

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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

ORIGINAL

CASE 15334

APPLICATION OF ENCANA OIL & GAS (USA) INC.
TO RESCIND ORDER R-13929 APPROVING THE
HUTTON CANYON FEDERAL EXPLORATORY UNIT AND
TO AMEND ORDER R-13930 TO EXPAND THE BETONIE
TSOSIE WASH FEDERAL EXPLORATORY UNIT AND
THE CORRESPONDING BETONIE TSOSIE WASH UNIT Hz
OIL POOL, RIO ARRIBA AND SAN JUAN COUNTIES,
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING
JUNE 25, 2015
Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
SCOTT DAWSON, EXAMINER
GABRIEL WADE, LEGAL EXAMINER

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This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMILLAN,
Chief Examiner, Scott Dawson, Examiner, and Gabriel
Wade, Legal Examiner, on June 25, 2015, at the New
Mexico Energy, Minerals, and Natural Resources
Department, Wendell Chino Building, 1220 South St.
Francis Drive, Porter Hall, Room 102, Santa Fe, New
Mexico.

REPORTED BY: ELLEN H. ALLANIC
NEW MEXICO CCR 100
CALIFORNIA CSR 8670
PAUL BACA COURT REPORTERS
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1 A P P E A R A N C E S

2 For the Applicant

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10 ALSO PRESENT: Adrienne B. Wood
 11 Adelen Wood

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12 I N D E X

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13 CASE NUMBER 15334 CALLED

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14 ENCANA OIL & GAS (USA) INC. CASE-IN-CHIEF:

14

15 WITNESS MONA L. BINION

15

	Direct	Redirect	Further
16 By Mr. Feldewert	8		

17

EXAMINATION

18 Examiner Dawson	21		
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18 Examiner McMillan	25		
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19 Examiner Wade	25		
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20 WITNESS ERIK GRAVEN

	Direct	Redirect	Further
21 By Mr. Feldewert	29		

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23 EXAMINATION

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24 Examiner Dawson	36		
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25 Reporter's Certificate			PAGE
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1 (Time noted 2:08 p.m.)

2 EXAMINER McMILLAN: What we are going to do
3 is we are going to case No. 15334. At this time I would
4 like to open case 15334, Application of Encana Oil & Gas
5 (USA) Inc. to Rescind Order R-13929 Approving the Hutton
6 Canyon Federal Exploratory Unit and to Amend Order
7 R-13930 to Expand the Betonie Tsosie Wash Federal
8 Exploratory Unit and the Corresponding Betonie Tsosie
9 Wash Unit Horizontal Oil Pool, Rio Arriba and San Juan
10 Counties, New Mexico.

11 Call for appearances.

12 MR. FELDEWERT: May it please the Examiner,
13 Michael Feldewert with the Santa Fe Office of Holland
14 and Hart appearing on behalf of the applicant. And I
15 have two witnesses here today.

16 EXAMINER McMILLAN: Any other appearances?

17 MS. ADRIENNE WOOD: Yes, Adrienne Wood.

18 EXAMINER WADE: And I think -- Ms. Wood, as
19 a preliminary matter, I'll just ask the same exact
20 question, did you receive notice of this particular
21 hearing?

22 MS. ADRIENNE WOOD: Yes, I did.

23 EXAMINER WADE: And did you file a
24 prehearing statement in this matter?

25 MS. ADRIENNE WOOD: No, I did not.

1 EXAMINER WADE: Like I asked in the previous
2 hearing, do you have specific grounds that you'd like to
3 discuss as to why this should be continued?

4 MS. ADRIENNE WOOD: No, not at this time.

5 Excuse me. Actually, I do want to make a
6 statement as to why I would like to have a continuance.

7 I am requesting a continuance because I
8 would like to seek legal representation for the reasons
9 that, as an interest owner, not only myself but my
10 siblings, we all do not live within the State of New
11 Mexico. There are some of us who live in, you know, for
12 example, Montano, California, Texas, Massachusetts. And
13 for every time that we get a hearing notice, we are not
14 able to appear. Therefore, we would like to get legal
15 representation for someone to speak on our behalf.

16 EXAMINER WADE: Mr. Feldewert, do you oppose
17 the motion to continue the case?

18 MR. FELDEWERT: Yes, sir.

19 EXAMINER WADE: And if you could just
20 reiterate your grounds, please.

21 MR. FELDEWERT: Yes. The parties did
22 receive notice. They received notice in a timely
23 fashion and were instructed clearly what was required in
24 order for them to appear as a party in reference to the
25 attorneys.

1 I understand there are a number of allottees
2 who live out of state. I was just glancing at our
3 allottee list that was put into evidence. There's
4 Idaho, there's Arizona, there's Virginia, California.
5 So there's nothing unique about that.

6 And the addresses that are utilized are
7 maintained -- that we have are either from the
8 companies' records based on payments they've made to
9 these allottees in the past or from the Federal Indian
10 Minerals Office. So I don't see any unusual grounds
11 here for asking on the day of the hearing for a
12 continuance.

