



## 1 APPEARANCES

2 FOR APPLICANT HILCORP ENERGY COMPANY:

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9 Case Numbers 15932, 15933, 15935, 15973, 15974,  
 10 15975, 15976, 15977, 15979, 15980, 15981 and  
 15982 Called 3

11 Hilcorp Energy Company's Case-in-Chief:

12 Witnesses:

13 Charles E. Creekmore:

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15 Michelle M. Sivadon:

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## 21 EXHIBITS OFFERED AND ADMITTED

22 Hilcorp Energy Company Exhibit  
 23 Numbers 1 through 3 (in each case) 24

24 Hilcorp Energy Company Exhibit  
 Numbers 4 through 8 (in each case) 40

25

1 (1:35 p.m.)

2 EXAMINER GOETZE: Let's go back on the  
3 record. We have several cases by Hilcorp Energy Company  
4 beginning with Case 15932, which is the amended  
5 application of Hilcorp Energy Company for an exception  
6 to the well density requirements of the special rules  
7 and regulations of the Blanco-Mesaverde Gas Pool, San  
8 Juan County, New Mexico. With that, Case Number 15933  
9 is also the amended application, Case 15935 is amended  
10 application, and then Cases 15973, 15974, 15975, 15976,  
11 15977 and 15979, 15980 and 15981, and the last, 15982  
12 are also applications with the same title.

13 EXAMINER BROOKS: What happen to 15978?

14 EXAMINER GOETZE: 15978 was continued,  
15 continued to March 8th because of notice.

16 MR. FELDEWERT: Yes, sir.

17 EXAMINER GOETZE: So with that, call for  
18 appearances.

19 MR. FELDEWERT: May it please the Examiner,  
20 Michael Feldewert, with the Santa Fe office of Holland &  
21 Hart, appearing on behalf of the Applicant on these  
22 consolidated cases. I have two witnesses here today.

23 EXAMINER GOETZE: Would the witnesses  
24 please stand, identify yourself to the court reporter  
25 and be sworn in, please?

1 MR. CREEKMORE: Charles E. Creekmore.

2 MS. SIVADON: Michelle Marie Sivadon.

3 (Mr. Creekmore and Ms. Sivadon sworn.)

4 MR. FELDEWERT: Mr. Examiner, while  
5 Mr. Creekmore is coming up to the stand, I noticed one  
6 thing about our exhibit books, and that is, if you look  
7 at the cover sheet, it looks like, unfortunately, Case  
8 Number 15978 is still listed. But obviously -- but that  
9 case has been continued. The remaining cases listed on  
10 the cover sheet, you will find in the notebook under  
11 individual tabs with each individual case number. And  
12 we've been able to organize this such that each case has  
13 eight exhibits and the sequence for each of these cases  
14 are all the same, which, therefore, I think allows me to  
15 not go through this on a case-by-case basis. But  
16 instead, we will go through a couple sample cases with  
17 Mr. Creekmore and then one sample case with Ms. Sivadon,  
18 and then you'll see that their testimony will basically  
19 be the same if we did it for each case. So that's how  
20 I've been able to at least try to get this into a more  
21 digestible format without being too repetitive.

22 EXAMINER GOETZE: Well, there is another  
23 approach, and that would be change the rule, but that's  
24 no fun.

25 MR. FELDEWERT: True. True, all of which

1 is part of the goal.

2 EXAMINER GOETZE: So Case 15978 is not  
3 included in here?

4 MR. FELDEWERT: Yes, sir.

5 EXAMINER GOETZE: So noted.

6 CHARLES E. CREEKMORE,  
7 after having been previously sworn under oath, was  
8 questioned and testified as follows:

9 DIRECT EXAMINATION

10 BY MR. FELDEWERT:

11 Q. Mr. Creekmore, please state your name and  
12 identify by whom you're employed and in what capacity.

13 A. Yes. I'm Charles Creekmore. I'm employed by  
14 Hilcorp Energy Company. I'm a landman with them, and  
15 I've been employed a little over six months by them.

16 Q. Now, prior to joining Hilcorp, for whom did you  
17 work and in what capacity?

18 A. I worked the past ten years, before going to  
19 work for Hilcorp, with ConocoPhillips, all in the San  
20 Juan Basin.

21 Q. And so your responsibilities for the past ten  
22 years, as well as with Hilcorp, have included the San  
23 Juan Basin of New Mexico?

24 A. Yes.

25 Q. All right. Have you previously testified

1     before this Division as an expert in petroleum land  
2     matters?

3             A.     Yes, I have.

4             Q.     Are you familiar, Mr. Creekmore, with the  
5     applications that have been consolidated today for  
6     hearing?

7             A.     Yes, I am.

8             Q.     And are you also familiar with the special pool  
9     rules that govern the Mesaverde Formation in the subject  
10    area?

11            A.     Yes, I am.

12            Q.     And in particular, are you familiar with the  
13    well-density restrictions that are currently contained  
14    in those special pool rules?

15            A.     Yes, I am.

16                   MR. FELDEWERT:   I would once again tender  
17    Mr. Creekmore as an expert witness in petroleum land  
18    matters.

19                   EXAMINER GOETZE:   He is so qualified.

20            Q.     (BY MR. FELDEWERT) Mr. Creekmore, am I correct  
21    that the acreage at issue is subject to the special  
22    rules for the Blanco-Mesaverde Gas Pool?

23            A.     Yes, they are.

24            Q.     What are the well-location restrictions within  
25    those -- these special pool rules?

1           A.     The Blanco-Mesaverde specifies 320-acre drill  
2     blocks. Four wells can be drilled, limited to two wells  
3     per quarter section in the 320-acre drill block.

4           **Q.     And what relief does the company seek under**  
5     **each of these consolidated cases?**

6           A.     Three of the cases, we have an exception where  
7     we want three wells in a quarter section, one of --  
8     there is one well in one quarter section and two wells  
9     in another quarter section. We want to add a third well  
10    in that quarter section. In the remaining cases, we  
11    want a fifth well in the 320-acre drill block.

