can talk about  
16 that pool?

17 EXAMINER EZEANYIM: Which book are you  
18 looking at?

19 THE WITNESS: I'm looking at the map. We  
20 don't have technical exhibits for that. For your  
21 graphic reference, if you can take map, it should be  
22 highlighted in yellow. If you locate the Township-Range  
23 27-4, that's where this unit is at. It's next to the  
24 Cereza, next township.

25 Q. (BY MR. KELLAHIN) Let me put my question to

1     you. Mr. Creekmore's research has indicated that he had  
2     downhole-commingling approval for the Basin-Dakota and  
3     the BS Mesa-Gallup pool, and he also has a commingling  
4     approval order for -- one's for the Dakota, one's for  
5     the Mesaverde, and this Gallup pool, and that there may  
6     be a question about having a reference case with this  
7     specific pool so we can combine it with the three  
8     combinations.

9           A.     Uh-huh. Uh-huh.

10          Q.     If that's ultimately what's being required, can  
11     you describe for us how the criteria for the BS  
12     Mesa-Gallup pool would be different from any of the  
13     other Gallup pools that you've just described, or is  
14     there a single one that you can point to that is similar  
15     to the gas you've seen being produced in the  
16     Mesa-Gallup?

17          A.     Yes. If you look at the map, the Mesa-Gallup  
18     pool is surrounded by Basin-Mancos, where we're approved  
19     to do Mesaverde, Dakota and Mancos. Geologically, you  
20     don't see any difference in this pool, inside, outside,  
21     so I don't see any reason why we shouldn't be able to  
22     commingle the Mesaverde, Dakota and Gallup. We're  
23     already approved to do Gallup-Mesaverde, Gallup-Dakota.  
24     I don't see any reason why we shouldn't be doing the  
25     three of them.

1 Q. Do you have wells within this portion of this  
2 pool, within this numbered unit, which would be the San  
3 Juan 27 and 4 Unit?

4 A. We do. We do. And we have commingled  
5 Mesaverde-Dakotas.

6 Q. Do you have a sheet that you can supply to the  
7 Examiner that shows the criteria for the reference case  
8 that we might delete that exception?

9 A. Yes. It's the same criteria I just covered. I  
10 can -- if you want me, I can hand it over. Again, BTU  
11 content, pressure, flow compatibility -- BTU content is  
12 the same as we just covered in our three cases.

13 MR. KELLAHIN: To make the record clear,  
14 Mr. Examiner, if you'll allow me after the hearing, I  
15 will have Mr. Pertuso prepare that in a more formalized  
16 exhibit and submit it to you after the hearing. This  
17 will deal with the reference case for the BS  
18 Mesa-Gallup. So with that submittal, then, there will  
19 be no question that we do have regulatory approvals for  
20 these various combinations.

21 EXAMINER EZEANYIM: BS Mesa-Gallup, what  
22 case number is that?

23 MR. KELLAHIN: This will be case Number  
24 15012.

25 EXAMINER EZEANYIM: 12.

1 MR. KELLAHIN: Yes, sir.

2 EXAMINER EZEANYIM: Okay.

3 MR. KELLAHIN: I have no more questions of  
4 Mr. Pertuso. We would move the introduction of his  
5 exhibits. First of all, in Case 15011, it's the  
6 information behind tab 17. In Case 15014, it's the  
7 information behind tab 17. In Case 15013, it's the  
8 information behind tab 18.

9 THE WITNESS: Correct.

10 EXAMINER EZEANYIM: Those two you want  
11 submitted?

12 MR. KELLAHIN: Yes, sir.

13 EXAMINER EZEANYIM: Okay. Exhibits 17 and  
14 18 will be admitted.

15 (ConocoPhillips/Burlington Resources  
16 Exhibit Numbers 17, Case 15011; 17, Case  
17 Number 15014; 18, Case 15013 were offered  
18 and admitted into evidence.)

19 EXAMINER BROOKS: No questions.

20 EXAMINER EZEANYIM: Do you have any  
21 questions, Mr. Goetze?

22 EXAMINER GOETZE: No questions.

23 EXAMINER EZEANYIM: Very good. We can  
24 proceed now.

25

## RECROSS-EXAMINATION

1  
2 BY EXAMINER EZEANYIM:

3 Q. We didn't talk about fluid-compatibility  
4 issues, all of them. I know in three of those cases,  
5 you are asking for a section on those. Can you talk  
6 more about fluid-compatibility issues for those three  
7 pools you are trying to commingle?

8 A. Yeah. I would be concerned -- for instance, if  
9 you have one formation making water that is incompatible  
10 with the water being produced from another formation,  
11 that will -- for instance, a scale -- existence of a  
12 scale that would jeopardize production. We have  
13 production, and we have combination of these reservoirs  
14 in all these three, and we do not see anything that will  
15 indicate that these fluids may harm performance.  
16 Besides, on top of that, there is no water being  
17 produced. Hydrocarbons are similar. You have no oil.

18 So, basically, when we talk about -- I  
19 think when we talk about fluid comparability, you know,  
20 the combination of the fluids may cause some  
21 wellbore-integrity issues and performance issues, and we  
22 don't have fluid. And if we have some, it's not -- we  
23 have a lot of production that proves that they don't  
24 pose any risk to the performance.

