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                             APPEARANCES
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                               Ms. Lillie Rose Martinez
12
     ALLOTTEES ALSO PRESENT:
                               Ms. Ruth Maggard
13
                               Ms. Betonie (and Family,
                                  Ms. Seresa M. Yazzie)
                               Ms. Lenora Mace
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## PAUL BACA PROFESSIONAL COURT REPORTERS 500 FOURTH STREET NW - SUITE 105, ALBUQUERQUE, NM 87102

sworn.)

(Ms. Binion sworn; Mr. Graven previously

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Page 6 MS. GERHOLT: I'd call Ms. Binion to the 1 2 stand at this time. 3 EXAMINER DAWSON: Okay. Ms. Binion, thank 4 you. 5 You may proceed, Ms. Gerholt. MS. GERHOLT: Thank you. 6 7 MONA L. BINION, after having been previously sworn under oath, was 8 questioned and testified as follows: 9 DIRECT EXAMINATION 10 11 BY MS. GERHOLT: Ms. Binion, would you please state your name 12 Ο. for the record? 13 Mona Binion. 14 Α. 15 And by whom are you employed and in what Q. 16 capacity? 17 Α. Encana Oil & Gas as a land negotiator. Have you previously testified before the Oil 18 Conservation Division? 19 20 T have. Α. 21 Q. And at that time were your credentials as a 22 petroleum landman accepted by the Division? 23 Α. It was. They were. 24 Q. And at that time you were qualified as an 25 expert landman?

- 1 A. Yes, ma'am.
- 2 MS. GERHOLT: Mr. Examiner, I would request
- 3 that Ms. Binion be recognized as an expert witness in
- 4 petroleum land matters in this case.
- 5 MR. BRUCE: No objection.
- 6 EXAMINER DAWSON: No objections?
- 7 Ms. Binion is so admitted.
- 8 Q. (BY MS. GERHOLT) If I could draw your attention
- 9 to Exhibit Number 1, would you please identify that
- 10 exhibit and orient us, please?
- 11 A. Exhibit Number 1 is a map which identifies the
- 12 outline for the Blanco Wash Unit, in addition to the
- 13 areas and outlines for the oil pools and then the gas
- 14 pool within the unit and around the unit.
- 15 Q. And where is the Blanco Wash Unit located?
- 16 A. It's located in parts of Township 24 North,
- 17 Range 9 West, and Township 24 North, Range 8 West.
- 18 Q. And is that within San Juan County?
- 19 A. Correct.
- 20 Q. What are the three things Encana's requesting
- 21 in the Blanco Wash Unit application?
- 22 A. Encana's requesting the approval of the unit,
- 23 the formation of a new pool for horizontal development
- 24' of the unit area and 330-foot setbacks around the
- 25 exterior boundary of the unit.

- 1 Q. Does Encana expect to produce oil from this
- 2 unitized area?
- 3 A. Yes.
- 4 Q. Is that why Encana is asking for the standard
- 5 330-foot setbacks as an exception in this case?
- 6 A. Yes.
- 7 O. Would Encana have any objection to offset
- 8 operators drilling 330 feet from the outer boundaries of
- 9 the Blanco Wash Unit?
- 10 A. No.
- 11 Q. I now draw your attention to Exhibit Number 2.
- 12 What is Exhibit Number 2?
- 13 A. Exhibit Number 2 is the form of Federal
- 14 Undivided Exploratory Unit Agreement.
- 15 Q. And does it conform with the federal form?
- 16 A. It conforms with the federal form with the
- 17 exception that it provides for some [sic] of the
- 18 unitized interval and it's limited to horizontal
- 19 development. And it provides for a single participating
- 20 area, and it allows for the inclusion of the Indian
- 21 leases.
- 22 Q. So this unit will cover federal acreage,
- 23 allotted Indian acreage and fee acreage; is that
- 24 correct?
- 25 A. Correct. There is some splintered, minute

