

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

6 APPLICATION OF HUNTINGTON ENERGY,
7 L.L.C. FOR APPROVAL OF A FEDERAL
8 EXPLORATORY UNIT, WHICH INCLUDES
9 MINERALS OWNED BY THE STATE OF NEW
10 MEXICO, AS TO THE BASIN; FRUITLAND
11 COAL GAS POOL, SAN JUAN COUNTY,
12 NEW MEXICO.

CASE NO. 15117

ORIGINAL

10 REPORTER'S TRANSCRIPT OF PROCEEDINGS

11 EXAMINER HEARING

12 May 1, 2014

13 Santa Fe, New Mexico

15 BEFORE: PHILLIP GOETZE, CHIEF EXAMINER

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18 This matter came on for hearing before the
19 New Mexico Oil Conservation Division, Phillip Goetze,
20 Chief Examiner, on Thursday, May 1, 2014, at the New
21 Mexico Energy, Minerals and Natural Resources
22 Department, 1220 South St. Francis Drive, Porter Hall,
23 Room 102, Santa Fe, New Mexico.

22 REPORTED BY: Mary C. Hankins, CCR, RPR
23 New Mexico CCR #20
24 Paul Baca Professional Court Reporters
25 500 4th Street, Northwest, Suite 105
Albuquerque, New Mexico 87102
(505) 843-9241

1 APPEARANCES

2 FOR APPLICANT HUNTINGTON ENERGY, L.L.C.:

3 THOMAS PATRICK DUGAN, ESQ.
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1 (8:19 a.m.)

2 EXAMINER GOETZE: Let's move to the first
3 case on the docket. That's Case 15117, application of
4 Huntington Energy, L.L.C. for approval of a Federal
5 Exploratory Unit, which includes minerals owned by the
6 State of New Mexico, as to the Basin; Fruitland Coal Gas
7 Pool, San Juan County, New Mexico.

8 Call for appearances.

9 MR. DUGAN: Tom Dugan on behalf of the
10 Applicant, Huntington Energy. I have two witnesses
11 today.

12 EXAMINER GOETZE: Very good. Would the
13 witnesses please stand? State your name for the court
14 reporter, and she will swear you in.

15 MR. MANKIN: Mike L. Mankin.

16 MR. ESTRADA: Erick J. Estrada.

17 EXAMINER GOETZE: Please proceed.

18 MR. DUGAN: I would call Mr. Mankin first.

19 MIKE L. MANKIN,

20 after having been first duly sworn under oath, was
21 questioned and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. DUGAN:

24 Q. Would you state your name and address for the
25 record, please?

1 A. Yes. It's Mike L. Mankin, 15 Road 3120 Aztec,
2 New Mexico 87412.

3 Q. And what is your current occupation?

4 A. I am a contract landman for Huntington Energy,
5 L.L.C.

6 Q. Can you summarize, briefly, your education and
7 experience as it relates to petroleum land matters?

8 A. Yes. I was a surface land manager for
9 ConocoPhillips. I retired in 2011 after 32 years,
10 started an independent land business in 2011 and have
11 been independent for the past three years.

12 Q. And can you describe some of the types of job
13 responsibilities you had during your years with
14 ConocoPhillips?

15 A. Yes. Various lease acquisitions, surface
16 acquisitions, real estate acquisitions, with an emphasis
17 on petroleum land management.

18 MR. DUGAN: I'd move for the admission of
19 Mr. Mankin as an expert in petroleum land matters.

20 EXAMINER GOETZE: He is so qualified.

21 MR. DUGAN: Thank you.

22 Q. (BY MR. DUGAN) Mr. Mankin, would you turn to
23 Exhibit Number 1 in your exhibit binder?

24 A. Yes, sir.

25 Q. And would you identify that for us?

1 A. It's State/Federal/Fee Exploratory Unit Unit
2 Agreement for the Development and Operation of the Atsa
3 Unit Area in San Juan County, New Mexico.

4 Q. And this is the unit agreement for the proposed
5 unit?

6 A. Yes, sir.

7 Q. And has this been preliminarily approved by the
8 Bureau of Land Management and the State Land Office?

9 A. Yes, it has.

10 Q. Can you describe the type of acreage that is
11 covered by the unit in terms of federal, state and
12 private?

13 A. Yes. There is a little over 14,000 acres
14 within the proposed unit area. Approximately 96 percent
15 is federal minerals. The remaining is state minerals.

