

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

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

ORIGINAL

CASE 15369
(cont'd from
9/17/15)

APPLICATION OF ENCANA OIL & GAS (USA) INC.
FOR APPROVAL OF THE CROW CANYON UNIT,
CREATION OF A NEW POOL FOR HORIZONTAL
DEVELOPMENT WITHIN THE UNIT AREA, and FOR
ALLOWANCE OF 330 FOOT SETBACKS FROM THE
EXTERIOR OF THE PROPOSED UNIT, SAN JUAN
COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

OCTOBER 1, 2015

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
MICHAEL McMILLAN, EXAMINER
GABRIEL WADE, LEGAL EXAMINER

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This matter came on for hearing before the
New Mexico Oil Conservation Division, William V. Jones,
Chief Examiner, Michael McMillan, Examiner, and Gabriel
Wade, Legal Examiner, on October 1, 2015, 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: ELLEN H. ALLANIC
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9 I N D E X

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CASE NUMBER 15369 CALLED

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ENCANA OIL AND GAS (USA), INC., CASE-IN-CHIEF:

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13]
 WITNESS MONA L. BINION

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Examiner Wade	20

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WITNESS CHRIS CASSLE

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1 (Time Noted 2:21 p.m.)

2 EXAMINER JONES: Let's call a new case.

3 Let's call case No. 15369, the Application of Encana Oil
4 & Gas (USA), Inc., for Approval of The Crow Canyon Unit,
5 Creation of a New Pool For Horizontal development within
6 the unit area, and for allowance of 330 Foot Setbacks
7 from the Exterior of the Proposed Unit, San Juan County,
8 New Mexico.

9 Call for appearances.

10 MR. FELDEWERT: May it please the Examiner,
11 Michael Feldewert with the Santa Fe Office of Holland
12 and Hart, appearing on behalf of the applicant, Encana.
13 I have two witnesses here today.

14 EXAMINER JONES: Any other appearances in
15 this case.

16 MR. FELDEWERT: This is for the Crow Canyon.
17 (No response.)

18 EXAMINER JONES: Have the witnesses already
19 been sworn?

20 MR. FELDEWERT: Yes, they have.

21 EXAMINER JONES: We will let the record
22 reflect that the witnesses have been already sworn.

23 MR. FELDEWERT: Since the witnesses have
24 been sworn, Mr. Examiner, we'll call our witness.

25 ---oOo---

1 MONA L. BINION

2 having been duly sworn, was examined and testified as
3 follows:

4 DIRECT EXAMINATION

5 By MR. FELDEWERT:

6 Q. Would you please state your name, identify by
7 whom you're employed, and in what capacity.

8 A. My name is Mona Binion. I'm employed by Encana
9 Oil and Gas in the capacity of land negotiator for San
10 Juan Basin.

11 Q. And, Ms. Binion, you've previously testified
12 before the Division as an expert in petroleum land
13 matters?

14 A. Yes, I have.

15 Q. And are you familiar with the application filed
16 in this case?

17 A. Yes, I am.

18 Q. And are you familiar with the status of the lands
19 in the subject area?

20 A. Yes, I am.

21 Q. Would you turn to what has been marked as Encana
22 Exhibit No. 1. Would you please identify it and explain
23 to the Examiners what the company seeks under this
24 application.

25 A. Exhibit 1 is a map depicting the outline for the

1 proposed Crow Canyon Unit. The outline is shown in the
2 center of the map in bold, black outline.

3 Also shown on the map, the solid color tracts are
4 parts of the various oil pools that surround the unit,
5 the proposed unit, and are within the proposed unit.

6 In addition, the existing units, federal units
7 that have been formed and approved are also shown on
8 this map that surround the proposed unit and the
9 vicinity of the proposed unit.

10 Q. And Ms. Binion, there are some notations on here
11 about pending cases; is that correct?

12 A. Yes.

13 Q. You haven't had a chance to check whether those
14 pending case numbers are correct.

15 A. Those case numbers may be inverted. We may have
16 a problem with some of the case numbers. But,
17 basically, the impact of having the outlines on here was
18 to give you an idea of the relationship between those
19 pending cases and what is being applied for today.