- 1 percentage of fee acreage under the two allotted tracts.
- 2 Q. To start, how will the production be allocated
- 3 within the unit?
- 4 A. The production will be allocated proportionally
- 5 across all the tracts on a surface acre basis.
- 6 O. I now draw your attention to Exhibit B of the
- 7 unit agreement. Does Exhibit B identify the ownership
- 8 way down within the unit area?
- 9 A. Correct. According to our records at this
- 10 stage in the game, Exhibit B reflects the ownership
- 11 within the unit area on a tract basis.
- 12 Q. And how many federal leases are within the
- 13 unit?
- 14 A. There are eight federal tracts within the unit,
- 15 federal leases.
- Q. And how many Indian allotted leases?
- 17 A. There are 11 allotted Indian leases.
- 18 Q. And then you said there's just a minute portion
- 19 of the fee acreage?
- 20 A. Correct. And it's a partial mineral interest
- 21 under the allotted tracts.
- Q. Okay. How many acres would be dedicated to
- 23 this proposed unit?
- A. 4,803 acres, approximately, more or less.
- 25 Q. If I can now draw your attention to Exhibit C

- of the unit agreement, what is Exhibit C?
- 2 A. Exhibit C is the type log that identifies the
- 3 unitized interval.
- Q. Is there any unleased acreage within this unit
- 5 boundary?
- 6 A. No.
- 7 Q. Does Encana hold all the interest in the
- 8 acreage?
- 9 A. No.
- 10 Q. So, therefore, there are other working interest
- 11 owners?
- 12 A. There is one other working interest owner.
- 13 Q. And has that other working interest owner
- 14 agreed to commit to this unit?
- 15 A. Yes.
- 16 Q. Were you here when Mr. Fast testified for the
- 17 Betonie Tsosie Wash Unit application?
- 18 A. Yes.
- 19 Q. And in regards to the Blanco Wash, this also
- 20 includes Indian allotted leases; is that correct?
- 21 A. Yes.
- Q. And FIMO will be administering these leases?
- 23 A. Yes.
- Q. And will FIMO be a signatory to this unit
- 25 agreement?

- 1 A. Yes.
- Q. Will the BLM?
- 3 A. Yes.
- 4 O. Have you received a preliminary approval letter
- 5 from the BLM?
- A. Yes, we have.
- 7 Q. Is that identified in Exhibit 3?
- 8 A. Yes. That is the December 12th, 2013 BLM
- 9 approval of the area and depth application of this unit.
- 10 Q. And does this letter identify whether or not
- 11 the BLM provided notice of their preliminary approval to
- 12 FIMO?
- 13 A. Yes.
- Q. And is FIMO familiar with Encana's proposed
- 15 Blanco Wash Unit?
- 16 A. Yes.
- 17 Q. In your discussions with the BLM, were the
- 18 unitized development plans gone over?
- 19 A. Yes.
- Q. Was FIMO part of those discussions?
- 21 A. FIMO was present and participated in the
- 22 initial meetings on the area and depth that we had with
- 23 the BLM.
- Q. And in your discussion with FIMO and the BLM,
- 25 was the request made of Encana to drill an obligation

- 1 well?
- 2 A. Yes.
- 3 Q. Has that well been drilled?
- 4 A. No.
- 5 O. Is it on the schedule?
- 6 A. It is.
- 7 Q. Do you know the location of that proposed well?
- 8 A. I'll defer to Mr. Graven for the exact location
- 9 at this point.
- 10 Q. And has the company undertaken efforts to
- 11 notify the Indian allottee interest owners within the
- 12 unit of this application in the hearing?
- 13 A. We have.
- 14 O. And approximately how many allottee interest
- 15 owners are within this unitized areas?
- 16 A. There were approximately 698 allottees within
- 17 that unit area.
- 18 O. And where did you obtain that information?
- 19 A. We obtained it from the Federal Indian Minerals
- 20 Office.
- 21 Q. And was that the TSRs?
- 22 A. The title search record, yes.
- Q. And in your opinion as a landman, is that the
- 24 best resource for identifying these individuals?
- 25 A. Yes.

- 1 Q. And has notice of this application been
- 2 provided to the allottees Indian interest owners as a
- 3 courtesy?
- 4 A. As a courtesy, yes.
- 5 Q. Is there any requirement to do so?
- 6 A. No.
- 7 Q. Will they be receiving an additional notice
- 8 from Encana?
- 9 A. Yes. We will provide notice when the unit is
- 10 closer to being finally approved by the BLM.
- 11 Q. And is that a federal government requirement?
- 12 A. That is a federal government requirement under
- 13 the Register. CFR, Code of Federal Regulations, not the
- 14 Register. Sorry.
- 15 Q. Thank you for the clarification.
- Now, in regards to the encroachment to the
- outer boundaries of the unit area, did Encana also
- 18 identify the operators and the lessees in the spacing
- 19 units surrounding the entire unit area?
- 20 A. The operators, the lessees and the mineral
- 21 owners, because there were a couple of tracts that were
- 22 unleased.
- Q. Is it possible that some Indian allottee
- 24 mineral owners received notice of this application as an
- 25 offset?