16 Q. Are there any private minerals?

17 A. No, sir.

18 Q. Are there any unleased minerals?

19 A. No, sir.

20 Q. Would you describe briefly the three exhibits
21 which are attached to Exhibit Number 1?

22 A. Exhibit A is the unit area, describes the unit
23 area outlined, identifying the various tracts. Exhibit
24 B is the ownership breakout in those tracts. Unit C is
25 a typical log for that area.

1 Q. What formation is covered by the proposed unit?

2 A. Basin Fruitland Coal.

3 Q. And is this a divided or undivided application?

4 A. Undivided.

5 Q. Can you explain that?

6 A. Yes. Undivided is -- there are no
7 participating areas, and it's all equal across -- equal
8 across the acreage -- proposed acreage.

9 Q. And how did the Applicant obtain its interest
10 in the proposed unit land?

11 A. Through a farm-out agreement with Burlington
12 Resources.

13 Q. And representatives of Burlington are here
14 today in the room?

15 A. Yes, sir.

16 Q. And has Burlington approved or ratified,
17 executed Exhibit Number 1?

18 A. Yes.

19 Q. And prior to the farm-out, is it accurate to
20 say Burlington owned 100 percent of the working interest
21 in the committed areas within the unit?

22 A. Yes.

23 Q. And is Huntington the designated operator under
24 the operating agreement?

25 A. Yes.

1 Q. Would you look briefly at Exhibits 1A through
2 1H and tell us what those are?

3 A. 1A is the ratification under the operating
4 agreement by Burlington.

5 Q. You can just describe them in general. You
6 don't have to --

7 A. Oh. They're all ratifications where the
8 operating agreement was ratified.

9 Q. The unit agreement?

10 A. Yes, unit operating agreement.

11 Q. And with these ratifications, is it accurate to
12 say that 100 percent of the owners of interests in the
13 committed tracts have joined to ratify?

14 A. Yes, 100 percent.

15 Q. Out of the total acreage in the proposed unit,
16 what percent of the acreage is committed?

17 A. The proposed area. It's like 93 percent; 7
18 percent is not participating.

19 Q. If I was to suggest that 7.7 percent is not
20 committed to the unit and 92.3 committed, would that be
21 even more accurate?

22 A. That would be real accurate (laughter). I was
23 doing general terms.

24 Q. And the numbers and percentages that you have
25 just testified about are slightly increased from those

1 set forth in the application as it was originally
2 submitted to the OCD. And was that because other
3 ratifications came in?

4 A. Yes. We've received other ratifications since
5 that time.

6 Q. Can you describe the tracts that are
7 uncommitted?

8 A. Yes, sir. There are four separate tracts that
9 are not committed to the unit. It is the northeast
10 quarter of Section 5 of 25-13 South, the northwest
11 quarter of Section 20, 25-13, the northeast quarter of
12 Section 28, 25-13 and the entire section of 29.

13 Q. And who owns the leasehold in those units?

14 A. Elm Ridge Exploration and Dugan Production.

15 Q. And do you expect them to continue to be
16 noncommitted?

17 A. Yes.

18 Q. Are there any existing wells within the
19 committed portions of the unit that produce from the
20 second formation?

21 A. Yes. It's a well located in the northeast
22 quarter of Section 16, state minerals. It's the Whodo
23 [phonetic] #1.

24 Q. Who is the operator of that one?

25 A. Burlington Resources.

1 Q. Would you look at Exhibit Number 2 and identify
2 it for us?

3 A. It's the unit operating agreement for the OXY
4 Unit.

5 Q. And, again, has this been executed or ratified
6 by the two working interest owners, Huntington and
7 Burlington?

8 A. Yes, sir.

9 Q. Now, in your opinion, is there sufficient
10 percentage of the total unit committed to the unit in
11 order to support effective management and development of
12 the area on a unitized basis?

13 A. Yes, sir.

14 Q. Would you turn to Exhibit Number 3 and identify
15 it for us?

16 A. It's a letter from the Department of the
17 Interior to Mr. Steve Goetzinger, with Huntington
18 Energy.

19 Q. Is this the letter by which the BLM gave
20 preliminary approval for this unit?

21 A. Yes, it is.

22 Q. Again, the BLM has the vast majority of the
23 acreage?

24 A. Yes, sir.

25 Q. Would you look at Exhibit 3A, and is this a

1 follow-up letter from the BLM?