20 And then what we are asking for today is the
21 approval of the Division for the proposed Crow Canyon
22 Unit itself, the formation or the creation of a new
23 horizontal oil pool that is within the Crow Canyon Unit
24 area and has an allowed setback ruling of 330 feet from
25 the exterior boundary of the unit.

1 Q. If I turn to what has been marked as Encana
2 Exhibit No. 2, is that a copy of the unit agreement that
3 would govern this particular area?

4 A. Yes, it is.

5 Q. It reflects that you seek to unitize a total
6 amount of 7,212.26 acres; is that --

7 A. Yes.

8 Q. With respect to the Division application, did the
9 Division application list a slightly higher acreage
10 amount?

11 A. Yes, it does. And, again, that was for the same
12 reason as a prior case that we explained. The original
13 application to the BLM for a preliminary approval of the
14 unit area had some errors. The lands were properly
15 described. We had the wrong acreage amount on some
16 tracts.

17 They pointed those errors out to us after we had
18 already filed our application. So they have been
19 corrected for the exhibits that you've seen here, but
20 the application had already been filed.

21 Q. So I believe the application listed 7,252 acres?

22 A. Correct.

23 Q. But the correct amount is set forth in this unit
24 agreement?

25 A. Yes, it is.

1 Q. And the difference is about 39 acres?

2 A. Correct.

3 Q. All right. But, again, the tract description,
4 the acreage description in the unit agreement, in terms
5 of sections, township, and range, none of that has
6 changed?

7 A. None of that has changed. It was all correct.
8 And the notices were determined based on the correct
9 acreage descriptions.

10 Q. Okay. And, again, as we've seen in other cases,
11 this particular agreement has Exhibit A; is that
12 correct --

13 A. Yes.

14 Q. -- identifying the unit boundary, and then
15 Exhibit B with the ownership breakdown by tract?

16 A. Yes.

17 Q. And does this agreement follow the federal form?

18 A. It does generally follow the undivided unit
19 federal form with the modification to limit it to
20 horizontal drilling and to limit it to an individual
21 formation.

22 Q. And that unitized interval is set forth in type
23 log that's marked as Exhibit C, correct?

24 A. Yes, it is. Exhibit C is a visual picture of the
25 interval depicted on the type log that is described in

1 the unitized substance description or definition on page
2 2, paragraph 3 of the unit agreement.

3 Q. And flipping back to Exhibit A to the unit
4 agreement, I see that the federal land comprises over 82
5 percent of the unitized area?

6 A. Yes.

7 Q. Okay. Therefore, have you visited with the BLM
8 about this unit agreement?

9 A. Yes.

10 Q. Did you also visit with the Federal Indian
11 Minerals Office and the New Mexico State Land Office?

12 A. Yes, we have.

13 Q. If I turn to what's been marked as Encana
14 Exhibit No. 3, is that the preliminary approval letter
15 from the New Mexico State Land Office?

16 A. Yes.

17 Q. And if I turn to what has been marked as Encana
18 Exhibit No. 4, is that the preapproval letter from the
19 BLM?

20 A. Yes, it is.

21 Q. And that has been copied to the Federal Indian
22 Minerals Office, correct?

23 A. Yes, it has.

24 Q. And in your discussions with the Federal Indian
25 Minerals Office, did they indicate verbal approval of

1 this unit agreement?

2 A. Yes, they have.

3 Q. How many working interest owners are involved
4 with this particular unit?

5 A. Three including Encana. Two additional parties
6 besides Encana.

7 Q. Who are the additional parties?

8 A. Dugan Production and R&R Royalty.

9 Q. Have you had discussions with them?

10 A. Yes. I have communicated with both parties.

11 Dugan has already verbally committed their interest.

12 And R&R has given me indication that they are generally
13 in agreement with the concept. They just want to see
14 the unit operating agreement, which we worked with them
15 on other units before, so they are aware of our unit
16 form.

17 Q. I turn then to what has been marked as Encana
18 Exhibit No. 5. Is that a preliminary map of a
19 development plan?

20 A. Yes, it is. It's a map that depicts the grid for
21 well layout to see the unit fully developed.

22 Q. And under paragraph 10 of the unit agreement, is
23 the company required to submit annual development plans
24 both to the authorized officer of the BLM and then also
25 to the New Mexico State Land Office?