13 EXAMINER McMILLAN: At this time we will
14 deny the motion for a continuance and the case will
15 proceed.

16 MS. ADELENA WOOD: Can I say something?

17 EXAMINER WADE: Sure.

18 MS. ADELENA WOOD: I think that -- I'm
19 Adelena Wood. I'm from El Paso, Texas. I think the
20 part that's unusual is that we are brand-new landowners.

21 And I don't know if my mother ever had legal
22 representation to approve any of the things that they're
23 doing on our land. So I think we have every right to
24 say yeh or neh as to what's going on with our property.

25 EXAMINER WADE: And the same questions I

1 will ask you, you did receive actual notice of this
2 hearing?

3 MS. ADELENA WOOD: Yes.

4 EXAMINER WADE: And did you file a
5 prehearing statement?

6 MS. ADELENA WOOD: That was like a day or
7 two before, I mean that was like --

8 EXAMINER WADE: And I don't think what the
9 OCD is saying is that you can't go seek legal
10 representation. But in the balance, we have everybody
11 here, witnesses from out of state, but we'll go ahead
12 and proceed and hear the case.

13 MS. ADRIENNE WOOD: We are from out of state
14 as well.

15 EXAMINER WADE: I would advise, speak with
16 an attorney and see what they have to say about it.

17 MR. FELDEWERT: Again, we have two witnesses
18 that need to be sworn.

19 EXAMINER McMILLAN: Okay. Witnesses, please
20 be sworn in.

21 (WHEREUPON, the presenting witnesses were
22 administered the oath.)

23 MONA L. BINION
24 having been first duly sworn, was examined and testified
25 as follows:

DIRECT EXAMINATION

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BY MR. FELDEWERT:

Q. Please state your name, identify by whom you are employed and in what capacity?

A. My name is Mona Binion. I'm employed with Encana Oil and Gas. And I'm a land negotiator responsible for the San Juan Basin.

Q. And have -- how long have you been employed with Encana?

A. I've been employed with Encana for 11 years.

Q. And have your responsibilities included the San Juan Basin of New Mexico?

A. It has.

Q. Have you previously testified before this Division as an expert in Petroleum Land Matters?

A. I have.

Q. And your credentials were accepted and made a matter of public record?

A. They have.

Q. Are you familiar with the application filed in this case?

A. I am.

Q. And are familiar with the status of the lands in the subject area?

A. I am.

1 MR. FELDEWERT: I would tender Ms. Binion as
2 an expert witness in Petroleum land matters.

3 EXAMINER McMILLAN: So qualified.

4 Q. Ms. Binion, if I have you turn to what has been
5 marked as Encana No. Exhibit 1 and then Encana
6 Exhibit No. 2, are these the orders that are the subject
7 of the hearing today?

8 A. They are.

9 Q. And were both of these orders issued on the same
10 date, that being November 10th, 2014?

11 A. Yes, they were.

12 Q. And if I look at the first order, order 13929,
13 that is the order that created the Hutton Canyon unit;
14 is that correct?

15 A. Yes, it was.

16 Q. And also created with that unit an associated
17 horizontal oil pool?

18 A. Yes, it did.

19 Q. Then if I turn to what's been marked as Encana
20 Exhibit No. 2, Order 13930, is that the order from the
21 Division issued on the same date that created the
22 Betonie Tsosie Wash Unit?

23 A. Yes, it did.

24 Q. And also created an associated horizontal oil
25 pool for that unitized area?

1 A. Yes, it did.

2 Q. And both of these pools provided for 330 foot
3 setbacks from the outer boundary of the unit, correct?

4 A. They did.

5 Q. Now the provisions in both of these orders
6 require final approval by the Bureau of Land Management;
7 is that correct?

8 A. That's correct.

9 Q. Did the company obtain final approval from the
10 Bureau of Land Management?

11 A. No, they did not.

12 Q. So as a result neither order for the associated
13 pools are currently in effect, correct?

14 A. That is correct, they are not.

15 Q. And what does the company seek under this
16 application?

17 A. We seek to have a rescission of order number
18 R-13929, termination of that pool and that unit and an
19 expansion of order R-13930, which is the Betonie Tsosie
20 Wash, to incorporate the area formally covered by the
21 Hutton Canyon order and an expansion to the south of
22 lands which were not covered by either order, and to
23 have simultaneously a pool to be expanded to cover all
24 of that area, which is approximately 13,000 acres, a
25 little over 13,000 acres.

1 Q. And by pool, you mean the same pool that was
2 approved for the Betonie Tsosie Unit under the
3 initial --

4 A. The same pool just expanded to cover additional
5 acres.

6 Q. Okay. Now knowing a picture is worth
7 1,000 words, if we go to Encana Exhibit No. 3, does this
8 depict the two units approved by the orders and then the
9 expanded area?

10 A. Yes, it does.

11 Q. Would you please explain how that's shown in this
12 particular exhibit?

13 A. Yes. The lighter blue -- it's hard to tell. But
14 the lighter blue outlines show the original orders that
15 were issued. The Hutton Canyon Unit and the pool order
16 R 13929 is the very northern outline, wider blue
17 outline. The center outline, the lighter blue outline,
18 is Betonie Tsosie Wash Unit Pool.

