

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

4 APPLICATION OF COG OPERATING, LLC, TO REOPEN CASE
5 NUMBER 15374 TO AMEND ORDER R-14055, LEA COUNTY,
6 NEW MEXICO

7 CASE NO. 15374 (Reopened)

8 BEFORE: MICHAEL McMILLAN, Lead Examiner
9 DAVID K. BROOKS, Legal Examiner
10 WILLIAM JONES, Examiner

11 TRANSCRIPT OF PROCEEDINGS

12 March 31, 2016

13 Santa Fe, New Mexico

14
15 This matter came on for hearing before the New
16 Mexico Oil Conservation Division, MICHAEL McMILLAN,
17 Lead Examiner, and DAVID K. BROOKS, Legal Examiner,
18 and WILLIAM JONES, Examiner, on Thursday, March 31,
19 2016, at the New Mexico Energy, Minerals and Natural
20 Resources Department, 1220 South St. Francis Drive,
21 Room 102, Santa Fe, New Mexico.

22
23 REPORTED BY: PAUL BACA, CCR #112

24 PAUL BACA COURT REPORTERS
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6 I N D E X

PAGE :

9 Examination by Ms. Kessler 3

11 Examination by Ms. Kessler 10

12 CERTIFICATE OF COURT REPORTER 18

13	EXHIBIT:	DESCRIPTION
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14	1	Well Location and Acreage Dedication Plat	8
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15					
16	2	Viking Helmet State Com Number 2H		8	
		Information			

17	3	Letter, Wallace to Sharbutt	8
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18	4	Viking Helmet State Com Number 2H	8
		Pooled Party and Offset	
19		Notification List	

20	5	Affidavit	8
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21	6	Wolfbone Pool Viking Helmet State	13
		Com Number 2H	

22					
	7	Wolfbone Pool Third Bone Spring			13
23		Sand Structure Map			

24	8	Wolfbone Pool Cross-section Map	13
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25 9 Stratigraphic Cross-section A to A 13

1 EXAMINER McMILLAN: Let's call Case Number
2 15374 reopened, application of COG Operating, LLC,
3 to reopen Case Number 15374 to amend Order R-14055,
4 Lea County New Mexico.

5 Call for appearances, please.

6 MS. KESSLER: Jordan Kessler on behalf of
7 COG Operating, LLC.

8 EXAMINER McMILLAN: Any other appearances?
9 Please proceed.

10 MS. KESSLER: I have two witnesses today,
11 Mr. Examiner, and they were previously sworn in, so
12 I don't believe they need to be sworn again.

13 DAVID MICHAEL WALLACE,
14 after having been first duly sworn under oath,
15 was questioned and testified as follows:

16 EXAMINATION

17 BY MS. KESSLER:

18 Q. Can you please state your name for the
19 record and tell the examiner by whom you're employed
20 and in what capacity?

21 A. David Michael Wallace. I am a landman for
22 COG Operating, LLC.

23 Q. Were your credentials today as a petroleum
24 landman accepted and made a matter of record?

25 A. Yes, they were.

1 MS. KESSLER: Mr. Examiner, I would ask
2 that Mr. Wallace again be identified and tendered as
3 an expert.

4 EXAMINER McMILLAN: So qualified.

5 Q. (By Ms. Kessler) Please turn to Exhibit 1
6 and explain what COG seeks under this application.

7 A. This is the C-102 plat for the Viking
8 Helmet State Com Number 2H.

9 We seek to amend Order R-14055 to reflect
10 the revised pool designated by the division.

11 Q. And do you also seek to pool all
12 uncommitted interest owners in the Wolfbone Pool?

13 A. Yes, we do.

14 This also reflects the 240-acre spacing
15 unit for this well, which consists of the west half
16 of the east half of Section 29 and the west half of
17 the northeast quarter of Section 32, 24 south, 35
18 east, Lea County, New Mexico.

19 Q. And did the division for this well also
20 recently revise the pool and pool code for the
21 Viking Helmet?

22 A. It did.

23 Q. And what is that pool?

24 A. That is the Wildcat Wolfbone Pool, Code
25 Number 98098.

1 Q. Has this well also already been drilled?

2 A. It has.

3 Q. But not yet completed, correct?

4 A. That's correct.

5 Q. What is the character of the land on the
6 spacing unit?

7 A. It is state and fee.

8 Q. And there are no depth severances in this
9 area, right?

10 A. No, there aren't.

11 Q. Could you please turn to Exhibit 2 and
12 walk us through this exhibit?

13 A. This is a land tract plat showing interest
14 per tract within the spacing unit.

15 It also has a recap at the end.

16 And it also reflects the uncommitted
17 working interest owners as to the Wolfbone Pool that
18 are highlighted.

19 Q. And those -- those interests are bolded,
20 correct, the uncommitted working interest owners in
21 the Wolfbone Pool?