12          **Q.     Okay. And if you look at the special pool**  
13    **rules, do they require currently that these requests for**  
14    **exceptions be approved only after notice and hearing?**

15          A.     That is correct.

16          **Q.     That's why you're here today?**

17          A.     Yes.

18          **Q.     Would you just briefly explain to the Examiners**  
19    **why the company is seeking this increase in the well**  
20    **density for these particular 320-acre spacing units that**  
21    **are at issue?**

22          A.     When Hilcorp took over the ConocoPhillips  
23    acreage, they found several areas where there was not  
24    adequate drainage, and in those areas, they identified  
25    existing Dakota wells and facilities that were in that

1 area that could be used for that incomplete drainage.  
2 And using those existing Dakota wells to come uphole, it  
3 was economically a good target development area of  
4 overlooked incremental reserves.

5 Q. So in each of these cases, you're seeking an  
6 additional well in a circumstance where that well is  
7 currently completed in the Dakota?

8 A. Yes.

9 Q. And you want to move uphole in the Mesaverde?

10 A. Yes, that's correct.

11 Q. Has the Division granted preapproval for  
12 downhole commingling between the Dakota Formation and  
13 Mesaverde Formation Gas Pool here?

14 A. Yes, they have. Yes, they have.

15 Q. And has the company brought a reservoir  
16 engineer here today to discuss in more detail the  
17 targeting of undeveloped reserves using the existing  
18 Dakota wells?

19 A. Yes. She will be testifying.

20 Q. So I want to address with you the notice  
21 aspects of this case. Okay?

22 A. Okay.

23 Q. Generally, how did the company provide notice  
24 for each of these consolidated cases?

25 A. The adjoining drill blocks -- we notified



1 adjoining Mesaverde drill blocks on 320 acres. We  
2 notified the offsetting operator. If we are the  
3 operator on the offsetting drill block, then we noticed  
4 the other working interest owners in that particular  
5 drill block.

6 Q. Did you have circumstances where the drill  
7 block was within an existing unitized area or existing  
8 participating area for the Mesaverde in the unit?

9 A. Yes. Ten other cases are in units.

10 Q. Okay. Let's -- a picture is worth a thousand  
11 words. Let's go to Case Number 15932. Okay?

12 A. Okay.

13 Q. And I want to go to Exhibit Number 1 in that  
14 case on the first page.

15 A. Okay.

16 Q. Does this identify the 320-acre drill blocks  
17 that are at issue in these consolidated cases? So it  
18 would be Exhibit 1.

19 A. I'm sorry. I turned -- yes. This is  
20 identifies -- the first page identifies all the wells  
21 that we're here for today in the green outline, the  
22 320-acre drill blocks on all the wells we're here to  
23 testify about today.

24 Q. And what you mentioned was that some of these  
25 are in existing units and some of them are outside the

1     unit?

2           A.     Yes.

3           Q.     And if these were located within an existing  
4     unit, what type of notice did the company provide?

5           A.     We would notice -- because we're the operator  
6     of all these units, we would notice the other working  
7     interest owners within that unit.

8           Q.     Okay. And has the company discussed this  
9     infill development program with both the BLM and the  
10    State Land Office?

11          A.     Yes, we have.

12          Q.     And what has been their reaction?

13          A.     Well, we've talked with Dave Mankiewicz and Joe  
14     Hewitt with the BLM Office in Farmington, and they're  
15     very supportive with this program. And we also  
16     discussed it with Ed Martin at the State Land Office,  
17     and he's very supportive of us wanting to recomplete  
18     these wells.

19          Q.     And if I go back to the second page of Exhibit  
20     Number 1 under this particular first case, Case Number  
21     15932 --

22          A.     Yes.

23          Q.     -- does this provide the Examiner with a  
24     close-up view of the drill block that is of issue on  
25     this particular case?

1           A.    Yes.  The drill block for the fifth well is in  
2   the -- within the green outline.

3           Q.    Okay.  And in this particular case, it's  
4   outside of a unitized area, correct?

5           A.    Yes.  This is not within a unit.

6           Q.    Okay.  And the well at issue here, I believe,  
7   under this case, is the Hardie 4E?

8           A.    Yes, that's correct.

9           Q.    And that's a proposed new well in what would be  
10   Unit E of the west half of Section 24, correct?

11          A.    Yes, that's correct.

12          Q.    Now, I understand the green outline is the  
13   drill block for the 320-acre spacing unit?

14          A.    Yes.  That's the target drill block.

15          Q.    We see an outline in orange.  What's that?

16          A.    Those are all of the adjoining 320-acre spacing  
17   units to our target drill block here.

18          Q.    And for this particular case, did the company  
19   identify the operator of each of these adjoining  
20   320-acre spacing units?

21          A.    Yes.  That's BP America Production Company.

22          Q.    Okay.  So then if I turn to what's been marked  
23   as Hilcorp Exhibit Number 2 under this case, does the  
24   first page contain the parties -- the party that was  
25   notified here, BP?

1           A.    Yes.  BP was the operator of all the tracts,  
2   and yes, BP is listed here.

3           Q.    And as we'll see later if we look at other  
4   cases, this case might contain no notice of other  
5   parties?

6           A.    Yes.

7           Q.    But in this case, it was just BP because  
8   they're the offsetting operator?

9           A.    That is correct.

10          Q.    Now, if I go to the second page of this  
11   exhibit, does it provide the status of the certified  
12   notice that was provided to BP?

13          A.    Yes.  We use a mail tracking company that works  
14   with the post office that tracks our notice letters.