19 OCD order R 13930 are the two original orders.
20 The darker bold black outline is the combination of the
21 Hutton Canyon and the Betonie Tsosie original outlines
22 plus an expansion to the south of both of those outlines
23 to a create a new larger area to be known as the new
24 expanded Betonie Tsosie Wash Unit encompassing
25 approximately 13,000-plus acres.

1 Q. And what's the nature of that acreage?

2 A. It's made up of federal leases and allotted
3 Indian leases.

4 Q. And does the application that was filed with the
5 Division contain the correct legal description for this
6 expanded unit area?

7 A. It does.

8 Q. Does Encana Exhibit No. 4 contain a copy of the
9 unit agreement that will cover this enlarged area?

10 A. It does.

11 Q. Is this unit agreement virtually identical to the
12 unit agreement that was approved -- or under the unit
13 agreement that currently governs the approved -- or was
14 going to govern the approved Betonie Tsosie Unit?

15 A. It is.

16 Q. So, again, just like in the prior cases, it
17 applies only to horizontal wells?

18 A. Only to horizontal wells. It is limited to one
19 individual in one unitized formation. And it is in a
20 divided format of unit.

21 Q. And will it be a single participating area?

22 A. Correct.

23 Q. So the benefit is that everyone who's involved in
24 the unit area will share based on their acreage basis in
25 the production from all the wells within the unit?

1 A. Correct.

2 Q. What is the -- based on what the BLM has
3 instructed, what will be the effective date of this
4 particular unit agreement?

5 A. The effective date of the unit agreement is
6 expected to be October 1st, 2014.

7 Q. And as you get towards the end of the unit, does
8 it contain a revised Exhibit A identifying the acreage
9 again and then also a revised Exhibit B showing the new
10 interest?

11 A. Yes.

12 Q. If I turn to what has been marked as paragraph
13 number three in Exhibit No. 4 of this unit agreement,
14 does that identify the unitized interval?

15 A. It does.

16 Q. Does it correctly identify the unitized --

17 A. Yes, it does.

18 Q. I'm not going to make the court reporter
19 write it, but as it's laid out in paragraph three, that
20 is the new unit --

21 A. Correct.

22 Q. And is that the same interval that was approved
23 previously by the Division?

24 A. It's the same identical unitized interval that
25 was described and included in the pool order and the

1 unit agreement previously submitted to the Division in a
2 prior order.

3 Q. Now, there's one aspect of the existing order for
4 the Betonie Tsosie Unit that I noted. And that is the
5 spelling of "Betonie," correct?

6 A. Correct.

7 Q. Now, the unit agreement spells "Betonie" with two
8 "n's"; correct?

9 A. Yes.

10 Q. Whereas the existing order only used one?

11 A. Correct. The correct spelling is two "n's".

12 UNIDENTIFIED FEMALE VOICE: No, it's not,
13 ma'am. It's "B-e-t-o-n-i-e." That's the correct way.
14 And we told them it was one "n" and not two.

15 THE WITNESS: Well, that's the way our
16 geologist --

17 MR. FELDEWERT: Hold on. I don't know who
18 just spoke.

19 Q. (By Mr. Feldewert:) But I think the point here
20 is is this a BLM form that was used last year as
21 Exhibit No. 4?

22 A. Exhibit 4 is the BLM form that was given to us,
23 the name that was generated for this unit was generated
24 by a geologist that works for Encana. And the name was
25 given to us and the spelling for that name was given to

1 us by the geologist. It was not -- so --

2 Q. Does it matter to you if it is one "n" or two
3 "n's"?

4 A. Not really.

5 Q. I will leave it up to the Division.

6 A. If you would prefer that we leave it at one, if
7 that is the local correct spelling for that, because I
8 think it was named after a local feature. I think we
9 would probably prefer to stick with the correct local
10 spelling.

11 Q. So do we have permission from the company here to
12 have "Betonie" stay with one "n" rather than two?

13 A. Certainly.

14 Q. So what I'm going to do is put an X on my
15 Exhibit 4 through the second "n."

16 A. Right. Because final paperwork hasn't been sent
17 in to the BLM. We can certainly correct that.

18 Q. Okay. If I turn to what's been marked as Encana
19 Exhibit 5, we just referenced the unitized interval in
20 paragraph three of the unit agreement. And it
21 referenced a well there; do you recall that?

22 A. Correct.

23 Q. Is this the type well that corresponds with the
24 well that is identified in the unit agreement?

25 A. Correct.

1 Q. And it shows again from a picture standpoint the
2 unitized interval?

3 A. Yes, it does.

4 Q. Now, are there more than one working interest
5 owner involved in this expansion?

6 A. Yes. There are more than -- there's several
7 working interest owners involved in this unit.

8 Q. Have some of them signed the joint operating
9 agreement that will govern the expanded unit operations?

10 A. There have been some that have signed the
11 ratification to the operating agreement, yes.

12 Q. And are you still awaiting signatures for other
13 working interest owners?

14 A. Yes, we are.

15 Q. And will that be in place before it will be
16 finalized?

17 A. We anticipate having 100 percent signature.

18 Q. Okay. You are seeking an expansion of this
19 unitized area and encompassing what was previously the
20 Hutton Canyon Unit, correct?

