

1 STATE OF NEW MEXICO
2 ENERGY, MINERAL AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4

5 April 14, 2016
6 2:07 p.m.
7 Wendell Chino Building
8 Porter Hall
9 1220 S. St. Francis Drive
10 Santa Fe, New Mexico

11 TRANSCRIPT OF PROCEEDINGS

12 CASE NO. 15369

13 (RE-OPENED): APPLICATION OF ENCANA OIL & GAS (USA) INC.
14 TO AMEND ORDER R-14090 TO EXPAND THE CROW CANYON UNIT
15 AND THE CORRESPONDING CROW CANYON UNIT, MANCOS POOL,
16 SAN JUAN COUNTY, NEW MEXICO

17 BEFORE: WILLIAM JONES, Lead Examiner
18 SCOTT DAWSON, Examiner
19 DAVID K. BROOKS, Legal Examiner
20 MICHAEL McMILLAN, Petroleum Engineering
21 Specialist

22 REPORTED BY: DEBRA ANN FRIETZE
23 PAUL BACA COURT REPORTERS
24 500 4th Street, NW, Suite 105
25 Albuquerque, New Mexico 87102

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A P P E A R A N C E S

For the Applicant:

HOLLAND & HART
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501
505.988.4421
jlkessler@hollandhardt.com
BY: JORDAN LEE KESSLER

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1 EXAMINER JONES: We have need to call Case
2 Number 15369, reopened application of Encana Oil and Gas
3 USA, Incorporated, to amend Order 14090 to expand the
4 Crow Canyon Unit and the corresponding Crow Canyon Unit
5 Mancos Pool, San Juan County, New Mexico.

6 I will call for appearances.

7 MS. KESSLER: Jordan Kessler, from the
8 Santa Fe Office of Holland and Hart, on behalf of the
9 applicant.

10 EXAMINER JONES: No other appearances?

11 MS. KESSLER: I have two witnesses today,
12 Mr. Examiner.

13 EXAMINER JONES: Okay. Mr. Dawson will be
14 the key examiner on this one.

15 [At which time Mona Binion and Erik Graven
16 were duly sworn.]

17 MS. KESSLER: I'll call my first witness.

18 MONA BINION

19 having been previously sworn under oath,
20 was questioned and testified as follows:

21 DIRECT EXAMINATION

22 BY MS. KESSLER:

23 Q. Please state your name, and tell the Examiners
24 by whom you're employed and in what capacity.

25 A. My name is Mona Binion. I'm employed by Encana

1 Oil and Gas as the land negotiator responsible for the
2 San Juan Basin.

3 Q. Have you previously testified before the
4 Division?

5 A. Yes.

6 Q. And were your credentials as an expert in
7 petroleum land matters accepted and made a matter of
8 record?

9 A. Yes.

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

12 A. Yes.

13 Q. And are you familiar with the status of the
14 subject lands?

15 A. Yes.

16 MS. KESSLER: I tender Ms. Binion as an
17 expert in petroleum land matters.

18 EXAMINER DAWSON: Ms. Binion is admitted as
19 an expert.

20 Q. (By Ms. Kessler) Ms. Binion, please turn to
21 Exhibit 1.

22 Is this the order that is the subject of
23 the hearing today?

24 A. Yes.

25 Q. Was this issued in December of 2015?

1 A. It was.

2 Q. And it approved the Crow Canyon Unit, correct?

3 A. Correct. It approved the Crow Canyon Unit and
4 created a horizontal oil pool within the boundaries of
5 the unit.

6 Q. Did the original unit include federal, state
7 and Indian allotted acreage?

8 A. Yes, it did.

9 Q. And you mentioned that there was a horizontal
10 oil pool for the unit area. Did that have 330-foot
11 setbacks?

12 A. Yes.

13 Q. And was a unitized interval identified in the
14 original order?

15 A. Yes, it was.

16 Q. Did the order require final approval from the
17 federal agencies to become effective?

18 A. Yes.

19 Q. Did the BLM ever provide final approval?

20 A. This unit has not -- I'll receive final
21 approval from the BLM or the Federal Indian Minerals
22 Office. It's still pending.