15          Q.    And in this case, it demonstrates that it was  
16   delivered, correct?

17          A.    That is correct.

18          Q.    Now, what I found interesting as I was going  
19   through this, Mr. Creekmore, was that each and every  
20   time it was delivered, it would provide the date, but  
21   then it would always say "Signature Pending."  What's  
22   the circumstance there?  Does that mean, for example,  
23   that there is no signature?

24          A.    No.  No.  It shows that it is delivered.  
25   Signature pending is a further step that -- we're

1     limited by what's available right now, but you can  
2     access that signature pending. But it's -- it's  
3     provided by this tracking service.

4           **Q.    Is it a limitation on the software system?**

5           A.    Yes, it is.

6           **Q.    In other words, when you actually get to the**  
7     **signatures, you've got to order it and go through**  
8     **another set of -- a number of steps?**

9           A.    Yes. You have to go through additional steps.

10          **Q.    So am I correct that just because it says**  
11     **"Signature Pending," it does not mean that there is no**  
12     **signature?**

13          A.    Correct.

14          **Q.    And it'll show each time that it was actually**  
15     **delivered?**

16          A.    Yes.

17          **Q.    And, in fact, for this particular well -- let**  
18     **me continue. If I continue through this exhibit, we**  
19     **then see on page 3 the notice letter that went out?**

20          A.    Yes. That is the notice letter that we sent.

21          **Q.    Along with the first page of the application,**  
22     **just so we know which notice letter went with what**  
23     **application?**

24          A.    Correct.

25          **Q.    And then if we page on through any particular**

1 case, BP actually waived any objection to this proposal,  
2 correct?

3 A. Yes.

4 Q. And that's reflected on the last two pages of  
5 Exhibit Number 2?

6 A. Yes.

7 Q. Okay. Nonetheless, in following the format  
8 that was used in each case, if I turn to Hilcorp Exhibit  
9 Number 3, do we see an Affidavit of Publication  
10 providing notice of this hearing that was directed by  
11 name to BP?

12 A. Yes. Out of an abundance of caution, we went  
13 ahead and published in addition to sending the notice.

14 Q. Okay. Now, are all of the notice exhibits,  
15 then, under each of these cases the same?

16 A. Correct. We used the same format.

17 Q. All right. So let's go to the next case,  
18 15933, because it's a little different. If I go to the  
19 next case, 15933, and I go to Exhibit Number 1 under  
20 that second case --

21 A. Yes.

22 Q. -- again, we see the same overview on the first  
23 page, right, of all the drill blocks?

24 A. Yes. This is the first page in each one of  
25 these different wells in each one of the cases.

1           Q.    And then in this case, when we go to the second  
2 page, we see it focuses in on the drill block. And am I  
3 correct in this particular case, the drill block is  
4 located within a unit?

5           A.    Yes. It's not only within the unit, but it is  
6 within the Mesaverde -- participating area in that unit.

7           Q.    Okay. And this particular -- the well that's  
8 at issue in this particular case is the same one, 113F?

9           A.    That is correct.

10          Q.    And that would be in Unit F of the west half of  
11 Section 10?

12          A.    Yes.

13          Q.    Got it.

14                   Okay. And then with respect -- since this  
15 was within the unit, operated by Hilcorp, what type of  
16 notice did you give then in those circumstances?

17          A.    Well, in this case, because we were the  
18 operator of the PA, we went ahead and gave all of the  
19 working interest owners in the participating area  
20 notice.

21          Q.    Okay. So then if I go to Exhibit Number 2 in  
22 this case, we see a more extensive notice list, correct?

23          A.    Yes.

24          Q.    And if I go to the second page of this exhibit,  
25 we begin to see, then, the status of the tracking pages

1     that relate to the parties on the previous page?

2           A.     Yes.

3           Q.     Now, we've talked about the signature-pending  
4     aspect of this being delivered.  There was one I noticed  
5     in here as we went through, JABCO, J-A-B-C-O --

6           A.     Yes.

7           Q.     -- that's located here, the third one -- or  
8     fourth one down.

9           A.     Yes.

10          Q.     It says, "In transit to destination."  Do you  
11     see that?

12          A.     Yes.

13          Q.     What is the circumstance with this mailing.  Is  
14     there any question about this address?

15          A.     No.  It's a good address, and we use it in the  
16     normal course of business for when we send out ballots  
17     and AFEs.

18          Q.     But for whatever reason, once it left your  
19     hands and you turned it over to the post office, their  
20     tracking device still shows it as being in transit?

21          A.     Yes.

22          Q.     And following up on your point that there is no  
23     question of the address being good, if I turn to the  
24     third page of this exhibit, before we get to the notice  
25     letter, I see, do I not, an AFE that was signed by



1 JABCO?

2 A. Yes.

3 Q. And is that AFE for this well?

4 A. Yes, it is.

5 Q. Was that AFE sent to the same address that you  
6 sent notice to?

7 A. Yes, it was.

8 Q. So that's what you utilize all the time,  
9 including this well, for the normal course of business?

10 A. That is correct.

11 Q. All right. Then finally, if I turn to, again,  
12 Hilcorp Exhibit Number 3 in this case, do we, once  
13 again, have an Affidavit of Publication that is now  
14 directed to each of the parties listed on the first page  
15 of Exhibit Number 2?

16 A. Yes. Again, out of an abundance of caution, we  
17 went ahead and published in addition to sending out the  
18 notice letters.

19 Q. Now, just for fun, I want to do one more, but  
20 we'll skip the next one because there is nothing unique  
21 about that one. So let's go to Case 15973, which is the  
22 fourth one. So I'm at Case Number 15973, which I  
23 believe, Mr. Creekmore, involves the 138F well?

24 A. Yes.

25 Q. And if I look at Exhibit Number 1, go to that

1 second page, I see a close-up of the drill block?

2 A. Yes.

3 Q. And what I wanted to point out here,  
4 Mr. Creekmore, is that this particular well, San Juan  
5 138F, is your well at issue?