1 A. Yes. I think paragraph 10 requires the BLM be
2 provided a plan of development on an annual basis. And
3 I think the same plan of development needs to be
4 submitted to I believe it is the Division -- not the
5 State Land Office.

6 Q. And that's reflected in paragraph 10 of the unit
7 agreement?

8 A. Yes. I am looking it up right now.

9 Yes -- no, you are right; it is the land
10 commissioner -- it's the land commissioner and the
11 Division. So I guess they all have to be advised.

12 Q. Okay. Has Encana drilled the initial unit
13 horizontal well?

14 A. Yes, they have.

15 Q. Can you show us on Exhibit No. 5 roughly where it
16 is located?

17 A. The initial unit well is called the Escrito D30,
18 240801H. And it's located -- it's a transverse well
19 located in section 30, cutting through the center of the
20 section, from the northwest corner of the section to the
21 southeast corner of the section. The lateral is drawn
22 in in black, as opposed to blue. And it is very faint,
23 but that is the existing well.

24 Q. And that is in the bottom left-hand corner of the
25 area outlined in red, correct?

1 A. Yes, Section 30, 29 North, 8 West.

2 Q. And under the unit agreement, has the BLM and the
3 State Land Office agreed to treat that well as the
4 initial development well?

5 A. Yes.

6 Q. And is that why the unit agreement has been
7 back -- has the effective date of August 1, 2013?

8 A. Yes.

9 Q. And then the second aspect of our application, if
10 you turn back to Encana Exhibit No. 1, if I look at
11 that, what pools are involved currently with the acreage
12 that you seek to unitize?

13 A. Included within the boundary of proposed Crow
14 Canyon Unit are currently portions of the Lybrook,
15 Gallup Pool, all of the Cuervo, Gallup Pool, and the
16 rest of the unit is covered by the Basin Mancos Pool.

17 Q. Is it also adjacent to the Guffer's Point Gallup,
18 Dakota Pool?

19 A. Yes. And that is not a frozen pool. So the
20 buffer zone for that Guffer's Point, Gallup, would also
21 overlap inside the unit.

22 Q. When you say it is not a frozen pool, in other
23 words, it's not subject to prior Division orders that
24 restrain the boundaries of existing pools?

25 A. Correct.

1 Q. And are both -- is Lybrook Pool, the Cuervo Pool,
2 and Guffer's Point Gallup Pool, are all three of those
3 pools subject to 330-foot setbacks?

4 A. Yes.

5 Q. And in contrast, the remaining acreage in the
6 Basin Mancos Gas Pool is subject to 660 setback
7 requirements?

8 A. Yes.

9 Q. And as a result to bring uniformity, does the
10 company seek to create a horizontal oil pool for its
11 unitized area that would allow the company to locate the
12 wells anywhere within the unit so long as the completed
13 interval is at least 330 feet from the outer boundary?

14 A. Yes.

15 Q. And will that allow the company then to
16 officially orient and space its horizontal well
17 development pattern?

18 A. Yes.

19 Q. And in preparation for this hearing, did the
20 company identify and provide notice to the offsetting
21 acreage in the Basin Mancos Gas Pool that is currently
22 subject to 660-foot setbacks?

23 A. Yes. We noticed the working interest owners and
24 the operators within the tracts that fall within the
25 Basin Mancos Gas Pool offsetting the unit boundary.

1 Q. Did the company also then provide notice of this
2 hearing to the working interest owners within the unit?

3 A. Yes, we did.

4 Q. As well as the Indian allottees within the
5 unitized area?

6 A. Yes, we did.

7 Q. And are there any other overriding royalty
8 owners?

9 A. Yes, there are, and we noticed those parties,
10 too.

11 Q. And if I turn to what has been marked as Encana
12 Exhibit No. 6, is that the affidavit prepared by my
13 office with attached letters providing notice of this
14 hearing?

15 A. Yes.

16 Q. And it reflects that you provided to them a
17 current version of the unit agreement at that time,
18 correct?

19 A. Yes.

20 Q. If you look at these letters, Ms. Binion, do they
21 also provide your e-mail address and telephone number if
22 anybody that receives these questions has any questions?

23 A. Yes. And I do get calls, quite often, with
24 questions.

25 Q. Finally, then did the company provide notice of

1 this hearing in a newspaper of general circulation -- I
2 won't comment on general circulation -- but in the
3 Farmington Times?