23 Q. What does Encana seek under this application?

24 A. Encana seeks to expand the outline for the
25 proposed Crow Canyon Unit and to get approval from the

1 Division for that expansion and to also expand the pool
2 created under Order R-14090.

3 Q. So will the expanded unit acreage go from
4 approximately 6,391.08 acres to 13,604.06 acres?

5 A. The opposite. It was originally approved as
6 7,212 acres, and we're adding another 6,931 acres, to
7 give us a total of 13,604 acres.

8 Q. What is the nature of the additional acreage
9 that you're seeking from --

10 A. The additional acreage is made up of federal
11 and state lands only.

12 Q. No allotted acreage?

13 A. Correct.

14 Q. Turning to Exhibit 2, is this a map showing the
15 unitized area and the expanded acreage?

16 A. Yes, it is. The area identified in red outline
17 as the application area includes both the original 7,000
18 acres and the additional 6,900 acres. And the bold
19 outline and the orange identifies the area that was the
20 original 7,212 acres under the Order R-14090.

21 Q. Did the prehearing statement contain a correct
22 legal description of the expanded acreage?

23 A. It contained a correct legal description, yes.

24 Q. Was the total amount of acreage in the
25 application slightly less than the acreage you're

1 identifying today?

2 A. It was slightly more.

3 Q. Slightly more, and --

4 A. It was slightly more. It was like 20 acres or
5 so more. And the reason for that is because one of the
6 quarter-quarters -- or several of the quarter-quarters
7 that we had described in the original application that
8 was pointed out to us by the BLM were actual lots which
9 were less than 40 acres. So we've revised that in this
10 hearing.

11 Q. But the legal has always been correct?

12 A. Yes.

13 Q. Is Exhibit 3 a copy of the Unit Agreement
14 governing the enlarged area?

15 A. Yes, it is.

16 Q. Is this actually the same agreement as the
17 original Unit Agreement?

18 A. Yes. The only modification was the change in
19 the acreage amount. It's still the form that covered
20 federal, state and allotted Indian lands.

21 Q. Does this follow the federal form?

22 A. It follows the federal form to the extent that
23 changes were made to limit the drilling of wells and the
24 unitization to cover only horizontal development. And
25 it also limits the development to the One Horizon, and

1 it also -- let's see. And that's it.

2 Q. And this agreement contains revised Exhibits A
3 and B, correct?

4 A. Yes, it does.

5 Q. Does the unitized interval remain the same as
6 was initially identified in Order R-14090?

7 A. Yes.

8 Q. And is Exhibit 4 the type log?

9 A. Exhibit 4 is what is known as Exhibit C to the
10 Unit Agreement, which is a type log which shows the
11 visual application of the unitized interval.

12 Q. And that unitized interval was referenced at
13 page 7 in paragraph 5 of Order R-14090, correct?

14 A. Correct. And it's also described in the Unit
15 Agreement under paragraph 3, I believe.

16 Q. Have all of the working interest owners in the
17 original area agreed to this expansion?

18 A. They've preliminarily agreed to the expansion,
19 yes.

20 Q. What about the interest owners in the expanded
21 area?

22 A. So far, they've all supported our plan to
23 expand.

24 Q. And have you visited with the State Land
25 Office, the BLM, FIMO, and the Oil Conservation Division

1 about this expansion?

2 A. Yes, we have.

3 Q. Is Exhibit 5 an approval letter from the BLM?

4 A. Yes, it is.

5 Q. What is the date of this letter?

6 A. This letter is dated March 31st. And it does
7 give a designation approval for 13,627 acres, which is
8 the original incorrect date, but the same land
9 description for the expanded area.

10 Q. And what is Exhibit 6?

11 A. Exhibit 6 is the approval from the State of New
12 Mexico Land Office preliminarily approving the unit plan
13 for the expanded area.

14 Q. Turning back to the BLM approval letter,
15 Exhibit 5, did this letter cc FIMO?

16 A. Yes, it did.

17 Q. And have you discussed this expansion with
18 FIMO?

19 A. Yes. The expansion was presented to the BLM
20 and FIMO at the same meeting, and they have indicated
21 their approval.