6 A. Yes.

7 Q. But it's actually in Unit A, right, of the east  
8 half of Section 19?

9 A. Yes.

10 Q. So what I want to point out is the designation  
11 of the well doesn't always mean that that's the unit  
12 it's in?

13 A. Correct.

14 Q. All right. Now, again, we see this as in the  
15 unit. So you gave notice to all the working interest  
16 owners?

17 A. All the working interest owners in the  
18 participating area, yes.

19 Q. Now, if we go to Exhibit Number 2, you see the  
20 first page of everyone that got notice, right?

21 A. Yes.

22 Q. And if we go to the second page, the tracking  
23 sheet, I begin to see it's one, two, three pages long?

24 A. Yes.

25 Q. So there are a lot more names on here than on

1     **the first list?**

2           A.     Yes.   What we did -- quite frankly, to save  
3     money and time, many of these parties were in numerous  
4     of these cases, so we sent one packet with all the  
5     notice letters in the packet to the different owners  
6     when they owned in numerous of these cases.

7           Q.     Okay.   So let me stop you right there.   So we  
8     had kind of a subgroup here of cases that were  
9     continued, two of which we just looked at.

10          A.     Yes, some of those.

11          Q.     We now have new filings which begin with Case  
12     15973 and extend to 15982?

13          A.     Yes.

14          Q.     And did you utilize -- therefore, since you did  
15     these multiple mailings, does the tracking sheet in each  
16     of those cases look exactly like we see in Exhibit  
17     Number 2 for Case 15973?

18          A.     Yes.

19          Q.     It contains all these names?

20          A.     Right.

21          Q.     Okay.   But the individuals who actually got  
22     notice for each particular case is always shown on the  
23     first page of that Exhibit Number 2?

24          A.     That is correct.

25          Q.     Okay.   So, for example, here, if I look at the

1 tracking sheet, I see in the second line "BOFB" listed.

2 Do you see that?

3 A. Yes.

4 Q. But I don't see them on the first page of  
5 Exhibit 2?

6 A. Correct.

7 Q. That's because they're not an interest owner in  
8 this particular --

9 A. Correct.

10 Q. But they're on the tracking sheet because you  
11 used the same tracking sheet for all cases?

12 A. Right.

13 Q. All right. Let's stay there for a minute  
14 because I noticed that BOFB -- it says on this tracking  
15 sheet, "Reminder to schedule delivery of your item." Do  
16 you see that?

17 A. Yes.

18 Q. Is there -- first off, I guess that's out of  
19 your control, right?

20 A. Yes.

21 Q. The company turns it over for mailing --

22 A. Right.

23 Q. -- and for whatever reason, they're  
24 rescheduling.

25 Is there any question about this address

1     **for BOFB?**

2           A.    No.  Again, it's an address that has been good  
3   in the past and we've used before.

4           **Q.    Then I look at the -- I look at the mailing**  
5   **status for BP America Production Company.  Do you see**  
6   **that?**

7           A.    Yes.

8           **Q.    "In transit"?**

9           A.    Yes.

10          **Q.    You've got the address there?**

11          A.    Yes.  That address is good.  We've used it  
12   before, and it's also the same address that we used in  
13   the first case that was delivered.  So --

14          **Q.    So for whatever reason, it's still in transit?**

15          A.    Yeah.

16          **Q.    But no doubt about the address?**

17          A.    No.  It's the same address.

18          **Q.    Then if I continue on down, there is an**  
19   **individual -- or company -- I'm sorry -- second page,**  
20   **Camille Mosbacher?**

21          A.    Yes.

22          **Q.    Shows that's still in transit.**

23          A.    Yes.

24          **Q.    Any question about that address?**

25          A.    Well, we actually received a letter back from

1 her.

2 Q. Okay. So we know that address is good?

3 A. Yes.

4 Q. And is that the address that is routinely used  
5 for --

6 A. Yes.

7 Q. -- these -- general business with respect to  
8 these various units?

9 A. Right. Right.

10 Q. Because these are working interest owners?

11 A. Right.

12 Q. Then we talked about JABCO.

13 A. Right.

14 Q. This is the same entry for JABCO, "in transit."  
15 We talked about that.

16 If I go down to the third page, there is an  
17 entry there for Sharon Beamon about halfway down?

18 A. Right.

19 Q. Not Susan, but Sharon.

20 A. Yes.

21 Q. Says the same thing?

22 A. Yes. And we've used it repeatedly.

23 Q. Okay. And, again, she's a working interest  
24 owner, and that's the address you use in the normal  
25 course of business with her?

1           A.    Yeah.  Yes.

2           Q.    Finally, the fourth on the bottom, Tierra  
3   Pobre, "Reminder to reschedule redelivery."

4           A.    Yes.

5           Q.    Any question about that address?

6           A.    Actually, that's the same address we used for  
7   the January hearings, and it was accepted and good.

8           Q.    Okay.  So no question there?

9           A.    No.

10          Q.    But out of an abundance of caution in each  
11   case, if we turn to Exhibit Number 3 --

12          A.    Yes, sir.

13          Q.    -- the company has provided an Affidavit of  
14   Publication for this particular case directed by name to  
15   each of the interest owners for that case?

16          A.    Yes.

17          Q.    So it will match the first page of Exhibit  
18   Number 2?

19          A.    All those parties are listed in there.

20          Q.    Okay.  If you and I went through this same  
21   exercise for each of these cases that are in this  
22   notebook, would your testimony be the same?

23          A.    It would be, yes.

24          Q.    And in your opinion, Mr. Creekmore, has the  
25   company engaged in an extensive effort to provide notice

1 of this hearing to the affected parties?

2 A. Yes, we have.

3 Q. And this is the second go-around, right? We  
4 had a series of cases before the Division previously?

5 A. Yes.

6 Q. At any point in time, has any of these affected  
7 parties objected to the relief sought?

8 A. No.

9 Q. Were Hilcorp Exhibits 1 through 3 in each of  
10 these consolidated cases prepared by you or prepared  
11 under your direction and supervision?