4 A. Yes.

5 Q. And we believe that that is a newspaper of
6 general circulation?

7 A. Yes.

8 Q. And has that been marked as Encana Exhibit No. 7?

9 A. Yes, it has.

10 Q. Were Encana Exhibits 1 through 5 prepared by you
11 or compiled under direction and supervision?

12 A. 1 through 7?

13 Q. I'll --

14 A. Oh, sorry. Yes.

15 Q. Okay.

16 MR. FELDEWERT: Mr. Examiner, I would move
17 the admission into evidence of Encana Exhibits 1 through
18 7, which includes the two notice affidavits.

19 EXAMINER JONES: Exhibits 1 through 7 are
20 admitted.

21 (ENCANA OIL AND GAS (USA), INC., EXHIBITS 1
22 through 7 were offered and admitted.)

23 MR. FELDEWERT: And that concludes my
24 examination of this witness.

25 EXAMINATION BY EXAMINER McMILLAN

1 EXAMINER McMILLAN: The question I got is
2 Guffer's Point is listed in R-12984, so, in essence, you
3 are asking to freeze that portion of the pool within
4 the, quote, buffer zone that's part of the unit,
5 correct?

6 THE WITNESS: I would say we are probably
7 asking to override it for horizontal development, the
8 same as we are overriding the Lybrook, Gallup, because
9 the buffer acts the same way as the pool boundary does,
10 is that it creates the rules for drilling wells within
11 that buffer. So if we create the new oil pool for the
12 unit for horizontal development, it -- those rules just
13 override the rules for that buffer, the same as it does
14 for the actual pools that fall within the boundary.

15 Mike, is that right?

16 MR. FELDEWERT: Well said.

17 EXAMINER McMILLAN: Go ahead.

18 EXAMINATION BY EXAMINER JONES

19 EXAMINER JONES: Section 4, in our
20 application, lists the east half instead of the west
21 half, but you already talked about that; correct?

22 THE WITNESS: I am sorry. I don't
23 understand the question.

24 EXAMINER JONES: Section 4, it's -- in your
25 application -- the application that was filed here lists

1 the east half. And, really, I noticed in your unit
2 agreement, it says the west half.

3 THE WITNESS: Right. It's the west half.
4 The east half is not included in the unit -- does the
5 application say "west"?

6 EXAMINER JONES: No. East, our application
7 says "east."

8 THE WITNESS: I am sorry. Okay.

9 EXAMINER JONES: But the difference in the
10 30 feet or so difference, was that because of the final
11 surveys on some of these sections that are irregular; is
12 that why?

13 THE WITNESS: You mean the acreage amounts?

14 EXAMINER JONES: The acreage amounts.

15 THE WITNESS: Yes. I had the wrong acreage
16 amount on one of the tracts, and the BLM corrected me
17 when they reviewed the application for preliminary final
18 approval.

19 EXAMINER JONES: Those -- okay. Those lands
20 don't have any state trust lands in them -- do they? --
21 the ones up in the top half of that township?

22 THE WITNESS: I could look on Exhibit B. It
23 shows the state lands. They are in section 16. All of
24 16 is state lease.

25 EXAMINER JONES: It is a standard section, I

1 am sure.

2 THE WITNESS: Correct, correct. 640 acres.

3 EXAMINER JONES: I guess that will -- that
4 will work.

5 The 330-foot setbacks, now, we are putting
6 that language into these orders, but, of course, the
7 elephant in the room is there's a lot of corners in this
8 unit and so you wanted 330 from the corners also; is
9 that correct?

10 THE WITNESS: Correct, 330 from the exterior
11 boundary all the way around the unit. Correct.

12 EXAMINER JONES: So even if it gets close to
13 one of these corners, it is 330, not 467?

14 THE WITNESS: Correct.

15 And there's a formula that we have been
16 taught to create that angle, a calculation to make sure
17 you are 330 feet back.

18 EXAMINER JONES: What I am saying is you
19 wouldn't use that formula. We just use the simple
20 language 330 in a hearing order.