22 Q. As with the existing unit, will the expanded
23 unit be operated as a single participating area?

24 A. Yes.

25 Q. So everyone will share in the horizontal

1 production -- or in the production from horizontal wells
2 on an acreage basis?

3 A. Yes, it will.

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

6 A. We have. The initial development well, as
7 represented in the Unit Agreement, is proposed to be the
8 Escrito D30 2408 -- oh, 1H.

9 Q. And that will be identified by a second
10 witness, correct?

11 A. Yes.

12 Q. Looking at Exhibit 2, does this show the pools
13 in the area?

14 A. Yes.

15 Q. Is the expanded acreage currently in the Dufers
16 Point Gallup Dakota Pool or that buffer?

17 A. Yes. All of the expanded lands fall under the
18 rules of the Dufers Point Gallup Dakota Pool.

19 Q. Which has 330-foot setbacks --

20 A. Yes, it does.

21 Q. So the expansion doesn't impact offsetting
22 acreage because all of the offsets already have 330-foot
23 offsets?

24 A. Correct.

25 Q. Did Encana identify and provide notice to the

1 Indian allottees, working interest owners and overriding
2 royalty interest owners within the expanded and unitized
3 area?

4 A. Yes, we did.

5 Q. And is that notice included in Exhibit 1?

6 A. Yes.

7 Q. Did you also provide those interests with a
8 copy of the Unit Agreement?

9 A. Yes, we did.

10 Q. Did you also publish notice of this application
11 and hearing in a newspaper?

12 A. Yes.

13 Q. And is that Exhibit 8?

14 A. Yes, it is.

15 Q. Were Exhibits 1 through 6 prepared by you or
16 compiled under your direction and supervision?

17 A. Yes.

18 MS. KESSLER: I move Encana Exhibits 1
19 through 8 into evidence.

20 EXAMINER DAWSON: Encana Exhibits 1 through
21 8 are admitted into the record.

22 [Exhibits 1 through 8 admitted.]

23 EXAMINER JONES: Okay. I'd better pass it
24 on to Mr. Brooks here.

25 EXAMINER BROOKS: I don't think I have any

1 questions. This is simply a unit expansion, as I
2 understand it, and it's all -- you said the expansion
3 area is all in the Dufers Point?

4 THE WITNESS: Correct.

5 EXAMINER BROOKS: Now, there is a proposal
6 that is being circulated in the Division that would
7 involve some contractions of the Dufers Point, but those
8 contractions would then be put in a new pool, which
9 would also have 330-foot setbacks. So to the extent
10 that that's an issue, that's not going to change.

11 Is there a unit pool for the --

12 MS. KESSLER: There is, Mr. Examiner. And
13 we're also seeking expansion of the unit pool to conform
14 with the new unit boundaries.

15 EXAMINER BROOKS: I believe, however,
16 though, that it was represented to me in the course of
17 some conferences about the rule changes that are being
18 discussed, that it was -- in some of the orders, it was
19 expressly stated, and I've seen some -- I know which it
20 was, and I don't know about this one -- that the unit
21 pool would -- the existence of the unit pool would
22 terminate at such time as a new Mancos pool was created
23 to supersede it.

24 That language is in this order?

25 MS. KESSLER: It is, Mr. Examiner. It's

1 the last page of the order in paragraph 12.

2 EXAMINER BROOKS: Here it is. Twelve,
3 yeah.

4 Well, I don't have my maps before me. But
5 without my maps -- I can study them after the hearing,
6 when I review the order. But I'm assuming this is -- I
7 don't know what to call this color.

8 EXAMINER JONES: Rust?

9 EXAMINER DAWSON: Identify the pool on the
10 board.

11 EXAMINER BROOKS: The rust color is the
12 expansion area, right?

13 THE WITNESS: No. Are you talking about
14 the orange that's in the bold black outline?

15 EXAMINER BROOKS: Yeah.

16 THE WITNESS: That is the existing order.

17 EXAMINER BROOKS: Okay, that's the
18 existing. Then is the red --

19 THE WITNESS: The red outline would be what
20 we would add to that order.

21 EXAMINER BROOKS: Okay. I would like to
22 take a momentary recess to go upstairs and get the maps
23 that I'm working with.