21 A. Correct.

22 Q. Was that something that you discussed with the
23 BLM?

24 A. Yes.

25 Q. Was the BLM in favor of that? Was it their idea?

1 What was their reaction?

2 A. It was actually a suggestion of the BLM from our
3 very first presentation of these two units. We
4 presented both units at the same meeting, and it was
5 their suggestion to put both units together. So, yes,
6 they were in favor of it, they encouraged it.

7 Q. Have you since visited with the BLM about this
8 expanded unit area?

9 A. Yes.

10 Q. And in those discussions was the Federal Indian
11 Minerals Office, FIMO, also involved?

12 A. They were represented at the BLM meeting, yes.

13 Q. And did both agencies indicate that they were in
14 favor of this expanded unit area?

15 A. Yes, they did.

16 Q. Has the Bureau of Land Management provided
17 preliminary approval of the proposed expansion --

18 A. They have.

19 Q. I turn to what's been marked as Encana Exhibit 6.
20 Is that a copy of the approval -- preliminary approval
21 letter from the BLM?

22 A. Yes. It's a letter dated June 17th, 2015, from
23 the Bureau of Land Management indicating preliminary
24 approval of this area as a logical area federal unit.

25 Q. And is it copied -- this preliminary approval

1 letter, is it copied to the Federal Indian Minerals
2 Office?

3 A. It is.

4 Q. Has Encana already drilled the initial
5 development well?

6 A. We have.

7 Q. And if I then turn to what has been marked as --
8 going back to Encana Exhibit 3, this is our map of the
9 unit area, does it not only show the outlines of the two
10 current units and then the outline of the expanded unit,
11 but does it also show the pools that are in this
12 particular area?

13 A. It does.

14 Q. And what pools are involved with this expanded
15 unit acreage?

16 A. The pools that are included inside the expanded
17 unit area are the original Hutton Canyon Unit Pool
18 created by Order R-13929, the Betonie Tsosie Wash Unit
19 Pool created by order R-13930, the Alamito Gallup Pool
20 and the Basin Mancos Gas Pool.

21 Q. Now, is the -- is the Hutton Canyon Pool, the
22 Betonie Tsosie Wash Pool, and the Alamito Gallup Pool,
23 are they all subject to 330 foot setbacks?

24 A. Yes, they are.

25 Q. And is the Basin Mancos Gas Pool subject to 660

1 foot setbacks?

2 A. Yes, it is.

3 Q. And your application seeks to expand the tiny
4 horizontal oil pool previously approved by the Division
5 to cover this additional acreage?

6 A. Yes, it does.

7 Q. And it provides for 330 foot setbacks?

8 A. Yes, it does.

9 Q. Accordingly, does the expansion here then only
10 impact the offsetting acreage in the Basin Mancos Gas
11 Pool?

12 A. That's what it does, yes.

13 Q. And did the company identify in preparation for
14 this hearing and provide notice to the affected parties
15 in the acreage in the Basin Mancos Gas Pool offsetting
16 your expansion area?

17 A. Yes, it did.

18 Q. Did the company also identify and provide notice
19 to the Indian allottees and the working interest owners
20 within the expanded unitized area?

21 A. Yes, we did.

22 Q. If I turn to what's been marked as Encana
23 Exhibit 7, is this an affidavit with attached letters
24 providing notice of the application and hearing to these
25 various parties?

1 A. Yes.

2 Q. And if I look at the letters, there are three
3 letters that went out on the same day, correct?

4 A. Correct. There is one letter dated June 5th that
5 went to the Indian Allottee mineral owners that are the
6 owners of mineral interests under the BIA leases that
7 are within the boundaries of the federal unit, of the
8 proposed federal unit.

9 There is a June 5th letter to the offsetting
10 interest owners, offsetting the area that was affected
11 by the Basin Mancos 660 foot setback rule.

12 And then there are -- there is one letter that
13 was addressed to the working interest owners that are
14 within the boundary of the expanded federal unit,
15 proposed federal unit.

16 Q. And then behind these letters is a multipage
17 document obtaining numerous names of the parties that
18 have been notified, correct --

19 A. Correct.

20 Q. -- along with the tracking number for the
21 certified mailings?

22 A. Yes.

23 Q. In addition to this notice, was notice by
24 publication provided in newspapers of general
25 circulation in both Rio Arriba and San Juan Counties?

1 A. Yes.

2 Q. And if I turn to Exhibit No. 8, the first page is
3 an affidavit of publication in the Farmington Daily
4 Times; is that correct?

5 A. Correct.

6 Q. And then the second and third pages comprise an
7 affidavit of publication in Santa Fe New Mexican?

8 A. Yes.

9 Q. Were Encana Exhibits 1 through 8 prepared by you
10 or compiled under your direction and supervision?

11 A. Yes.

12 MR. FELDEWERT: And Mr. Examiner, I would
13 move the admission into evidence of Encana Exhibits 1
14 through 8.

15 EXAMINER McMILLAN: Exhibit 1, Exhibit 2,
16 Exhibit 3, Exhibit 4, Exhibit 5, Exhibit 6, Exhibit 7,
17 and Exhibit 8 may now be accepted as part of the record.

