

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

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

7 APPLICATION OF ENCANA OIL & GAS CASE NO. 15539  
8 (USA), INC. TO CONTRACT THE  
9 HORIZONTAL LIMITS OF THE  
10 NAGEEZI-GALLUP POOL (47540)  
11 IN THE MANCOS FORMATION BY  
12 EXCLUDING THE WEST HALF OF  
13 SECTION 10, TOWNSHIP 23 NORTH,  
14 RANGE 8 WEST, NMPM, SAN JUAN  
15 COUNTY, NEW MEXICO.

16 REPORTER'S TRANSCRIPT OF PROCEEDINGS

17 EXAMINER HEARING

18 September 15, 2016

19 Santa Fe, New Mexico

20 BEFORE: PHILLIP GOETZE, CHIEF EXAMINER  
21 GABRIEL WADE, LEGAL EXAMINER

22 This matter came on for hearing before the  
23 New Mexico Oil Conservation Division, Phillip Goetze,  
24 Chief Examiner, and Gabriel Wade, Legal Examiner, on  
25 Thursday, September 15, 2016, at the New Mexico Energy,  
Minerals and Natural Resources Department, Wendell Chino  
Building, 1220 South St. Francis Drive, Porter Hall,  
Room 102, Santa Fe, New Mexico.

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

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APPEARANCES

FOR APPLICANT ENCANA OIL & GAS (USA), INC.:

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EXHIBITS OFFERED AND ADMITTED

Encana Oil & Gas (USA), Inc. Exhibit Number 1 (A&B)	7
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1 (8:36 a.m.)

2 EXAMINER GOETZE: Next is Case Number  
3 15539, application of Encana Oil & Gas (USA), Inc. to  
4 contract the horizontal limits of the Nageezi-Gallup  
5 Pool (47540) in the Mancos Formation by excluding the  
6 west half of Section 10, Township 23 North, Range 8  
7 West, New Mexico Principal Meridian, San Juan County,  
8 New Mexico.

9 Call for appearances.

10 MS. KESSLER: Mr. Examiners, Jordan  
11 Kessler, from the Santa Fe office of Holland & Hart, on  
12 behalf of the Applicant.

13 EXAMINER GOETZE: Any other appearances?

14 MS. KESSLER: Mr. Examiner, this case will  
15 be presented by affidavit.

16 EXAMINER GOETZE: Very good. Proceed.

17 MS. KESSLER: Mr. Examiners, I'd like to  
18 begin with a brief overview of the history of this  
19 Section 10. This case involves Encana acreage in  
20 Section 10 of 23 North, 8 West. It is comprised of one  
21 federal lease of which Encana owns 100 percent of the  
22 working interest. Currently, the east half of the  
23 Section 10 is in the Basin-Mancos, which is subject to  
24 320-acre spacing and the west half of the  
25 Nageezi-Gallup, which is 40-acre spacing.

1                   In a prior application related to Section  
2 10, Encana requested a 640-acre nonstandard project  
3 area, which would have been a single federal lease.  
4 Encana also sought approval to downhole commingle  
5 production from their two underlying pools and requested  
6 for 330-foot setbacks. That was Case Number 15416,  
7 which resulted in Order R-14195, which is attached to  
8 the affidavit I have placed before you. The purpose of  
9 that application was to accommodate Encana's development  
10 plan for a transverse wells.

11                   In that order, R-14195, the Division  
12 granted Encana's request for 330-foot setbacks but  
13 denied downhole commingle and for a nonstandard project  
14 area.

15                   And we're here today to request approval  
16 for downhole commingling of the Nageezi-Gallup Pool  
17 contracted out of Section 10 and to be allowed to  
18 replace the Basin-Mancos Oil Pool, which, again, has  
19 320-acre spacing.

20                   In that case 141 -- 15416, Encana presented  
21 land and geology testimony, which resulted in a number  
22 of Division findings, which I'll discuss shortly.  
23 Encana's asking that the administrative record for that  
24 case be incorporated into this case.

25                   Exhibit 1, again, which I've placed before

1 you is an affidavit from Mona Binion, who is a landman  
2 with Encana, and who previously testified in 15415.

3           If we could turn to Attachment A for that  
4 case of this affidavit, this is the order from the  
5 previous case which, again, set forth certain findings.

6           In paragraph seven, the Division sets forth  
7 the finding that a single federal lease covers all of  
8 Section 10 and is already held by production. The  
9 Division also found that the east half of Section 10 is  
10 located within the Basin-Mancos Pool and requires  
11 320-acre spacing, 660-foot setbacks and that the west  
12 half of Section 10 is in the Nageezi-Gallup Pool, which  
13 is an unlisted pool and subject to 40-acre spacing.