24 Would that be acceptable?

25 MS. KESSLER: I think that's acceptable. I

1 would just make the point that I think the original
2 order authorizes this pool to be contracted if and when
3 that basin --

4 EXAMINER BROOKS: It does. I agree, and I
5 read the language. I just want to make sure what the
6 relationship is between what the district geologist is
7 now proposing and the requested application.

8 THE WITNESS: Well, for your information,
9 she was present when we presented this to the State, so
10 she's aware of the outline. She has all these
11 materials.

12 EXAMINER BROOKS: Well, I assume she took
13 it into consideration, but --

14 THE WITNESS: She asked me specifically
15 were we creating a new pool? And I said no, we were
16 expanding the pool that was created under the Crow
17 Canyon Unit Order. She said, "Great," so she didn't
18 seem to have a problem.

19 EXAMINER BROOKS: The only reason I'm
20 saying that is because as a title examiner, I am very
21 mindful of what happens to people who assume.

22 THE WITNESS: Okay.

23 EXAMINER BROOKS: So let us take a brief
24 recess, and then we'll come back.

25 EXAMINER DAWSON: We'll take a ten-minute

1 break.

2 [Recess taken from 2:21 to 2:28 p.m.]

3 EXAMINER BROOKS: So we're in 248 and 258,
4 right?

5 THE WITNESS: Correct.

6 EXAMINER BROOKS: Let's see, 248 and 258.
7 So if I can find the Escrito, the Dufers Point. Now,
8 that's the Escrito. And let's see, where's the Dufers
9 Point? This should be the Dufers Point; should it not?
10 I can't read what's written on there. Escrito -- I
11 can't read what's on there at all to save my neck.
12 Let's see if we can find where 248 is.

13 EXAMINER DAWSON: That has got to be 247
14 right here, so 248 is right here.

15 EXAMINER BROOKS: Yeah, I suppose that is
16 true. Then this would be the Dufers Point if that is a
17 correct interpretation.

18 MR. McMILLAN: Is it frozen?

19 THE WITNESS: Dufers Point is not frozen.
20 It's got a buffer under the Basin Mancos Gas Pool Order.

21 EXAMINER BROOKS: Well --

22 THE WITNESS: Escrito Gallup also has a
23 buffer. Both of them, those buffers overlap.

24 EXAMINER BROOKS: Yeah. If I could figure
25 out where we are here --

1 MS. KESSLER: I think they're trying to
2 determine wither or not the acreage that we're expanding
3 will be within the Basin Mancos Oil Pool as; is that
4 correct.

5 EXAMINER BROOKS: Yes, that's why it's
6 correct. Unfortunately, everything that's written on
7 here is wholly illogical. The pools don't seem to be
8 the same shape as they are on these other maps, and that
9 creates problems for me.

10 [A brief recess was taken.]

11 EXAMINER DAWSON: Let the record reflect
12 that I am satisfied that, having looked at the proposals
13 that are being circulated in the Division, that the unit
14 would be either in the proposed expansion area -- all of
15 it would be either in the Dufers Point Pool or in the
16 new proposed pool, which would also have 330-foot
17 setbacks.

18 EXAMINER DAWSON: Okay. Go ahead,
19 Ms. Kessler. You can continue with your witnesses. Is
20 that --

21 MS. KESSLER: I think I'm finished with
22 this witness. I'd just also put on the record that
23 Encana is requesting the expansion of the unit and the
24 expansion of the pool until such time as the Basin
25 Mancos Oil Pool goes into effect, because the timing on

1 that may vary.