18 (WHEREUPON, ENCANA OIL & GAS (USA) INC.

19 EXHIBITS 1 through 8 WERE OFFERED AND
20 ACCEPTED.)

21 MR. FELDEWERT: And that concludes my
22 examination of this witness.

23 EXAMINATION BY EXAMINER DAWSON

24 EXAMINER DAWSON: How are you, Ms. Binion?

25 THE WITNESS: A little nervous.

1 EXAMINER DAWSON: I just have a couple of
2 questions. The BLM, when you proposed the separate
3 units to them before the Hutton Canyon and the Betonie
4 Tsosie Wash units and they did not sign the unit
5 agreement, because they wanted to incorporate the two
6 units and also include the new acreage that you guys are
7 going to prospect -- is that the reason?

8 THE WITNESS: No, sir.

9 We never submitted it to them in final form
10 to sign. When we took it back to our offices and
11 reevaluated our programs, how we wanted to proceed with
12 how we were going to format all the drilling and the
13 permitting and the design of our whole program, there
14 was some thought within the team as to how we wanted to
15 orient our wells, because there was still some
16 evaluation going on whether we are were going to
17 continue to drill, east, west; north, south. There was
18 a lot of testing going on.

19 And the trend was going further and further
20 toward transverse drilling. And it was more and more
21 difficult for us to get any locations approved through
22 the existing, you know, orders -- I mean the existing
23 rules to drill transfers, plus it was -- we were finding
24 that it was going to be much more conducive to drill in
25 units and develop good pattern for surface use.

1 And speaking with the BLM and talking to
2 them more and more about surface use and developing
3 better plans for surface use, we quickly decided to go
4 with larger sized units and putting those units together
5 before we ever got to the point of submitting the final
6 units. So we never submitted them. They did not turn
7 the units down. We just didn't submit them.

8 EXAMINER DAWSON: And on the unit agreement
9 itself, you have a -- it was entered into the first day
10 of October 2014, and that would be the effective date.

11 THE WITNESS: It would be the retroactive
12 effective date once it becomes effective, but it's not
13 effective until the final approval by the BLM.

14 So, in other words, it goes into effect when
15 the BLM approves it, and it's retroactive back to the
16 2014 date, which is prior to the date of the first well
17 that was drilled.

18 EXAMINER DAWSON: So there won't be any
19 re-booking or reallocation?

20 THE WITNESS: There will be, because the
21 well was drilled back in 2014.

22 EXAMINER DAWSON: Okay. And they were in
23 agreement with that?

24 THE WITNESS: Yes.

25 EXAMINER DAWSON: And then when you plan to

1 form the new unit and you are consolidating those lands
2 with the two former units in the new south half there,
3 what are your -- how are you going to create the pool?
4 What are you going to do with the pools that were in
5 those units? Are you going to have one new pool for the
6 hole area?

7 THE WITNESS: That is what this application
8 is for.

9 EXAMINER DAWSON: To include the former
10 pools, just consolidate them into the new area, too?

11 THE WITNESS: We are asking that the Hutton
12 Canyon be rescinded, just terminated, and that the
13 Betonie be just expanded to incorporate the new lands so
14 there'll be one pool, which is already in existence,
15 just expand to incorporate it.

16 EXAMINER DAWSON: It will it be the Betonie
17 Tsosie Wash unit bores on --

18 THE WITNESS: Exactly.

19 EXAMINER WADE: I believe you testified that
20 indeed the Hutton Canyon Unit Pool never really existed.

21 THE WITNESS: It never really went into
22 effect because it did not become effective until the
23 unit was formed. And we never went that final step,
24 so -- you know, we're asking for the rescission -- if
25 that's not the formal -- I don't know.

1 EXAMINER DAWSON: That's all the questions I
2 have. Thank you.

3 EXAMINATION BY EXAMINER McMILLAN

4 EXAMINER McMILLAN: Did you notify the
5 people in the Alamito-Gallup Pool in section 3 and 10
6 and 22-A?

7 THE WITNESS: There is no Alamito-Gallup.
8 That maybe a pool -- I'm sorry. Alamito-Gallup Pool,
9 that's got the same pool rules that we're requesting in
10 this pool order that we applied for here today. So
11 there is no difference. In fact, we are asking for the
12 same thing they've got. So, no, we did notify them.

13 EXAMINATION BY EXAMINER WADE

14 EXAMINER WADE: I have a question regarding
15 notice. I didn't quite understand based on the
16 testimony -- I understand that Hutton Canyon has the
17 same setbacks that you're requesting for the entire
18 expanded Tsosie Wash. But did you notify everybody
19 surrounding what would have been an effective Hutton
20 Canyon Pool, but never made it that far?

21 MR. FELDEWERT: What was notified,
22 Mr. Examiner, is, for example, the Hutton Canyon Pool
23 area was what was noticed when that pool was -- when
24 that order was entered for purposes of allowing 330 foot
25 setbacks. So that would remain the same. That's not

1 being changed.