12 A. Yes, they were.

13 MR. FELDEWERT: Mr. Examiner, I would move  
14 into evidence Hilcorp Exhibits 1 through 3 in each of  
15 those consolidated cases.

16 EXAMINER GOETZE: Exhibits 1 through 3 for  
17 each of the cases in the consolidated cases are accepted  
18 into record.

19 (Hilcorp Energy, Co. Exhibit Numbers 1  
20 through 3 for each case are offered and  
21 admitted into evidence.)

22 MR. FELDEWERT: That concludes my  
23 examination of this witness.

24 EXAMINER GOETZE: Mr. Brooks?

25 EXAMINER BROOKS: No questions.



1                   EXAMINER GOETZE: Having gone through the  
2 history of this and the question that was raised by  
3 Mr. Wade Gabriel, I think you've addressed most of what  
4 I've seen.

5                   One clarity: The first three cases are  
6 amended. Is that a result of the notification, or is  
7 that --

8                   MR. FELDEWERT: I think there was a -- I  
9 think it varied. There may have been an amendment to  
10 the description of the well where it was located, as I  
11 recall.

12                  EXAMINER GOETZE: Okay. But it was nothing  
13 specific -- I mean specific in each case, an overall  
14 pattern?

15                  MR. FELDEWERT: Correct.

16                  EXAMINER GOETZE: Based on reading the  
17 previous effort, I have no questions. It seems to be  
18 very thorough.

19                  MR. FELDEWERT: We'll call our next  
20 witness.

21                  EXAMINER GOETZE: Please.

22                               MICHELLE M. SIVADON,  
23 after having been previously sworn under oath, was  
24 questioned and testified as follows:

25

1 DIRECT EXAMINATION

2 BY MR. FELDEWERT:

3 Q. Would you please state your name, identify by  
4 whom you're employed and in what capacity?

5 A. Yes, sir. Michelle Marie Sivadon, Hilcorp  
6 Energy Company, senior reservoir engineer.

7 Q. And so do your responsibilities as senior  
8 reservoir engineer include the San Juan Basin?

9 A. Yes.

10 Q. Do you have a petroleum engineering degree?

11 A. Yes, I do.

12 Q. What year did you get that?

13 A. I got it in August of 1993 from Texas A & M  
14 University.

15 Q. Ms. Sivadon, have you previously testified  
16 before this Division as an expert in reservoir  
17 engineering?

18 A. Yes, sir.

19 Q. And are you familiar with the applications that  
20 are filed in these consolidated cases?

21 A. Yes, sir.

22 Q. And have you conducted a study of the Mesaverde  
23 gas reservoir in the subject area?

24 A. Yes, sir.

25 MR. FELDEWERT: I would once again tender

1 Ms. Sivadon as an expert witness in petroleum reservoir  
2 engineering.

3 EXAMINER GOETZE: She is so qualified.

4 Q. (BY MR. FELDEWERT) Before we get to any  
5 particular exhibit, would you explain to the Examiners  
6 the analytical approach -- the analytical approach that  
7 the company used to determine where it was feasible and  
8 prudent to recomplete a Dakota well into the Mesaverde?

9 A. Yes, sir. We did volumetric calculations on  
10 original gas in place in the Mesaverde reservoir across  
11 the entire Basin. We then also looked at cum gas  
12 produced across the entire Basin again in the Mesaverde.  
13 We did the volumetric calculation of taking the original  
14 gas in place, backing out what's been produced to come  
15 up with what we estimate to be the remaining gas in  
16 place, again across the entire Basin. Used the  
17 petrophysical properties from logs, water saturations,  
18 porosities, net pay counts, and we identified areas in  
19 which we don't feel like we're draining all the reserves  
20 with the current or historical Mesaverde take points and  
21 that we had Dakota producers located in particular areas  
22 where there are estimated to be undrained reserves that  
23 we could capture by adding the Mesaverde to that Dakota.

24 Q. And based on your analysis, this is not a  
25 circumstance where you were accelerating the production

1 of reserves that would be produced by existing take  
2 points, is it?

3 A. Correct.

4 Q. Instead, you've targeted areas where your  
5 analysis indicates that the existing take points are not  
6 efficiently and effectively producing the recoverable  
7 reserves?

8 A. Correct.

9 Q. And is that true for each of these cases?

10 A. Yes, sir.

11 Q. Now, let's turn to the pictures of the work  
12 that was done. Let's use Case 15933.

13 A. Okay.

14 Q. So that is the second case, I think. Yeah. If  
15 I turn to what's been marked as Exhibit Number 4 under  
16 the second case, Case 15933 --

17 A. Yes, sir.

18 Q. -- it's labeled "Mesaverde Original  
19 Gas-in-Place" at the top. Now, first off, this  
20 particular case involves the San Juan 27-5 Unit 113F  
21 well. Okay?

22 A. Okay.

23 Q. How is that identified on this Exhibit Number  
24 4?

25 A. That particular well is identified on this

1 Exhibit Number 4 as the red star down towards the lower  
2 right corner.

3 Q. Okay. And now with that orientation here, what  
4 is -- what are you showing here with all the colors and  
5 all the dashed lines?

6 A. Yes, sir. As I was describing earlier, we've  
7 calculated original gas in place for the Mesaverde  
8 across the entire Basin, used the petrophysical  
9 properties. And the different colors show different  
10 levels of the calculated original gas in place. The  
11 warmer colors being the greens, yellows, oranges and  
12 reds are indicative of higher volumes of gas originally  
13 in place.

14 We also have denoted on here a red blob,  
15 for lack of a better word, outlined that's labeled  
16 "Fractured Area." That's where the Mesaverde does have  
17 natural fractures existing. And so you'll see that  
18 somewhat overlays the area where we're calculating the  
19 higher gas in place. And so natural fractures do lean  
20 towards higher volumes.