- 1 A. Yes.
- 2 Q. So there may be some that are not within this
- 3 particular unit?
- 4 A. Correct.
- 5 Q. If I can now draw your attention to Exhibit
- 6 Number 4, which is that large well file in front of you,
- 7 and if you'll take a moment to look through Exhibit
- 8 Number 4. Does that include letters sent by my office
- 9 to Indian allottee owners and to offsetting interest
- 10 owners, lessees and mineral owners?
- 11 A. Yes, it does.
- 12 Q. And does it include certified return receipts?
- 13 A. Yes, it does.
- Q. And does it include a list of names?
- 15 A. Yes, it does.
- 16 Q. I will now draw your attention to Exhibit
- 17 Number 5. Were there certain owners for whom Encana
- 18 lacked addresses?
- 19 A. Yes.
- 20 Q. And was notice of this hearing and application
- 21 provided in the general newspaper of circulation, the
- 22 Daily Times, in Farmington?
- 23 A. Yes.
- 24 Q. And is that what Exhibit 5 is?
- 25 A. That's correct.

- Q. Were Exhibits 1 through 3 prepared by you or
- 2 compiled under your direction and supervision?
- 3 A. Yes.
- 4 Q. And is it your opinion as a petroleum landman
- 5 that it's in the best interest of conservation and the
- 6 prevention of waste to approve this application as
- 7 presented?
- 8 A. Yes.
- 9 MS. GERHOLT: Mr. Examiner, I would ask
- 10 that Encana Exhibits 1 through 5, which includes my
- 11 notice of mailing and the Notice of Publication from the
- 12 Farmington Daily Times, be admitted into evidence.
- 13 EXAMINER DAWSON: Any objections?
- MR. BRUCE: No objection.
- 15 EXAMINER DAWSON: Exhibits 1 through 5 and
- 16 the notices will be admitted as evidence.
- 17 (Encana Exhibit Numbers 1 through 5
- were offered and admitted into evidence.)
- MS. GERHOLT: Thank you, Mr. Examiner.
- 20 EXAMINER DAWSON: You're welcome.
- 21 Thank you.
- 22 MS. GERHOLT: That concludes my examination
- 23 of this witness.
- MR. BRUCE: No questions.
- 25 EXAMINER DAWSON: I have no questions.

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unitized in the Blanco Wash Unit?

Yes, I am.

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Α.

- 1 Q. All right. I'll draw your attention to Encana
- 2 Exhibit Number 6. Would you please identify this type
- 3 log for the Examiners?
- A. Yes. This is a type log for the proposed
- 5 Blanco Wash Unit from the Escrito P-16 well. It shows
- 6 the resistivity curve on the far right track -- I'm
- 7 sorry -- the gamma ray curve on the far right track, the
- 8 resistivity curve in the central track, and neutron and
- 9 density porosity curves in the right-hand track. And on
- 10 that density curve, the red shading is an indicator of
- 11 increased porosity.
- This type log also shows our proposed
- 13 Blanco Wash Unit depths on the far left edge with the
- 14 bracket. These depths extend from 100 feet below the
- 15 top of the Mancos Shale, down through the Gallup,
- 16 Juana Lopez, Carlile and Greenhorn limestone, with the
- 17 bottom of the proposed unitized interval being the base
- 18 of the Greenhorn limestone at the top of the Graneros
- 19 Shale.
- 20 Q. I'll draw your attention to Exhibit Number 7.
- 21 What is Exhibit Number 7?
- 22 A. Exhibit Number 7 is a structured contour map on
- 23 top of the Mancos Shale. It shows the unit outline in
- 24 red. It shows two cross sections, A, A prime, in blue.
- 25 This cross section extends from just west of the unit