2 A. Yes. It's a follow-up letter to Mr. Timmy
3 Woodroof who helped us with applying for the unit
4 source.

5 Q. And in this letter, does it reflect that the
6 initial obligation well was changed in terms of its
7 location?

8 A. Yes.

9 Q. And that the BLM approved that change?

10 A. Yes.

11 Q. Then would you look at Exhibit Number 4,
12 please, and tell us what that is?

13 A. It's a letter to provide preliminary approval
14 from the State Land Office, Commissioner of Public
15 Lands, Ray Powell.

16 Q. And if you would look at Exhibit Number 5. I
17 think you might have covered most of this, but does this
18 reflect the acreage that is committed versus the acreage
19 that is not committed, if you look at the top of the
20 second page?

21 A. Yes.

22 Q. And just to clarify any confusion, the bottom
23 seems to suggest there were three pages, but it was a
24 spreadsheet on the computer, and when it printed out, it
25 was two pages?

1 A. Yes, sir.

2 Q. If you could skip to Exhibit 11, which is the
3 last one in the package, did you assist my office in
4 sending out notices with regard to this matter?

5 A. Yes.

6 Q. And did you or your company assemble Exhibit A,
7 which is a list of persons receiving notice?

8 A. Yes.

9 Q. And is Exhibit B the notice which was sent out
10 to all those addressees?

11 A. Yes.

12 Q. And were the names on the notice list all those
13 who own mineral interests within the proposed unit?

14 A. Yes.

15 Q. Or interest of any kind?

16 A. Yes.

17 MR. DUGAN: All right. I would move for
18 the admission of Exhibits 1 through 5 and 11.

19 EXAMINER GOETZE: Well, we're going to
20 clarify that a little bit more. Exhibits 1, 1A through
21 H, and 3 and 3A and --

22 MR. DUGAN: 2.

23 EXAMINER GOETZE: -- and 4 and 11 --

24 MR. DUGAN: And 2.

25 EXAMINER GOETZE: -- and 2 --

1 MR. DUGAN: Yes.

2 EXAMINER GOETZE: -- are so admitted.

3 (Huntington Energy, L.L.C. Exhibit Numbers
4 1, 1A through 1H, 2, 3, 3A, 4, 5, and 11
5 were offered and admitted into evidence.)

6 MR. DUGAN: Pass the witness.

7 CROSS-EXAMINATION

8 BY EXAMINER GOETZE:

9 Q. A quick question with regards to there were no
10 unlocatable mineral interest owners?

11 A. No, sir.

12 Q. So you were able to find everybody?

13 A. Yes, sir.

14 Q. In that case, I have no further questions for
15 this witness.

16 MR. DUGAN: All right. You're released.

17 The next witness is Erick Estrada.

18 ERICK J. ESTRADA,

19 after having been first duly sworn under oath, was
20 questioned and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. DUGAN:

23 Q. Would you state your name and address for the
24 record, please?

25 A. Erick J. Estrada. Address is 3001 Knudson

1 Avenue, Farmington, New Mexico 87401.

2 Q. And is Exhibit Number 6 in the binder your
3 current resume?

4 A. Yes.

5 Q. Could you briefly touch on your education and
6 experience?

7 A. I graduated from the New Mexico Institute of
8 Mining and Technology with a bachelor's of science in
9 petroleum and natural gas engineering.

10 Q. And how many years have you been working since
11 your graduation?

12 A. Approximately nine-and-a-half years.

13 Q. And can you give us a quick summary of your
14 experience as it pertains -- your work experience as it
15 pertains to the San Juan Basin and the Basin Fruitland
16 Coal Formation?

17 A. I've worked all nine-and-a-half years within
18 the San Juan Basin itself. The first five years was
19 with ConocoPhillips. I carried different roles. Mostly
20 it was with completions and also reservoir engineering
21 and performing various resource assessments as it
22 pertains to the Fruitland Coal.