21 THE WITNESS: Okay.

22 EXAMINER JONES: Or we can put in that you
23 should not use that formula.

24 MR. FELDEWERT: I think they asked for
25 330 feet from the outer boundary of the unit.

1 EXAMINER JONES: Just keep it simple like
2 that. If we ever come across that situation, we'll
3 worry about it then.

4 But I hate to see you have to set back
5 further than you want to from one of these corners. It
6 might cause waste, for one thing.

7 MR. FELDEWERT: Right.

8 THE WITNESS: In some of these cases, some
9 of the planned wells extend the laterals outside of the
10 unit into the next tract so that we don't create waste,
11 don't -- those corners, especially if we don't have much
12 room to draw a very long lateral on the acreage outside
13 and then we'll communitize both. So we are being as
14 efficient as we can to maximize locating these wells to
15 efficiently drain everything.

16 EXAMINER JONES: Did you say what the
17 effective date is and how much --

18 MR. FELDEWERT: It is in the unit agreement.

19 EXAMINER JONES: It is in the unit agreement
20 anyway.

21 THE WITNESS: August 1, 2013. And there is
22 only one existing well in this unit.

23 EXAMINER JONES: How wonderful. One
24 horizontal well?

25 THE WITNESS: Yes.

1 EXAMINER JONES: Okay.

2 And the terms of the JOA will be similar to
3 the last one you were talking about?

4 THE WITNESS: Yes.

5 EXAMINER JONES: And as far as the notice to
6 the operators of any vertical wells in the Gallup, is
7 that the same answer as the last one?

8 THE WITNESS: Yes, sir. We assume that the
9 operators also have a leasehold interest and we did
10 notice those parties.

11 EXAMINER JONES: They had a chance to read
12 it and they know what the Division rules are.

13 THE WITNESS: Right.

14 EXAMINER JONES: Okay.

15 EXAMINATION BY EXAMINER WADE

16 EXAMINER WADE: I guess just for the record
17 regarding pool formation, you are not asking that a pool
18 be backdated to the same date as the unit agreement?

19 THE WITNESS: No, we are not asking for a
20 retroactive effective date for the pool.

21 EXAMINER WADE: The pool would be effective
22 the date of the OCD order?

23 THE WITNESS: Correct.

24 EXAMINER WADE: I don't have any further
25 questions.

1 EXAMINER JONES: Thank you very much.

2 MR. FELDEWERT: I will call the next
3 witness.

4 CHRIS CASSLE

5 having been first duly sworn, was examined and testified
6 as follows:

7 DIRECT EXAMINATION

8 By MR. FELDEWERT:

9 Q. Would you please state your name and identify by
10 whom you are employed and in what capacity.

11 A. Chris Cassle, geologist at Encana on the San Juan
12 Basin team.

13 Q. Previously in the case today, you testified
14 before the Oil Conservation Division as an expert in
15 petroleum geology, correct?

16 A. Yes, I did.

17 Q. And your credentials were accepted and made a
18 matter of public record at that time?

19 A. Yes, they were.

20 Q. Are you familiar with the application filed in
21 this case?

22 A. Yes, I am.

23 Q. Have you conducted a geologic study of the lands
24 that are the subject of the application?

25 A. Yes, I have.

1 MR. FELDEWERT: I would once again tender
2 Mr. Cassle as an expert witness in petroleum geology.

3 EXAMINER JONES: So qualified.

4 Q. And, just for the record, it's C-a-s-s-l-e --

5 A. That's correct.

6 Q. There's no "t"?

7 A. Correct, no "t."

8 Q. Okay. Would you turn to what has been marked as
9 Encana Exhibit No. 8. Is that the same type log -- is
10 that the same type log that is Exhibit C to the unit
11 agreement?

12 A. Yes, it is.

13 Q. And it identifies then the unitized interval?

14 A. Yes, it does.

15 Q. And Mr. Cassle, does this proposed unitized
16 interval extend across the acreage that Encana seeks to
17 unitize?

18 A. Yes, it does.

19 Q. Have you prepared a structure map and a couple of
20 cross sections to demonstrate that?

21 A. Yes, I have.

22 Q. Please turn to what has been marked as Encana
23 Exhibit 9; is that your structure map?

24 A. Yes, it is.

25 Q. Would you please explain to us what you show in

1 this structure map and then what you observe with
2 respect to the structure across this area?

