

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:

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 FIRST AMENDED APPLICATION OF
14 BURLINGTON RESOURCES OIL & GAS
15 COMPANY, LP TO TERMINATE THE CEREZA
16 CANYON-GALLUP POOL, INCLUDING THE
17 CONCOMITANT EXPANSION OF THE
18 BASIN-MANCOS GAS POOL, AND FOR THE
19 ESTABLISHMENT OF A DOWNHOLE COMMINGLING
20 REFERENCE CASE, INCLUDING THE DELETION
21 OF NOTICE REQUIREMENTS, PURSUANT TO
22 DIVISION RULE 19.15.12.11.D, FOR ITS
23 SAN JUAN 27-5 UNIT, RIO ARRIBA COUNTY,
24 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
OIL & GAS COMPANY, LP FOR THE
6 ESTABLISHMENT OF A DOWNHOLE
COMMINGLING REFERENCE CASE,
7 INCLUDING THE DELETION OF NOTICE
REQUIREMENTS, FOR ITS HUERFANITO UNIT
8 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

12

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.

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REXCROSS-EXAMINATION

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BY EXAMINER EZEANYIM:

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

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

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

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.)

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

Oil Conservation Division, Examiner

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
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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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