2 So we would ask for this order and the
3 expanded pool to be considered with the understanding
4 that once the oil --

5 EXAMINER BROOKS: Well, I feel very
6 confident that this order would go into effect before
7 the new pool is approved.

8 MS. KESSLER: That concludes my examination
9 of this witness.

10 EXAMINER DAWSON: Okay. Do you have any
11 questions of the witness?

12 EXAMINER BROOKS: I have no questions.

13 EXAMINER DAWSON: Okay. I have a few
14 questions.

15 Ms. Binion, on your Exhibit 5, the letter
16 to the Bureau of Land Management, Department of the
17 Interior, are you going to get a new letter from them
18 with the corrected acreage on it, the 13,600 --

19 THE WITNESS: I'm assuming they're not
20 going to correct that because they're the ones that
21 advised me of the error in my calculations, so I wasn't
22 going to ask them for that because this is just a
23 preliminary approval of the outline itself and nothing's
24 changed there.

25 EXAMINER DAWSON: Okay. And I didn't see

1 any other indications on your Exhibit 6, the letter to
2 the Commissioner of Public Lands. I didn't see any
3 acreage on that letter, so they also gave you
4 preliminary approval on this?

5 THE WITNESS: Correct.

6 EXAMINER DAWSON: In your Unit Agreement,
7 there are no contraction clauses in this unit?

8 THE WITNESS: No.

9 EXAMINER DAWSON: And both the BLM and the
10 State Land Office are okay with no contraction clauses?

11 THE WITNESS: This is the same form we've
12 used for all the horizontal units that we've done, yes.
13 There's termination language in it. For lack of
14 adequate development, the agencies have the right to
15 terminate the unit, or if they see fit, they had could
16 contract it. But there's no automatic contraction.

17 EXAMINER DAWSON: Okay. Let's see. So
18 you're still awaiting -- I guess they wait and give you
19 final approval after the hearing or after we provide the
20 order?

21 THE WITNESS: Correct. After the hearing,
22 we'll go and secure the joinders from the parties in the
23 expansion area, whom we've already contacted, and then
24 submit all of the joinders from the original area and
25 the contracted area to the BLM for approval.

1 EXAMINER DAWSON: Okay. And you've already
2 drilled the initial proposed well in the unit?

3 THE WITNESS: Yes, sir.

4 EXAMINER DAWSON: And it's awaiting
5 completion?

6 THE WITNESS: No, it's producing. It's
7 been producing for two years.

8 EXAMINER DAWSON: Oh, okay.

9 THE WITNESS: So this would be a
10 retroactive effective date for the Unit Agreement itself
11 so that the production from day one of that well will
12 apply to the unit on a unit basis.

13 EXAMINER DAWSON: Okay.

14 MS. KESSLER: But you're not asking for the
15 order of the Division to be retroactively dated?

16 THE WITNESS: No.

17 EXAMINER DAWSON: That's all the questions
18 I have, Ms. Binion. Thank you.

19 THE WITNESS: Thank you.

20 EXAMINER DAWSON: Do you have any
21 questions?

22 EXAMINER BROOKS: No questions.

23 MR. McMILLIAN: Is the unitized interval
24 the entire Mancos?

25 EXAMINER DAWSON: The unitized interval is

1 outlined in the --

2 MR. MCMILLAN: Is it the entire Mancos
3 interval?

4 THE WITNESS: Our geologist will speak to
5 that, of what it covers.

6 MR. McMILLAN: Okay.

7 EXAMINER DAWSON: Okay, Ms. Binion. Thank
8 you.

9 Go ahead, Ms. Kessler.

10 ERIK GRAVEN

11 having been previously sworn under oath,
12 was questioned and testified as follows:

13 DIRECT EXAMINATION

14 BY MS. KESSLER:

15 Q. Would you please state your name for the
16 record?

17 A. Erik Graven.

18 Q. By whom are you employed?

19 A. Encana Oil and Gas.

20 Q. And in what capacity?

21 A. Senior geologist working on the San Juan Basin.

22 Q. Have you previously testified before the
23 Division?

24 A. Yes, I have.

25 Q. Were your credentials as a petroleum geologist

1 accepted and made a matter of record?