2 EXAMINER WADE: So that was not re-notified.
3 I guess my concern is -- and maybe this was a mistake on
4 behalf of the OCD -- in the past it was noticed, but it
5 never received a final approval. So a pool, according
6 to the order, and, I believe, according to the
7 testimony, the pool never became effective. The unit
8 never became effective.

9 MR. FELDEWERT: Agreed. The order was
10 entered, following proper notice, the order provided for
11 allowance of 330 foot setbacks within that area after
12 proper notice. So that's not being changed. That's
13 just being subsumed within the existing --

14 EXAMINER WADE: I guess my concern is it
15 should have been re-noticed. I know the setbacks aren't
16 changing, but you're actually taking an area that you
17 never had an effective pool -- you never had an
18 effective order by not getting final approval.

19 MR. FELDEWERT: Well, I guess I don't see
20 much of a difference. For example, if the order's
21 entered by the Division like it was back in November and
22 it takes till June for the order to go into effect
23 because of the final approval by the BLM, you wouldn't
24 re-notice it.

25 In other words, let's say the BLM gave the

1 final approval today. Well, you didn't go with the
2 expansion; you wouldn't re-notice the offsetting points.
3 The order would go into effect at this point without any
4 additional notice. That's what we are trying to really
5 accomplish here.

6 So, in my opinion, I don't see a reason
7 there. No one is being effected any different than what
8 they were when the case was brought to the Division the
9 first time around.

10 EXAMINER WADE: I guess that's a good
11 question. And I may not be able to ask it in the
12 correct way. But what will be the effect of changing
13 the pool name, is that a change of a pool code, is there
14 an administrative change that we need to be concerned
15 about?

16 MR. FELDEWERT: I don't think so, because if
17 you go on the Division's website, this pool does not
18 show up. There's been no code.

19 EXAMINER WADE: Because it --

20 MR. FELDEWERT: Because the order never went
21 into effect. Now there would have been a code today if
22 the BLM had given their final approval of the two-party
23 units; then I assume you'd have a pool code put in. But
24 we never got to that point.

25 EXAMINER WADE: I guess I would have to go

1 back and look at the order. But I believe we did ask
2 the same question that Mr. Dawson had asked in the
3 previous case regarding, are there any existing setbacks
4 that are different outside of the boundary, in other
5 words, is there a 660 setback?

6 MR. FELDEWERT: Basin Mancos case.

7 EXAMINER WADE: Does that affect what would
8 have been the Hutton Canyon Unit Pool and did we put
9 that in the order so that was at least noticed?

10 MR. FELDEWERT: Yes. Because I know that we
11 noticed around the Hutton area currently within the
12 Hutton Canyon Unit area --

13 EXAMINER WADE: So, in other words, there
14 would be no objection to 330-foot setbacks on the
15 boundary of the formation of this pool?

16 MR. FELDEWERT: No, no.

17 THE WITNESS: It's in here. It is number
18 11. And Hutton Canyon, I am pretty sure, it's in the
19 same thing. I think it was in all of our orders.

20 MR. FELDEWERT: I think that's right.

21 THE WITNESS: Yes, it's in Betonie, it's in
22 both.

23 EXAMINER WADE: I don't have any further
24 questions.

25 (Discussion Among the Examiners.)

1 EXAMINER WADE: Well, how many existing
2 wells are producing?

3 THE WITNESS: Horizontal wells?

4 EXAMINER WADE: Yes.

5 THE WITNESS: One.

6 EXAMINER WADE: Just the one?

7 THE WITNESS: There's only one in this unit.

8 EXAMINER WADE: Okay.

9 EXAMINER McMILLAN: Okay. I have no further
10 questions for the witness. Thank you very much.

11 MR. FELDEWERT: I call the next witness.

12 EXAMINER McMILLAN: Thank you.

13 THE WITNESS: Thank you.

14 ERIK GRAVEN

15 having been first duly sworn, was examined and testified
16 as follows:

17 DIRECT EXAMINATION

18 BY MR. FELDEWERT:

19 Q. Could you please state your name, identify by
20 whom you're employed, and in what capacity.

21 A. Yes. My name is Erik Graven and I am a senior
22 geologist with Encana Oil and Gas.

23 Q. And how long have you been a geologist with
24 Encana?

25 A. Nine years.

1 Q. And have your responsibilities included the San
2 Juan Basin?

3 A. Yes.

4 Q. And Mr. Graven, have you previously testified
5 before this Division as an expert in petroleum geology?

6 A. Yes.

7 Q. And had your credentials accepted and made a
8 matter of public record?

9 A. Yes.

10 Q. And, indeed, Mr. Graven, didn't you testify in
11 the cases that resulted in the orders that have been
12 marked as Encana Exhibits No. 1 and No. 2?

13 A. Yes.

14 Q. And are you familiar with the application filed
15 in this case?

16 A. Yes, I am.

17 Q. And have you conducted a geologic study of the
18 lands that are the subject of this application?

19 A. I have.

20 MR. FELDEWERT: Once again, I tender
21 Mr. Graven as an expert witness in petroleum geology.

22 EXAMINER McMILLAN: So accepted.

23 Q. Mr. Graven, I want to ask you first about this
24 confusion over the name Betonie. Can you please explain
25 the origin of the spelling of Betonie using two "n's"?