14           And if you look to paragraph ten, on page  
15 3, the Division found that Section 10 awkwardly  
16 straddles two pools, one of which is considered a gas  
17 pool and one of which is considered an oil pool.

18           In paragraph eight, the Division found that  
19 Encana, quote, "needs flexibility in locating diagonally  
20 drilled horizontal Mancos wells within Section 10." And  
21 that's to efficiently and economically drain the  
22 underlying federal minerals.

23           Also in paragraph ten, the existence of two  
24 pools with different spacing requirements in Section 10  
25 is currently preventing Encana from creating an

1 efficient project area which would allow for the desired  
2 well pattern.

3           Looking to paragraph 12, there are no  
4 proposed or active vertical or horizontal wells drilled  
5 in the Nageezi-Gallup Pool in the west half of Section  
6 10, and, therefore, no impediments to contracting the  
7 pool out of the west half of Section 10.

8           Paragraph 13, the contraction of the west  
9 half of Section 10 of the Nageezi-Gallup Pool will  
10 result in acreage being automatically placed in the  
11 Basin-Mancos Gas Pool pursuant to Division Order  
12 R-12984, and that would allow for 320-acre spacing.

13           Finally, in paragraph 13, contraction of  
14 half of Section 10 from the Nageezi-Gallup Pool will  
15 allow Encana to, quote, "form a project area within the  
16 Basin-Mancos Gas Pool consisting of two standard gas  
17 spacing units and drill wells in the direction and  
18 density as allowed by well performance."

19           If we look back to Exhibit 1, this is  
20 Ms. Binion's affidavit, which also incorporated -- it  
21 discusses these findings. The affidavit notes that  
22 Encana does plan to drill diagonal wells. That's  
23 contained in paragraph four. And, finally, Ms. Binion  
24 states that in conformance with paragraph 13 of the  
25 Division's order, Encana is requesting that the west

1 half of Section 10 be removed from the Nageezi-Gallup  
2 Pool.

3 Attachment B to Exhibit 1 is notice that  
4 was provided to Division-designated operators in the  
5 Nageezi-Gallup Pool and to all Division-designated  
6 operators within one mile of this pool completed in the  
7 same formation, unless the pools have been assigned to  
8 another pool.

9 Mr. Examiners, with that, I'd move  
10 admission of Exhibit 1 inclusive of attachments A and B.

11 EXAMINER GOETZE: Exhibit 1, with all  
12 attachments, is so entered.

13 (Encana Oil & Gas Exhibit Number 1 (A&B) is  
14 offered and admitted into evidence.)

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

16 EXAMINER GOETZE: You don't have any  
17 questions?

18 EXAMINER WADE: No.

19 EXAMINER GOETZE: Okay.

20 Let's revisit one item. We have in the  
21 order -- or in findings, paragraph 12, we have no  
22 vertical wells. Is this still the same status?

23 MS. KESSLER: That's correct, Mr. Examiner.

24 EXAMINER GOETZE: And have we talked with  
25 Division's geologist up there?

1 MS. KESSLER: I cannot confirm that the  
2 Division's geologist has been contacted by Encana, but  
3 my understanding was the Division's geologist was  
4 contacted with respect to the order.

5 EXAMINER GOETZE: Okay. But we haven't  
6 talked to her of late? We don't know?

7 MS. KESSLER: I can confirm that,  
8 Mr. Examiner.

9 EXAMINER GOETZE: Let's find out and verify  
10 that by email before I receive an email.

11 Other than that, seeing the foundation has  
12 been laid out before, I have no further questions.

13 MS. KESSLER: Thank you.

14 EXAMINER GOETZE: And Case 15539 is taken  
15 under advisement.

16 At this time we're going to take a little  
17 bit of a break because Mr. Will Jones is going to help  
18 us with the next case, since he heard that one  
19 initially.

20 Who is presenting it?

21 MS. KESSLER: That would be me.

22 EXAMINER GOETZE: Oh, boy. There is no  
23 break for you. So let me get Mr. Jones down here, and  
24 give us five, please.

25 MS. KESSLER: Thank you.

1 (Case Number 15539 concludes, 8:44 a.m.)

2 (Recess 8:44 a.m.)

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1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

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

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

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

20

21

22 MARY C. HANKINS, CCR, RPR  
23 Certified Court Reporter  
24 New Mexico CCR No. 20  
25 Date of CCR Expiration: 12/31/2016  
Paul Baca Professional Court Reporters

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