2 A. Yes.

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

5 A. Yes.

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

8 A. Yes, I have.

9 MS. KESSLER: I tender Mr. Graven as an
10 expert in petroleum geology.

11 EXAMINER DAWSON: He is so admitted.

12 Q. (By Ms. Kessler) Can you please turn to
13 Exhibit 9.

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

16 A. Yes, I am. It is shown in Exhibit 9. This is
17 a type log from the Anabel C1 Well in the northern
18 portion of the proposed unit. It shows the unitized
19 depths, which extend from 100 feet below the top of the
20 Mancos Shale down to the base of the Greenhorn Limestone
21 and the top of the Graneros Shale.

22 Q. Is this the same type log that was identified
23 in Order R-14090?

24 A. Yes, it is.

25 Q. And does the proposed unitized interval extend

1 across the acreage that Encana seeks to add to this
2 unit?

3 A. Yes, it does.

4 Q. Can you please turn to Exhibit 10 and identify
5 this exhibit for the Examiners?

6 A. Yes. Exhibit 10 is a structure contour map on
7 the top of the Mancos Shale. The contour interval on
8 this map is 20 feet. It shows gently dipping beds down
9 to the northeast, roughly a 2-degree dipdown on those
10 beds.

11 It also shows the outline of the proposed
12 expanded unit in red, and it shows two cross-sections,
13 AA prime and BB prime, which will be shown in following
14 exhibits.

15 In addition, the Anabel Well shown in the
16 previous exhibit is highlighted with a green hexagon on
17 this map.

18 Q. What is Exhibit 11?

19 A. Exhibit 11 is cross-section AA prime shown on
20 this previous exhibit. This cross-section extends from
21 south to north across the proposed unit.

22 Each well shows a number of logs. There is
23 a gamma ray tract in the left-hand tract of each well.
24 Just to the right of the Duff tract is a resistivity
25 tract. And finally, in the third tract to the right is

1 porosity, with increasing porosities highlighted by red
2 and deflection to the left.

3 This cross-section shows good continuity of
4 the unitized intervals across the unit, and it does not
5 show any stratigraphic pinchouts or truncations within
6 the stratigraphic intervals.

7 Q. What is Exhibit 12?

8 A. Exhibit 12 is another cross-section. It's
9 cross-section BB prime. This extends from west to east,
10 across the northern portion of the proposed unit.
11 Again, it shows the same logs and the same unitized
12 intervals, with no indication of stratigraphic pinchouts
13 or truncations in any of these unitized intervals.

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

18 A. Yes, it will.

19 Q. Is Exhibit 13 the current development plan for
20 this unit?

21 A. Yes, this is a preliminary development plan.
22 The blue lines show the proposed horizontal wells in the
23 lower portion of the Gallup Sands, and the red lines
24 show the proposed horizontal wells in the upper portion
25 of the Gallup.

1 Again, this is very preliminary. We really
2 haven't done too much recognizance out here. We don't
3 have any existing APDs in this area, except for a couple
4 that are adjacent to our existing drill, the D30 Well in
5 the southwestern corner of the unit.

6 Q. Is this the plan that was submitted to the BLM
7 and State Land Office?

8 A. Yes, it was.

9 Q. And is Encana required to submit annual
10 development plans to the authorized officer with the --
11 under the Unit Agreement?

12 A. Yes, we are.

13 Q. Has Encana drilled the initial development well
14 for this acreage?

15 A. Yes. That is the Escrito D30 24080 1H Well,
16 which was drilled in the southwest corner of the unit,
17 in Section 30.

18 Q. And under the terms of the Unit Agreement, will
19 that be treated as the initial unit well?

20 A. Yes, it will.

21 Q. Were Exhibits 9 through 13 prepared by you or
22 compiled under your direction and supervision?

23 A. Yes, they were.

24 MS. KESSLER: I move admission of Exhibits
25 9 through 13, Mr. Examiner.

1 EXAMINER DAWSON: Exhibits 9 through 13
2 will be admitted to the record.

3 [Exhibits 9 through 13 admitted.]

4 EXAMINER DAWSON: Do you have any
5 questions?

6 MR. McMILLAN: Go ahead.

7 EXAMINER DAWSON: Mr. Graven, on the
8 initial well, unit well, the Escrito D30 2408, Number
9 1H, located in Section 30, how is that well performing?
10 Is that a good well?