1 A. Yes. The unit was named by a geologist that
2 worked this area prior to myself. But he named it using
3 two "n's" based on U.S. Geologic Survey Topographic
4 Maps. So it appears at U.S. Geologic Survey and they
5 have misspelled it on their maps, but that is currently
6 a federal document with two "n's."

7 I'm concerned there may be some confusion in the
8 future if we go back to one "n."

9 Q. So we can blame this on the U.S.G.S.

10 But those are the federal documents of record and
11 that is why perhaps there's two "n's" in the governing
12 unit agreement?

13 A. Correct.

14 Q. Are you familiar with the horizon that is being
15 unitized for this proposed enlarged unit?

16 A. Yes, I am.

17 Q. And if you turn to what has been marked as Encana
18 Exhibit 5, this was the type log referenced in the unit
19 agreement?

20 A. Yes, it is.

21 Q. And does this proposed unitized interval extend
22 across the acreage that Encana seeks to add to the
23 existing unitized interval?

24 A. Yes, it does.

25 Q. If I go to what has been marked as Encana Exhibit

1 Number 9, is this a structure map that you have prepared
2 for this case?

3 A. Yes, it is.

4 Q. And it has a number of drawings and colors on it.
5 Can you please explain to us what you're depicting here?

6 A. Yes. This map shows the outline of the expanded
7 Betonie Tsosie Unit in red. It also shows the original
8 Hutton Canyon unit outline in blue. And the original
9 Betonie Tsosie Unit outline in brown.

10 It also shows two cross sections, A, A Prime,
11 which expands from the northwest to the southeast. And
12 cross Division B, B Prime, which expands southwest to
13 the northeast.

14 Also depicted on this map are structure contours
15 on top of the Mancos Shale. These structure contours
16 are at a contour interval of 20 feet, and they show
17 gently dipping beds to the northeast.

18 These beds are roughly dipping at an angle of two
19 degrees. So it shows three gentle dips to the northeast
20 without any indication of the faulting or other
21 structural disturbances across the expanded unitized
22 area.

23 Q. So do you see any geologic impediments to
24 developing this unitized area with horizontal wells?

25 A. No, I do not.

1 Q. You mentioned that you picture two cross section
2 wells on here, A to A Prime and B to B Prime. Does the
3 A to A Prime cross section actually utilize the well
4 that is identified in the unit agreement for purposes of
5 the depicting the unitized interval?

6 A. Yes. That would be the first well to the
7 northwest in cross section A, A Prime. And that is
8 outlined with a green hexagon on this map.

9 Q. And the log for that well will actually then
10 correspond with what's been marked as Encana Exhibit
11 Number 5?

12 A. Yes.

13 Q. Let's turn to your A to A Prime cross section
14 first. Would you please explain to us how this is
15 oriented and what this shows?

16 A. This cross section as depicted on the previous
17 exhibit extends from the northwest to the southeast
18 across the expanded unitized area.

19 It depicts the unitized interval on the far left
20 of the cross section. It shows a number of logs for
21 each well. In each of those wells in the first column
22 is the gamma ray log showing increased sand content by
23 the brighter yellow colors.

24 It also shows a resistivity log in the second
25 column with increased resistivity to the right. And,

1 finally, there is a column, a third column for neutron
2 density porosity values, showing increased porosity
3 values by the red flexions to the left on the curve.

4 It also shows continuity of these unitized
5 intervals across the entire expanded unit area.

6 Q. Did you -- were you able to find a lot of wells
7 that penetrated the entire unitized interval?

8 A. No. There's a limited number of wells,
9 especially within the unit itself, that extend down
10 through the entire unitized interval. However, the
11 deeper parts of the unitized interval do appear to be
12 continuous on a regional basis across this area, so I'd
13 expect them to be continuous across the unitized area.

14 Q. So, for example, if I look on here, as you know,
15 to see continuity across the upper portion of the
16 unitized interval, would you expect it to be any
17 different on the lower portion of the unitized interval?

18 A. No, I would not.

19 Q. Now, you also did a west to east cross section;
20 is that correct?

21 A. Yes.

22 Q. If I turn to what's been marked as Encana
23 Exhibit 11, does this correspond with the wells shown on
24 Exhibit 9, B to B Prime?

25 A. Yes, it does.

1 Q. And what do you observe with respect to this
2 particular cross section?

3 A. This cross section also shows continuity of these
4 beds across the expanded unitized area without any
5 significant changes in interval thickness, especially
6 for the Gallup Formation, which is our initial primary
7 target for horizontal development.

8 Q. Mr. Graven, based on your expert opinion, are
9 there any faults, pinch-outs or geologic impediments
10 that will prevent this additional acreage from being
11 efficiently developed under the plan using horizontal
12 wells?

13 A. No, there is not.

14 Q. In your opinion, will the approval of this
15 application be in the best interest of conservation, the
16 prevention of waste, and the protection of correlative
17 rights?