21 And then we also have a blue line going  
22 from the northwest to the southeast denoted as  
23 "Cliffhouse water-line." Again, looking at  
24 petrophysical properties and logs, we are able to  
25 determine that the Cliffhouse is wet along this blue

1 line, so anything to the left or below that line, the  
2 Cliffhouse, which is the uppermost sand in the  
3 Mesaverde, will be wet.

4 Q. Okay. Then if I go to Hilcorp Exhibit Number  
5 5, do I see the same contour map but with a different  
6 analysis?

7 A. Yes, sir. This covers the same, exact area  
8 that we just looked at in Exhibit Number 4. This is  
9 representative of the cumulative gas that's been  
10 produced across the entire Basin, the colors again  
11 representing the same. The warmer colors, green,  
12 yellow, orange and red, are indicative of higher gas  
13 volumes being produced.

14 And so I'll highlight the red star again  
15 towards the lower, right corner, our proposed 113F well,  
16 down in the lighter blue, which suggests that there has  
17 been less gas produced in that particular area.

18 Q. So as you mentioned earlier, if we look within  
19 a fractured area, we see cumulative gas production?

20 A. Yes, sir. It overlays with the hotter colors.

21 Q. And as we move towards the well in question, we  
22 get colors that are cooler, right?

23 A. Right. Right.

24 Q. And that means that there has been less  
25 cumulative production than what you would expect?

1           A.     Correct.

2           Q.     And does that suggest to you that there are  
3           substantial reserves remaining to be produced in these  
4           cooler areas?

5           A.     Yes, it does.

6           Q.     Then if I turn to what's been marked as Hilcorp  
7           Exhibit Number 6, what have you done -- same area, but  
8           what have you done here?  What does this show us?

9           A.     Yes, sir.  This is a result of taking the  
10          original gas in place and subtracting what's been  
11          produced to give us an estimate of what remaining gas is  
12          in place.  So you can see in this outline the naturally  
13          fractured area in red.  The remaining gas is white,  
14          suggesting that there is not much remaining at all in  
15          that particular area.

16                   Again, warmer or hotter colors suggest that  
17          there is more remaining gas in place left to be  
18          produced.  And so, again, referencing our red star  
19          towards the lower right, we're in this purple-green  
20          area, which is suggesting that there is more gas to be  
21          produced or higher levels of gas.

22          Q.     So now at this point, you have this analysis.  
23          And you're -- there certainly would be areas that you  
24          would potentially target to drill a well to produce  
25          remaining reserves, right?

1           A.    Yes, sir.

2           Q.    But what you've done here is you're looking at  
3    areas where you have existing Dakota wells that you can  
4    utilize in an area that indicates that there has not  
5    been substantial recovery?

6           A.    That is correct.

7           Q.    Okay.

8           A.    It's much less expensive for us to go back and  
9    do a Mesaverde zone than to drill a new well.

10          Q.    So this is really the first stage in the  
11   process, right?

12          A.    Yes, sir.

13          Q.    Okay. And if I turn to what's been marked as  
14   Hilcorp Exhibit Number 7, have you done some  
15   calculations related to the well that you have  
16   identified in the previous three exhibits?

17          A.    Yes, sir.

18          Q.    Okay. First off, I see what looks like a  
19   bubble map to the left of this exhibit. What do you  
20   show in there?

21          A.    Yes, sir. The map that we have on the left  
22   here is a nine-section area surrounding where the  
23   proposed well is, the San Juan 27 and 5 Unit 113F, which  
24   is denoted with the red circle in Section 10.

25          Q.    And that would equate to where your star was on



1     **the previous exhibit?**

2           A.     Correct.

3                     And what we're showing on this map are --  
4     the blue wagon wheels are Mesaverde completions both  
5     current and historical, and what's shaded in brown are  
6     the calculated drainage areas. So in section of note  
7     here, Section 10, you can see that not the entire area's  
8     covered with brown circles, suggesting that there is  
9     area of undrained reserves. And our proposed take point  
10    here in the 113F could help drain that area that's white  
11    or not shaded brown.

12                    I also want to note, you'll see an arrow  
13    pointing to that location of the red circle. That is to  
14    note that is where the bottom-hole location is. The  
15    surface location is actually in the northeast quarter of  
16    that section.

17           **Q.     Okay. And then you have some well specifics on**  
18    **the right associated with this well?**

19           A.     Yes, sir. For this particular well, just to  
20    mention, the bottom-hole location is in the northwest  
21    quarter of Section 10. The well was drilled in 2008.  
22    This would be the 3rd Mesaverde completion in this  
23    quarter section. It's roughly 1,150 feet to the nearest  
24    offset. It would help drain the white area to the  
25    south, as denoted in the red circle. We would propose

1 to complete the entire Mesaverde interval with two  
2 stages, and it is anterior to the unit boundaries.

3 Q. And just for the record, when you say it was  
4 drilled in 2008, it was drilled and completed in the  
5 Dakota?

6 A. Yes, sir.

7 Q. And you want to move uphole to the Mesaverde?

8 A. To add the Mesaverde to the Dakota, yes.

9 Q. Got it.

10 Now, if I then turn finally to last exhibit  
11 in this case, Exhibit Number 8, have you done some  
12 recovery calculations associated with the quarter  
13 section and then the section -- and then the  
14 nine-section area that's at issue here in this case?

15 A. Yes, sir, I have.

16 Q. Okay. Now, I understand the analysis on the  
17 quarter section. Okay? Why did you look at -- and I  
18 want to go through this. But first off, why did you go  
19 beyond just the quarter section? Why did you look at  
20 the section and also the nine-section area?