25 Q. I wanted you to get it on the record, because,

1 you know, it's not on the record. That's why I asked  
2 that question, so we get it on the record.

3 A. Okay.

4 Q. Okay. Very good.

5 We talked about valid issues, and we talked  
6 about marginal issues. We talked about all the issues,  
7 but we never talked about allocation formalized, because  
8 this is very important. How do you intend to allocate  
9 production in these pools, because some of them have  
10 divided ownership. They are not all identical. We  
11 never talked about it, and I need to know how you're  
12 going to address that question if we want to, you know,  
13 give you a blanket approval.

14 A. Sure. We typically tri-mingle wells. We  
15 allocate using a spinner test. What this is is, we run  
16 using wireline spinner. Then when you -- based on the  
17 revolution -- you have the flow flowing through that  
18 spinner, and you can translate the speed of that spinner  
19 into a flow. So what we do is, we run the spinner just  
20 above the lowest formation, and you wait for that rate.  
21 You have that individual rate of the Dakota, for  
22 instance. You move up. You put the spinner on top of  
23 the Mancos. You get a rate. You know, the difference  
24 between the previous one recorded and this one, that's  
25 coming from the Gallup. And then you keep moving up.

1 That's how we do it.

2 Q. And because, you know, it has to be really  
3 looked at very critically, because once we give you a  
4 blanket -- it's something we look at there, if you  
5 submit an application, but since you are not going to be  
6 submitting an application, maybe submitting just a C-103  
7 with the district, so we don't need to approve those.  
8 Of course, you still have to write it down how you want  
9 to allocate, but the Engineering Bureau will want to  
10 look at it to make sure it's correct, to make sure we're  
11 protecting correlative rights, because -- you know that  
12 we have diverse [sic] ownership, right?

13 A. Yes.

14 Q. So that's what we are going to do. We need to  
15 look at it critically to make sure that we are doing the  
16 right thing. So in that case, it's an approval, you  
17 know, so you don't have to come here anymore and  
18 streamline the process. Then you go to District 3, and  
19 then they can approve it. That's if the application is  
20 approved. See what I mean?

21 A. Yes.

22 Q. So you are only using the spinner test. That's  
23 how you get your allocations?

24 A. Typically, and it's an approved method.

25 Q. You were talking about marginal economic

1 criteria. You know, I know that you have talked about  
2 valid issues and everything. Marginal economic criteria  
3 wells are -- you know, they are just --

4 A. The capital required to drill a well -- when  
5 you factor in the capital, the money up front, compared  
6 to the cash flows you're going to receive from the sales  
7 of the hydrocarbons being produced from the Gallup,  
8 these are not enough under current conditions to pay for  
9 the well.

10 Now, if you combine production from the  
11 three formations in the same wellbore, then everybody  
12 splits the costs, and you can make it work. That's  
13 really what I meant by that. I mean, when you're  
14 going -- when you drill a Gallup well, you are passing  
15 through the Mesaverde, and it's just 1,000 feet extra,  
16 and you get the Dakota. So your extra cost is minimum,  
17 and you can get three streams.

18 Q. Just like the extra costs of notification,  
19 according to Mr. Creekmore. You're talking about  
20 \$10,000 whenever you want to -- whenever you want to do  
21 any surface commingling. I don't know how much it costs  
22 you, but that's what he implied.

23 Anyway, I'm trying to scrutinize this  
24 because, you know, it's very important, because it's  
25 just like giving you a blanket approval. So I need to



1 ask all the questions to determine what we need to do.

2 So don't take it that I'm trying to be hard on you or  
3 anything.

4 A. No problem.

5 EXAMINER EZEANYIM: Anyone have any other  
6 questions?

7 EXAMINER BROOKS: No, sir.

8 EXAMINER EZEANYIM: Any other questions?

9 MR. KELLAHIN: That concludes our  
10 presentation, Mr. Examiner.

11 EXAMINER EZEANYIM: At this time, all the  
12 six cases will be taken under -- Case Numbers 15011, 12,  
13 13, 14, 15 and 16 will be taken under advisement.

14 MR. KELLAHIN: Thank you.

15 EXAMINER EZEANYIM: Thank you.

16 (Case Numbers 15011, 15012, 15013, 15014,  
17 15015 and 15016 conclude, 10:45 a.m.)

18

19

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22

23

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25

I do hereby certify that the foregoing is  
a complete record of the proceedings of  
the Examiner hearing of Case No. \_\_\_\_\_  
heard by me on \_\_\_\_\_

\_\_\_\_\_, Examiner  
Oil Conservation Division

1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, New Mexico Certified  
6 Court Reporter No. 20, and Registered Professional  
7 Reporter, do hereby certify that I reported the  
8 foregoing proceedings in stenographic shorthand and that  
9 the foregoing pages are a true and correct transcript of  
10 those proceedings that were reduced to printed form by  
11 me to the best of my ability.

12 I FURTHER CERTIFY that the Reporter's  
13 Record of the proceedings truly and accurately reflects  
14 the exhibits, if any, offered by the respective parties.

15 I FURTHER CERTIFY that I am neither  
16 employed by nor related to any of the parties or  
17 attorneys in this case and that I have no interest in  
18 the final disposition of this case.

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MARY C. HANKINS, CCR, RPR  
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New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2013

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