18 A. Yes.

19 Q. And were Encana Exhibits 9 through 11 prepared by
20 you or compiled under your direction and supervision?

21 A. Yes.

22 MR. FELDEWERT: I would move the admission
23 into evidence of Encana Exhibits 9 through 11.

24 EXAMINER McMILLAN: Exhibit 9, Exhibit 10,
25 and Exhibit 11 are now part of the record.

1 (WHEREUPON, ENCANA OIL & GAS (USA) INC.
2 EXHIBITS 9 through 11 WERE OFFERED AND
3 ACCEPTED.)

4 MR. FELDEWERT: And that concludes my
5 examination of this witness.

6 EXAMINATION BY EXAMINER McMILLAN

7 EXAMINER McMILLAN: I will ask you a
8 question. I am looking at the expanded area. You have
9 Lybrook H 04-22 OH 080 1H, that well would now be
10 dedicated to the unit, right?

11 THE WITNESS: Yes.

12 EXAMINER McMILLAN: And when was that well
13 drilled?

14 THE WITNESS: That was drilled late last
15 year, late 2014.

16 EXAMINER McMILLAN: And it is producing.

17 THE WITNESS: Yes.

18 EXAMINER McMILLAN: When was the first
19 production of the well for the initial unit?

20 THE WITNESS: I'm not certain of the date of
21 initial production.

22 EXAMINATION BY EXAMINER DAWSON

23 EXAMINER DAWSON: Good afternoon,
24 Mr. Graven. Why did you not include that initial well
25 that was drilled in the southern part of the new

1 unitized expansion area? Why did you not include that
2 in your cross section?

3 THE WITNESS: We could have. It was just a
4 limited number of wells. We certainly could include
5 that in the cross section. It would show the same
6 continuity of the reservoir --

7 EXAMINER DAWSON: And that well is
8 producing?

9 THE WITNESS: Yes.

10 EXAMINER DAWSON: Do you know, is it a
11 commercial well?

12 THE WITNESS: We don't know that for sure.
13 We expect it will be, but we are not certain --

14 EXAMINER DAWSON: So you haven't produced it
15 long enough to ascertain whether it's commercial or not?

16 THE WITNESS: Correct.

17 EXAMINER DAWSON: Did you submit the
18 expanded area with that well in it; when you
19 preliminarily met with the BLM, did you show them that
20 well; did they have any questions about it?

21 THE WITNESS: To my recollection, they did
22 not have any questions about that well.

23 EXAMINER DAWSON: And that's a one-mile
24 lateral?

25 THE WITNESS: Yes, correct.

1 Approximately --

2 EXAMINER DAWSON: Do you know what the
3 porosity is in the zone of interest?

4 THE WITNESS: We did run a pilot log through
5 that interval. I believe it was approximately six
6 percent porosity. But I am not certain on that.

7 EXAMINER DAWSON: That's pretty common for
8 the --

9 THE WITNESS: Correct. It was typical for
10 that interval.

11 EXAMINER DAWSON: Are those wells to the
12 east of the newly expanded area over there in section 2
13 of 22 North, 8 West.

14 THE WITNESS: Yes.

15 EXAMINER DAWSON: Are those Encana wells
16 there?

17 THE WITNESS: Yes, they are.

18 EXAMINER DAWSON: Are those pretty
19 productive or commercial wells?

20 THE WITNESS: Yes, yes.

21 EXAMINER DAWSON: They are?

22 THE WITNESS: Yes.

23 EXAMINER DAWSON: I have no further
24 questions. Thank you.

25 EXAMINER McMILLAN: How are you going to

1 allocate the production back for the east, west
2 horizontal well to the entire unit, because the linemen
3 say there were no wells in the unit, and then we look at
4 your structure map and we see that well?

5 THE WITNESS: Sorry. That is really not my
6 area of expertise.

7 MR. FELDEWERT: I think the testimony was
8 from Ms. Binion that the unit obligation well has been
9 built and that is the well. And so the BLM requires
10 that the production be allocated amongst all the owners
11 within the unitized area. So everyone will share in the
12 production from that well, as well as all future wells
13 within the unitized area.

14 EXAMINER McMILLAN: Do you have any
15 questions?

16 EXAMINER WADE: I don't have any questions.

17 EXAMINER McMILLAN: I have no further
18 questions at this time. And case 15334 will be taken
19 under advisement.

20 MR. FELDEWERT: Thank you, Mr. Examiner.

21 EXAMINER McMILLAN: We will come back at
22 five after three.

23
24
25

(Time noted 3:00 p.m.)

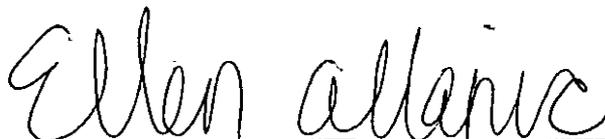
Examiner
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that the foregoing is
the proceedings in
Case No. 15334
Division
Examiner

1 STATE OF NEW MEXICO)
2) ss.
3 COUNTY OF BERNALILLO)
4
5
6

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8
9 I, ELLEN H. ALLANIC, New Mexico Reporter CCR
10 No. 100, DO HEREBY CERTIFY that on Thursday, June 25,
11 2015, the proceedings in the above-captioned matter were
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