- 1 edge to a couple miles east of the unit edge. And cross
- 2 section B, B prime, shown in orange, is a north-to-south
- 3 cross section extending from just north of the unit edge
- 4 to about two miles south of the unit edge.
- 5 Q. And I see that Exhibit 7 identifies the type
- 6 log well, and that it is outside of the unit area. Why
- 7 is that?
- 8 A. Yes. We do not have any wells within the unit
- 9 that extends through the entire unitized or proposed
- 10 unitized interval. That well, we did have a complete
- log set on, and it is just over a mile away from the
- 12 edge. So it's fairly close.
- 13 Q. So you expect that it is a good identification
- of the geological interval within the unit area?
- 15 A. Yes, I do.
- 16 Q. I now draw your attention to Exhibit 8. Would
- 17 you please identify Exhibit 8 and walk us through it?
- 18 A. Yes. Exhibit 8 is another structure contour
- 19 map on top of the Gallup Formation -- or the Gallup
- 20 Unit. It shows the same cross sections, the same unit
- 21 boundary and the type log location. It also shows
- 22 structure contours at a contour interval of 20 feet with
- 23 very gentle dips less than two degrees, again to the
- 24 north-northeast.
- Q. Moving on to Exhibit Number 9, what does

- 1 Exhibit 9 identify for us?
- 2 A. Exhibit 9 is a cross section, A, A prime, shown
- 3 on the previous two exhibits. It shows the same logs
- 4 that were shown in the type log. It also shows the same
- 5 proposed unit depths that are shown on the type log.
- 6 A number of wells, again, are missing parts of the data
- 7 set, gamma ray or density logs, but each of the wells
- 8 has a complete resistivity log across the complete
- 9 unitized interval. That is with the exception of the
- 10 Escrito P-16, which is missing a small piece of the
- 11 resistivity log at the top of the unitized interval.
- 12 It's a very small interval that's missing, and we do
- 13 expect that to extend across the entire unit.
- Q. Okay. Now moving to Exhibit Number 10, would
- 15 you please walk us through Exhibit 10?
- 16 A. Yes. Exhibit 10 is cross section B, B prime
- 17 shown on the two structure maps. Again, there are some
- 18 wells that have some missing data, but each of the wells
- 19 has a continuous resistivity log across the entire
- 20 proposed unitized interval. And those logs show very
- 21 good continuity of the unitized interval across the
- 22 entire cross section and the unit.
- 23 Q. So, Mr. Graven, is it your opinion today that
- 24 the interval Encana seeks to unitize continuous across
- 25 the proposed unit area?

- 1 A. Yes.
- Q. Is it also your opinion that there are no
- 3 faults, pinch-outs or other geologic impediments that
- 4 would prevent this acreage from contributing to the
- 5 overall production from the interval?
- 6 A. Correct.
- 7 Q. And can this unitized area effectively and
- 8 efficiently be developed under a unit plan?
- 9 A. Yes.
- 10 Q. Ms. Binion testified previously about an
- 11 obligation well. Do you know the proposed location of
- 12 that obligation well?
- 13 A. Right now our proposed unit obligation well
- 14 will be in Section 11 of the unit. That is in the
- 15 northwestern corner of the unit. And right now we
- 16 expect that well to be a horizontal well drilled from
- 17 the northwestern corner of Section 11 down to the
- 18 southeastern corner of Section 11.
- Q. And do you know if it's on the rig schedule?
- 20 A. I am not aware if it is on the rig schedule or
- 21 not. I expect that it is, but I am not sure of its
- 22 specific position in the rig schedule.
- 23 Q. And based upon your experience, is there the
- 24 potential for a change in the obligation well?
- 25 A. Certainly we do run into a number of permitting

- 1 issues, and this could certainly cause us to change the
- 2 location or the specific unit obligation well that we
- 3 would drill.
- 4 Q. I now draw your attention to Exhibit Number 11.
- 5 We've seen this a couple of times already this morning.
- 6 If we can now focus in on the Blanco Wash and the
- 7 proposed unit boundary. Which pools are currently
- 8 within the proposed unit boundary?
- 9 A. The White Wash-Mancos-Dakota pool is outlined
- 10 in brown. That is covering part of the northwestern
- 11 corner of the Blanco Wash Unit and the Basin Mancos gas
- 12 pool extends across the white area of the Blanco Wash
- 13 unit.
- 14 O. Are the reservoir fluids consistent between
- these pools within the unitized area?
- 16 A. Yes. The BTU values and oil API values shown
- on this map are very consistent across the entire area
- 18 indicating that the reservoir fluids are very similar.
- 19 Q. And, again, is Encana expecting to be producing
- 20 oil wells -- or drilling and producing oil wells in this
- 21 proposed unit area?
- 22 A. Yes.
- Q. And are the technical characteristics of the
- 24 hydrocarbons within the White Wash-Mancos-Dakota and the
- 25 Basin-Mancos gas pool essentially identical?