21 A. Gas is not going to maintain or stay within  
22 just a quarter-section boundary, so we wanted also to  
23 look at it at a larger scale, on a section basis, to see  
24 if we had enough gas reserves remaining in place for  
25 added additional take points. And then we go out and

1 look even further to the nine sections to see if we have  
2 some continuity with the reservoir quality as well, to  
3 give ourselves some reassurance that there are plenty of  
4 remaining reserves within that area, to add some  
5 additional take points.

6 **Q. Does that analysis associated with the section**  
7 **and the nine section also help make sure you have a**  
8 **check there that your quarter-section analysis is**  
9 **appropriate?**

10 A. Yes.

11 **Q. With that said, why don't you move us from left**  
12 **to right across and tell us what you did here?**

13 A. Okay. In the first column to the left, that is  
14 the reference area, whether we're looking at the quarter  
15 section, section or nine section. The second column  
16 represents what we calculated by volumetrics as original  
17 gas in place for each of those respective areas. So for  
18 the quarter section, we have just under 5 Bs. For the  
19 section, we're calculating 20 Bs, and for the nine  
20 section, 180 Bs.

21 **Q. And just for the record, you're talking Bcf?**

22 A. Pardon me. Yes, Bcf. Slang term. Sorry.

23 **Q. Go ahead.**

24 A. In the third column, just to make sure that all  
25 these areas have roughly the same of original gas in

1 place per unit, we've calculated everything to a section  
2 equivalent. So as an example, for the quarter section,  
3 we took the volume there, the 4.7 Bcf, so multiply that  
4 by four to come up a section equivalent of 18.8. For  
5 the nine section of 180 Bcf, we divided it by nine and  
6 came up with a section equivalent of 20 Bcf just to  
7 confirm that roughly we're looking at the same volumes  
8 no matter what area we're looking at.

9 In column number four, those volumes is  
10 what's cumulatively produced to date in each of these  
11 respective areas. So in the quarter section, just over  
12 a little 2 Bcf, which is a 45 percent recovery factory.  
13 At the section level, we've produced 8.1 Bcf, which is a  
14 41 percent recovery factor, and for the nine-section  
15 view, we've produced 77 Bcf, which is a 43 percent  
16 recovery factor, well below what we would expect  
17 potentially for a depletion drive gas reservoir of about  
18 80 to 85 percent.

19 In the fifth column, we're calculating  
20 remaining gas in place again using the same map that we  
21 did for the maps. We're taking the volumetric original  
22 gas in place in column number two and we are subtracting  
23 the cumulative to-date production in column number four.  
24 So at a quarter-section level, we're estimating 2.6 Bcf  
25 remaining; at the section level, just under 12 Bcf, and

1 at a nine-section level, 103 Bcf remaining.

2 In the far right column, the sixth column,  
3 what we're showing there is come we have forecasted that  
4 will ultimately be produced in these prospective areas  
5 with just the current take pints. So the quarter  
6 section, with the two wells that we currently have in  
7 that quarter section, we're estimating that we will  
8 ultimately recover 2.8 Bcf, which is a 60 percent  
9 recovery factor, again lower than the 80 to 85 percent  
10 that we expect ultimately to achieve with a depletion  
11 drive gas reservoir. At a section level, we're  
12 forecasting we'll recover 10-1/2 Bcf, which is a 53  
13 percent recovery factor, and at a nine-section level,  
14 we're estimating we'll recover 114.5 Bcf, which is a 64  
15 percent recovery factor.

16 Q. So if I understand you -- first off, if I look  
17 at the fourth column, it's the percentage cumulative to  
18 date, right?

19 A. Yes, sir.

20 Q. So that's time specific?

21 A. Correct.

22 Q. If I look at the last column, that's ultimate  
23 recovery projects, right?

24 A. Yes, sir.

25 Q. It takes into account the life of the well for

1 as long as those wells produce?

2 A. Yes, sir.

3 Q. And under your analysis, if the existing take  
4 points remain as is, over the life of those wells, they  
5 will only recover 60 percent of the gas in place?

6 A. In that quarter section, yes.

7 Q. Okay. And that's your -- your standard  
8 benchmark that you see for this solution gas drive is  
9 what now?

10 A. 80 to 85 percent.

11 Q. So in your opinion, will the additional  
12 completion that you seek in this particular quarter  
13 section allow the company to get closer to the 80 to 85  
14 percent of ultimate recovery that would be appropriate?

15 A. Yes, sir.

16 Q. And so just to be clear, in your opinion, will  
17 this additional well that you have proposed here recover  
18 gas reserves in place that will not otherwise be  
19 recovered by the existing wells?

20 A. Yes, sir.

21 Q. And in your opinion, will the proposed  
22 additional well adversely impact the reservoir energy?

23 A. No, sir.

24 Q. Why?

25 A. It won't negatively impact reservoir energy

1     because, as we've shown on one of our previous exhibits,  
2     these wells are draining relatively small areas. So it  
3     will not impact the reservoir energy as a whole  
4     significantly.

5           Q.     And as a result, is it your opinion, therefore,  
6     that your proposed infill well will not impair the  
7     correlative rights of interest owners in the offsetting  
8     spacing unit?

9           A.     Yes, sir.

10          Q.     Many of which are within Unit PA [sic], right?

11          A.     Yes, sir.

12          Q.     Now, do the remaining cases within this book  
13     contain similar exhibits to those that we just reviewed?

14          A.     Yes, sir.

15          Q.     The data might be a little different, but t's  
16     the same analysis, same format, same sequence?

17          A.     Yes, sir.

18          Q.     Okay. And if we reviewed each of those  
19     exhibits, would your analysis and testimony and opinions  
20     be the same for each of these remaining cases?

21          A.     Yes, sir.

22          Q.     Finally, then, for each one of these  
23     consolidated cases, in your opinion, will the granting  
24     of the application prevent waste?