11 THE WITNESS: Yes, that's a very good well.
12 Initial rates on that, we're averaging approximately 460
13 barrels of oil per day. Currently, it's producing
14 around 150 barrels of oil per day.

15 It was initially completed in September of
16 2013.

17 EXAMINER DAWSON: Do you have an idea or do
18 you know how much the cume has been on that well,
19 cumulative production?

20 THE WITNESS: I am not sure specifically.
21 I believe it would be around 200,000 barrels of oil, but
22 I'm not certain on that.

23 EXAMINER DAWSON: So it's an economic well,
24 then?

25 THE WITNESS: Yes.

1 EXAMINER DAWSON: Did the Land Office or
2 the BLM do a commercial determination on that well?

3 THE WITNESS: Not --

4 EXAMINER DAWSON: I don't know if they do
5 that anymore.

6 THE WITNESS: I don't believe we've done
7 that yet, but it should be no problem at all.

8 EXAMINER DAWSON: Okay. Will all interwell
9 communication issues or problems be reported to the
10 Division?

11 THE WITNESS: Yes.

12 EXAMINER DAWSON: Okay. That's all the
13 questions I have. Thank you.

14 Do you have any questions, Mike?

15 MR. McMILLAN: Any questions?

16 EXAMINER BROOKS: I think not.

17 MR. McMILLAN: My question is: Looking at
18 Exhibit 13, is the blue the lower and the red the upper?

19 THE WITNESS: Correct.

20 MR. McMILLAN: So how come you're not
21 extending the upper northwards, essentially?

22 THE WITNESS: In the Upper Gallup Sands,
23 the porosity diminishes as we go to the north, so we
24 don't believe they are perspective at this time for
25 those particular sands. That's why we aren't planning

1 wells for those sands as we move to the north.

2 MR. McMILLAN: Okay. That's fine.

3 EXAMINER DAWSON: Now I have another
4 question, Mr. Graven. I'm sorry.

5 The initial well, the Escrito D30 248 1H,
6 is that upper or lower?

7 THE WITNESS: That's lower.

8 EXAMINER DAWSON: Lower? Okay. So that's
9 what would be extended up in the north/northeast quarter
10 up there, that same zone?

11 THE WITNESS: Correct.

12 EXAMINER DAWSON: And that's a goodwill?

13 THE WITNESS: Yes.

14 EXAMINER DAWSON: What about the upper
15 completions in the vicinity of this unit; are they doing
16 pretty well?

17 THE WITNESS: There was one well that was
18 drilled by WPX. It is shown in Section 33. It was
19 drilled from the northwest to the southeast.

20 You'll see a set of three wells, kind of in
21 that northeaster portion of that section. In the middle
22 of those wells, I believe, is an Upper Gallup Well, and
23 that was a good well. State records indicate an average
24 of 250 barrels of oil per day for production.

25 I'm not aware of any other Upper Gallup

1 horizontals adjacent to the proposed unit.

2 EXAMINER DAWSON: Do you anticipate that
3 Encana will eventually have dual laterals, one in the
4 upper end, one in the lower, from the same well?

5 THE WITNESS: I don't know.

6 EXAMINER DAWSON: Okay. That's all the
7 questions I have. Thank you.

8 MS. KESSLER: I'd ask that this be taken
9 under advisement, Mr. Examiner.

10 EXAMINER DAWSON: Case Number 15369 will be
11 taken under advisement. Thank you.

12 That concludes Case Number 15369.

13 [The proceedings concluded at 2:56 p.m.]

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1 STATE OF NEW MEXICO.
2 COUNTY OF BERNALILLO

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REPORTER'S CERTIFICATE

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11 I, DEBRA ANN FRIETZE, New Mexico Certified Court
12 Reporter No. 251, do hereby certify that I reported the
13 foregoing proceeding in stenographic shorthand and that
14 the foregoing pages are a true and correct transcript of
15 those proceedings and was reduced to printed form under
16 my direct supervision.

17

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

22

23

24

25

DEBRA ANN FRIETZE

Certified Court Reporter No. 251

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