3 A. Yes. This is a structural contour map of the top
4 of the Mancos with a 20-foot contour interval, dipping
5 gently to the northeast with a regional dip of 2 to
6 degrees.

7 The outline of the proposed unit is highlighted
8 with a red line. There are three cross sections on the
9 map, identified A to A Prime, which is east to west; B
10 to B Prime, from north to south from the western
11 boundary of the proposed unit; and C to C Prime on the
12 eastern boundary, with the yellow star on C to C Prime
13 representing the location of the type log.

14 MR. FELDEWERT: Mr. McMillan is going to be
15 very happy with you.

16 Q. Did you include that type log in your cross
17 section?

18 A. I did include it, yes.

19 Q. Good. Then turn to what's been marked as Encana
20 Exhibit No. 10. Is that your A to A Prime cross
21 section?

22 A. Yes, that's my A to A Prime cross section.

23 Q. And that goes from west to east?

24 A. Yes, it does.

25 Q. And now with respect to this particular cross

1 section, did you have difficulty finding wells that
2 penetrated through the entire unitized interval?

3 A. Yes, I did. None of the wells that I could put a
4 cross section east to west across with wells within the
5 unit boundary had penetrations deeper than the Gallup
6 base other than the November 24-1, which just extended
7 right below the Gallup base there.

8 Q. With respect to the development wells that the
9 company seeks to initially produce, where would they be
10 located, what zone on this A to A Prime?

11 A. Within the zone between the Gallup base top and
12 the Gallup top, in that zone and at the base of these
13 logs.

14 Q. Okay. So your cross section is able to go across
15 that entire zone?

16 A. Yes. That's the zone we would initially develop.

17 Q. Let me ask you, what are you showing here on your
18 A to A Prime?

19 A. So three log tracts on each of the columns. The
20 left hand is the gamma ray, the middle is our
21 resistivity, highlighting hydrocarbon presence. And in
22 the right-hand log tract are the porosity logs.

23 And the cross section shows there is uniform
24 thickness and geological properties across east, west
25 through the proposed unit area.

1 Q. And for the record, with this exhibit and the
2 remaining exhibits, you have a smaller version of the
3 cross section in front, and then, if the Examiners are
4 interested, you have a larger map behind each exhibit;
5 is that correct?

6 A. That is correct, yes.

7 Q. And now you also mention that you were able to do
8 a north to south cross section to B Prime?

9 A. That is correct.

10 Q. I turn to what has been marked as Encana
11 Exhibit No. 11; is that the B to B Prime cross section?

12 A. Yes, that is correct.

13 Q. And that is basically along the western side of
14 the unit area?

15 A. That's correct.

16 Q. In this particular cross section, you were able
17 to locate two wells that penetrated the entire unitized
18 interval?

19 A. Yes, I was.

20 Q. And is this cross section basically the same
21 setup as you previously described?

22 A. Yes, the same log tracts on each of the wells'
23 logs.

24 Q. And what do you observe with respect to the
25 continuity of the unitized interval on this particular

1 cross section?

2 A. So on the western boundary of the proposed unit
3 area, there's consistent thickness and consistent
4 geological properties throughout the area.

5 Q. And your final cross section is C to C Prime; is
6 that correct?

7 A. That is correct, yes.

8 Q. And that runs north to side on the eastern side
9 of the unitized area?

10 A. Yes, that is correct.

11 Q. And here you have three wells that penetrated the
12 entire unitized interval, correct?

13 A. Correct.

14 Q. And is this likewise put together in the same
15 fashion in terms of your gamma ray curve, your
16 resistivity curve?

17 A. And porosity, that's correct.

18 Q. Thank you.

19 And do you reach the same observations with
20 respect to the continuity of the unitized interval?

21 A. Yes, I do. There's uniform thickness and
22 geological properties throughout -- across the cross
23 section.

24 Q. Now we mentioned that there were a number of
25 pools that were involved with this particular area,

1 correct?

2 A. Correct.

3 Q. Are you familiar with the technical and reservoir
4 characteristics of the hydrocarbons produced from these
5 pools?

6 A. Yes, I am.

7 Q. Do they have similar pressure gradients?

8 A. They do have similar pressure gradients.

9 Q. Are the fluids compatible?

10 A. Yes, they are.

11 Q. And what do you observe with respect to the API
12 gravity of the oil?

13 A. The API gravity also ranges from 39 to 40 degrees
14 API across the unit area.

15 Q. In your study of this area, do you observe any
16 faults, pinch-outs, or other geologic impediments that
17 would prevent this unitized area from being efficiently
18 and effectively developed with horizontal wells?