25          A.     Yes, sir.

1           **Q.    Were Hilcorp Exhibits 4 through 8 prepared by**  
2           **you or compiled under your direction and supervision for**  
3           **each of these cases?**

4           A.    Yes, sir.

5                       MR. FELDEWERT:  Mr. Examiner, I would move  
6           the admission into evidence of Hilcorp Exhibits 4  
7           through 8 in each of these consolidated cases.

8                       EXAMINER GOETZE:  Exhibits 4 through 8 in  
9           each of these cases are so entered into the record.

10                      (Hilcorp Energy Co. Exhibit Numbers 4  
11           through 8 for each case are offered and  
12           admitted into evidence.)

13                      MR. FELDEWERT:  And that concludes my  
14           examination of THIS witness.

15                               CROSS-EXAMINATION

16           BY EXAMINER GOETZE:

17           **Q.    And just for clarity for my simple mind, we're**  
18           **not looking at downhole commingling at this point,**  
19           **right?  We're just looking at Mesaverde completions, or**  
20           **are we keeping the Dakota separate?**

21           A.    We're keeping the Dakotas as well.  It will be  
22           downhole commingled.

23                      MR. FELDEWERT:  So the previous witness  
24           testified that the Division's already approved downhole  
25           commingling between these zones, and the notices that



1 are required were done before -- before they're  
2 produced.

3 Q. (BY EXAMINER GOETZE) So we don't have any  
4 concerns about pressure relationships between the Dakota  
5 and the Mesaverde?

6 A. No, sir.

7 Q. Okay. You'll probably end up fracturing the  
8 Dakota more than anything else, so --

9 No. Again, looking at the previous  
10 testimony and the previous submittal, very much the same  
11 information was presented, so the clarity of this is  
12 good. I wish I could give you a question, but I'm  
13 sorry.

14 A. That's okay.

15 EXAMINER GOETZE: Mr. Brooks?

16 EXAMINER BROOKS: No questions.

17 EXAMINER GOETZE: So have you reviewed the  
18 orders that have been issued on this same -- with the  
19 same effort before?

20 MR. FELDEWERT: Yes.

21 EXAMINER GOETZE: And nothing -- we don't  
22 have any issues with those, in other words?

23 MR. FELDEWERT: There are a couple of  
24 statements in there, as I recall, that I was somewhat  
25 confused about. I'm not sure what exactly it means.

1 I'm not sure it's anything bad. And I don't -- I don't  
2 have one in front of us. I was going to call her.  
3 Something -- there was an order -- Mr. Goetze, if you  
4 have one of the orders, I can ask you.

5 EXAMINER GOETZE: Well, I've got one of the  
6 orders.

7 MR. FELDEWERT: If you don't mind.

8 EXAMINER GOETZE: You can come on up. It's  
9 your table.

10 I believe that's one of them (indicating).

11 MR. FELDEWERT: I don't want to put you on  
12 the spot here, but there was a statement in here --

13 EXAMINER GOETZE: Well, no. This is the  
14 time to get to clarified so we don't have --

15 MR. FELDEWERT: I didn't understand  
16 paragraph three in the order.

17 EXAMINER GOETZE: Well, I think, to be  
18 somewhat rude, Mr. Jones gave you the benefit of the  
19 doubt that you would not have to come to hearing and,  
20 administratively, you could go through this process.

21 MR. FELDEWERT: So is that for --  
22 administratively for additional wells within the drill  
23 blocks?

24 EXAMINER GOETZE: "Substitution of other  
25 wells within this GPU for any of the wells detailed

1     herein may be granted administratively."

2                   MR. FELDEWERT:   It was the "substitution"  
3     that threw me.

4                   EXAMINER GOETZE:   Well, it throws me, too.

5                   MR. FELDEWERT:   Yeah.   That was my  
6     question.   I'm not sure.

7                   EXAMINER GOETZE:   Okay.   We will talk with  
8     the examiner about what his intent was, and we'll get a  
9     clarification before we move it forward.   Since it's not  
10    a contested case, let's make sure the language is  
11    consistent.

12                  MR. FELDEWERT:   Yeah.   That was my only  
13    question.   Beyond that, I understood and appreciated the  
14    order, and it was just one paragraph I was -- when Adam  
15    and I looked at, we weren't quite sure what it meant,  
16    whether it meant to give Will a call.   I didn't mean to  
17    put you on the spot.

18                  EXAMINER GOETZE:   Well, that's okay.   We  
19    love it when you are confounded and you make it part of  
20    the public record.

21                  MR. FELDEWERT:   (Laughter.)

22                  EXAMINER GOETZE:   So we'll get some clarity  
23    on that.   Otherwise, we'll follow the same pattern of  
24    the issuance of the orders.

25                  MR. FELDEWERT:   Okay.

1                   EXAMINER GOETZE:   And I think it's a very  
2   good project, and I think it's admiral that you've been  
3   able to figure it out and --

4                   THE WITNESS:   Thank you.

5                   EXAMINER GOETZE:   -- a life of this will go  
6   on much further.

7                   THE WITNESS:   Yes, sir.   Thank you.

8                   EXAMINER GOETZE:   Other than that, I have  
9   no more questions.

10                  MR. FELDEWERT:   Mr. Examiner, ask that  
11   these cases be taken under advisement.

12                  EXAMINER GOETZE:   Well, we'll make the  
13   court reporter suffer one more time, and we will take  
14   under advisement -- Case Numbers 15932, 15933, 15935,  
15   15973, 15974, 15975, 15976, 15977, 15979, 15980, 15981,  
16   15982 are all taken under advisement.

17                  Thank you very much.   That concludes this  
18   docket.

19                  (Case Numbers 15932, 15933, 15935, 15973,  
20                  15974, 15975, 15976, 15977, 15979, 15980,  
21                  15981 and 15982 conclude, 2:22 p.m.)

22

23

24

25

1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3

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 DATED THIS 1st day of March 2018.

21

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23 MARY C. HANKINS, CCR, RPR  
24 Certified Court Reporter  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2018  
Paul Baca Professional Court Reporters

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