- 1 A. Yes, they are.
- Q. Are the pools that are within the unitized
- 3 interval in the same vertical horizon?
- 4 A. Yes, they are.
- 5 Q. And will the pressure gradients be relatively
- 6 the same within the unitized area?
- 7 A. Yes. There are publicly available pressure
- 8 maps that show a constant pressure gradient across this
- 9 entire area.
- 10 Q. And do you anticipate cross flow to be an
- 11 issue?
- 12 A. No. Each individual horizontal well will
- 13 target a single geologic interval with a constant
- 14 pressure gradient, and there will be no vertical
- 15 commingling of each individual well.
- 16 Q. And will the combination of those pools into
- one single pool for the purpose of horizontal
- 18 development result in waste or loss of reserves?
- 19 A. No, it will not.
- 20 Q. In your opinion, will Encana's request to
- 21 create a new pool within the unit for horizontal
- 22 development prevent waste?
- 23 A. Yes. It will prevent waste.
- Q. And will Encana be providing the Division with
- 25 information regarding well communications and the like?

- 1 A. Yes.
- Q. In your opinion, is it in the best interest of
- 3 conservation and the prevention of waste to approve the
- 4 Blanco Wash Unit and create a single pool for horizontal
- 5 development within the proposed unit area and allow for
- 6 wells to be located anywhere within the unit area so
- 7 long as they're no longer than 330 feet from the outer
- 8 boundary of the unit?
- 9 A. Yes.
- 10 Q. Were Encana's Exhibits 6 through 11 prepared by
- 11 you or compiled under your direction and supervision?
- 12 A. Yes, they were.
- MS. GERHOLT: Mr. Examiner, I would move
- 14 the admission of Encana Exhibits 6 through 11 at this
- 15 time.
- 16 EXAMINER DAWSON: Any objection?
- MR. BRUCE: No objection.
- 18 EXAMINER DAWSON: Exhibits 6 through 11 are
- 19 so admitted.
- 20 (Encana Exhibit Numbers 6 through 11 were
- offered and admitted into evidence.)
- 22 MS. GERHOLT: That concludes my examination
- 23 of this witness.
- 24 EXAMINER DAWSON: Mr. Bruce, any questions?
- MR. BRUCE: No, I don't.

## 1 CROSS-EXAMINATION

- 2 BY EXAMINER DAWSON:
- 3 O. I just have one question. Encana will not be
- 4 opposed to offset operators and offsetting proration
- 5 units locating horizontal wells in the unitized interval
- 6 for 330-foot setbacks to the exterior boundary?
- 7 A. No, it will not.
- 8 Q. And that data regarding well interference or
- 9 communication, that will be made available to the
- 10 Division as soon as possible?
- 11 A. Yes.
- 12 O. I just have one general guestion. I noticed on
- 13 the cross sections of the logs that were provided, it
- 14 looks like the porosity, as you head north -- as you go
- 15 north in the unitized interval, the porosity seems to
- 16 decrease some. Is that your opinion? What's your
- 17 opinion on that? It looks like a little less than down
- 18 there in the south, in the other two units that were
- 19 requested.
- 20 A. Yes, it does. It does still fall within what
- 21 we consider a producible, paying reservoir, though, so
- 22 I -- it does appear to decrease.
- Q. That's all the questions I have.
- 24 MS. GERHOLT: That concludes my
- 25 presentation in this case.

	Page 25
1	EXAMINER DAWSON: Okay. Case Number 15
2	Can you please I'm sorry. Can you
3	please provide a draft proposed draft order by
4	October 16th
5	MS. GERHOLT: Yes, sir.
6	EXAMINER DAWSON: 2014?
7	And that concludes Case Number 15212
8	will be taken under advisement, and that concludes Case
9	15212. Thank you very much.
10	That concludes today's hearings.
11	(Case Number 15212 concludes, 10:45 a.m.)
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15	/ D hara
16	ten hereby certify that the toregoing the Examiner hearing of Case No.
17	the Examiner hearing of Case No.
18	
19	Oil Conservation Division Examine
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	Page 26
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
9	the foregoing pages are a true and correct transcript of
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.
19	
20	Many C. Hankers
21	MARY C. HANKINS, CCR, RPR Paul Baca Court Reporters, Inc.
22	New Mexico CCR No. 20 Date of CCR Expiration: 12/31/2014
23	-
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25	