19 A. No, I do not.

20 Q. In your opinion, will the approval of this
21 application be in the best interest of conservation,
22 prevention of waste, and the protection of correlative
23 rights?

24 A. Yes.

25 Q. Are Encana Exhibits 8 through 12 prepared by you

1 or compiled under your direction and supervision?

2 A. They were.

3 MR. FELDEWERT: Mr. Examiner, I move the
4 admission into evidence of Encana Exhibits 8 through 12.

5 EXAMINER JONES: Exhibit 8 through 12 are
6 admitted.

7 (ENCANA OIL AND GAS (USA), INC., EXHIBITS 8
8 through 12 WERE OFFERED AND ADMITTED.)

9 MR. FELDEWERT: And that concludes my
10 examination of this witness.

11 EXAMINATION BY EXAMINER JONES

12 EXAMINER JONES: Joe Hewitt, the geologist
13 with the BLM, have you worked with him?

14 THE WITNESS: I've met with him a couple of
15 times and presented generally this to him a few months
16 ago.

17 EXAMINER JONES: I notice he didn't sign
18 this preliminary -- he put his name on it, but he didn't
19 sign it, so I guess -- but, anyway, he seems like he's
20 amenable to approving these units.

21 Do you have to show him more than you show
22 us or --

23 THE WITNESS: I don't know what I have to
24 show him, but we have shown him exactly what we have
25 shown you.

1 MR. FELDEWERT: And, Mr. Examiner, I think
2 you will note that that letter was issued
3 September 30th, yesterday. And so he was able to e-mail
4 a copy to us. We just haven't received it.

5 EXAMINER JONES: Okay. Thank you. I
6 appreciate that.

7 So the reservoir and the geologic formation
8 is continuous, you have shown us, all over the proposed
9 entire area?

10 THE WITNESS: Yes.

11 EXAMINER JONES: And this is the cretaceous
12 shaley type rock. Do some people call this Niobrara in
13 other places?

14 THE WITNESS: The nomenclature in San Juan
15 Basin is all over the place. We usually split up what
16 we call the Gallup into the Tosito in El Vado. And if
17 you drive 20 miles down the road, they refer to it as
18 other things.

19 In an official sense, it's Mancos, Gallup,
20 as far I am concerned. But it is correlative to the
21 Niobrara and other basins.

22 EXAMINER JONES: So there's vast potential
23 for horizontal drilling in the Niobrara-like Mancos all
24 over the Rockies there; is that correct?

25 THE WITNESS: Yes, that's correct.

1 EXAMINER JONES: Up north in the Piceance
2 and --

3 THE WITNESS: Yes. And then the D.J. Basin
4 as well.

5 EXAMINER JONES: Well, I hope your budget
6 holds out.

7 THE WITNESS: I hope so, too.

8 EXAMINER JONES: I don't have any more
9 questions.

10 MR. FELDEWERT: Mr. Examiner, that concludes
11 our presentation. We ask that this matter be taken
12 under advisement.

13 EXAMINER JONES: Thank you all for coming up
14 here. And we are taking case 15369 under advisement.

15 And we will take a 15-minute break, and then
16 start case 15307.

17

18

19

20 (Time noted 2:50 p.m.)

21

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24

25

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

_____, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO)
 2) ss.
 3 COUNTY OF BERNALILLO)
 4
 5
 6

7 REPORTER'S CERTIFICATE

8
 9 I, ELLEN H. ALLANIC, New Mexico Reporter CCR
 10 No. 100, DO HEREBY CERTIFY that on Thursday, October 1,
 11 2015, the proceedings in the above-captioned matter were
 12 taken before me, that I did report in stenographic
 shorthand the proceedings set forth herein, and the
 13 foregoing pages are a true and correct transcription to
 the best of my ability and control.

14 I FURTHER CERTIFY that I am neither employed by
 15 nor related to nor contracted with (unless excepted by
 the rules) any of the parties or attorneys in this case,
 16 and that I have no interest whatsoever in the final
 disposition of this case in any court.

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