23 MR. DUGAN: I'd move for the admission of
24 Mr. Estrada as an expert in petroleum engineering.

25 EXAMINER GOETZE: He is so qualified.

1 Q. (BY MR. DUGAN) Mr. Estrada, can you tell us,
2 generally, what is the plan for development of this unit
3 and the Basin Fruitland Coal Formation?

4 A. Huntington Energy is proposing -- or going
5 to -- sorry -- drill ten wells within the unit, divided
6 into two different drilling campaigns, five wells in the
7 initial campaign and five wells in the subsequent
8 campaign.

9 Q. All right. And if you would look at Exhibit 7,
10 in formulating your opinions here today, did you rely on
11 work performed by the geologist, Edward Coalson?

12 A. Yes, I did.

13 Q. And is this his affidavit?

14 A. Yes, it is.

15 Q. And attached to it is a geologic report which
16 you used?

17 A. Yes.

18 Q. And is this the type of information that you
19 would typically rely on in the course of your practice?

20 A. That's correct.

21 Q. Would you look at Exhibit 8 and tell us what it
22 is?

23 A. Exhibit 8 is a type log within one mile to the
24 unit. It shows a log. It's a type log of gamma ray and
25 density porosity. And the main indicator is where the

1 coal is present within the vertical portion of this
2 area.

3 Q. How about Exhibit Number 9?

4 A. Exhibit 9 is an isopach map from Edward
5 Coalson. It identifies the thickness of the Basin
6 Fruitland Coal surrounding the unit and within the unit
7 and an interpretive estimation of what we expect to be
8 the thickness within the unit.

9 Q. And what is the expected thickness of the coal
10 in this area?

11 A. It would range between minimal 20 feet to a
12 size of around 35 feet.

13 Q. Can you tell us what Exhibit Number 10 is?

14 A. Exhibit 10 is also an isopach map of the
15 Fruitland Coal. It identifies the actual well names
16 within the unit boundaries.

17 Q. All right. And in your opinion, based on the
18 materials that you've reviewed in connection with this
19 application, is the proposed area suitable for
20 development in the Fruitland Coal Formation as a
21 unitized area?

22 A. Yes.

23 Q. Why do you say that?

24 A. The coal is continuous, and that's an important
25 factor in the development of coal.

1 Q. And would it be efficient and more economical
2 to conduct operations on a unitized basis?

3 A. Yes.

4 Q. Can you tell us why the initial well location
5 was changed to the northeast quarter of Section 17 in
6 25-13?

7 A. Several reasons. The main reasons would be
8 it's the deepest portion -- the deepest portion of the
9 unit where we expect the coal to be, where we expect,
10 actually, to have high pressure, and also it's closer to
11 within the existing infrastructure that's closest to the
12 Whodo #1.

13 Q. Do you plan to develop the area using pods?

14 A. Yes. That's an important factor in developing
15 coal, to develop multiple wells within an area to
16 produce efficiently.

17 Q. Now, you understand that this is an application
18 on an undivided basis?

19 A. Yes.

20 Q. And will production be allocated on the basis
21 of acreage?

22 A. Correct.

23 Q. And will the owners of interest in the various
24 committed tracts receive their fair and equitable share
25 of production?

1 A. Yes.

2 Q. In your opinion, will approval of the proposed
3 Federal Exploratory units prevent waste and protect
4 correlative rights?

5 A. Yes.

6 Q. That's all I have.

7 MR. DUGAN: I would move for the admission
8 of Exhibits 6 through 10.

9 EXAMINER GOETZE: Exhibits 6 through 10 are
10 so admitted.

11 (Huntington Energy, L.L.C. Exhibit Numbers
12 6 through 10 were offered and admitted into
13 evidence.)

14 MR. DUGAN: And I pass the witness.

15 EXAMINER GOETZE: At this time, I do not
16 have any questions for you, sir.

17 So I am through with this witness.

18 MR. DUGAN: That concludes my presentation.

19 EXAMINER GOETZE: Very good. Then Case
20 15117 will be taken under advisement.

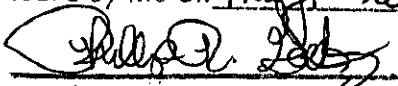
21 (Case Number 15117 concludes, 8:38 a.m.)

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25

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 15117
heard by me on May 2014
 , Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

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
MARY C. HANKINS, CCR, RPR
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