22 A. That's correct. They are bolded.

23 Q. And once again, certain interest owners
24 were pooled in a previous case, and you have
25 identified all uncommitted interest owners in the

1 Wolfbone Pool for pooling purposes.

2 Is that correct?

3 A. That's correct.

4 Q. Is Exhibit 3 a sample of the letter that
5 you sent to working interest owners within the
6 Wolfbone Pool?

7 A. Yes, it is.

8 Q. And it is a reproposal, correct?

9 A. Yes, it is. It's a reproposal.

10 Q. What's the date on that letter?

11 A. January 29, 2016.

12 Q. And this letter also included an AFE,
13 correct?

14 A. Yes, it did.

15 Q. Are the costs reflected on the AFE
16 consistent with what COG has incurred for drilling
17 similar horizontal wells in the area?

18 A. They are.

19 Q. And what additional efforts did you
20 undertake to reach a voluntary agreement with the
21 working interest owners that we seek to pool?

22 A. I've negotiated a lease with Katherine
23 Madera Sharbutt. She's got that in her hands right
24 now for execution. I'm waiting on that to come
25 back.

1 And then Chevron, they've elected to
2 participate, so we're negotiating an operating
3 agreement.

4 Q. And in the event you reach an agreement
5 with those working interest owners, will that
6 agreement supersede the terms of any pooling order
7 that results in this case?

8 A. Yes.

9 Q. Have you estimated overhead and
10 administrative costs for this well?

11 A. Yes. We're requesting 7,000 a month for
12 drilling and 700 a month for producing.

13 Q. And are those costs in line with what COG
14 and other operators in the area charge for similar
15 wells?

16 A. Yes, they are.

17 Q. Do you ask that the administrative and
18 overhead costs be incorporated into any order that
19 results from this hearing?

20 A. Yes, we do.

21 Q. And that the -- do you ask that it be
22 adjusted in accordance with the COPUS accounting
23 procedures?

24 A. Yes.

25 Q. Are you requesting for any uncommitted

1 working interest owners a 200 percent risk penalty?

2 A. Yes.

3 Q. And is Exhibit 4 a plat identifying the
4 offset operators and lessees of record?

5 A. Yes, it is.

6 Q. Were these parties provided notice of this
7 hearing?

8 A. Yes, they were.

9 Q. Is Exhibit 5 an affidavit prepared by my
10 office with attached letters providing notice of
11 this hearing to the pooled parties and offset
12 operators?

13 A. Yes, it is.

14 MS. KESSLER: Mr. Examiner, I would move
15 admission of Exhibits 1 -- or excuse me.

16 Q. (By Ms. Kessler) Were Exhibits 1 through
17 4 prepared by you or compiled under your direction?

18 A. Yes, they were.

19 MS. KESSLER: Mr. Examiner, I would move
20 admission of Exhibits 1 through 5.

21 EXAMINER McMILLAN: Exhibits 1 through 5
22 may now be accepted as part of the record.

23 EXAMINER McMILLAN: Was everybody in the
24 Bone Spring and Wolfcamp notified?

25 THE WITNESS: Yes.

1 MR. JONES: Mr. Wallace, the two state
2 leases involved, are they 3/16, or what is the base
3 burden on those leases?

4 THE WITNESS: You know, I'd have to look.
5 If I recall it is 100 percent state lease that we
6 own, and it was -- I think it's a -- it's 83 and a
7 third if I remember correctly.

8 MR. JONES: Okay. Okay.

9 Can you -- this 20 percent royalty you're
10 offering Katherine Ross Madera Sharbutt, is that --
11 can COG make money at 20 percent burden at these
12 prices?

13 THE WITNESS: Yes.

14 MR. JONES: Okay. Good to know.

15 How long should we dilly-dally before
16 issuing this order?

17 THE WITNESS: I would -- not long at all,
18 hopefully.

19 MR. JONES: Okay. You want us to go
20 ahead, even though you're expecting an agreement
21 with Chevron and Mr. Sharbutt?

22 THE WITNESS: Uh-huh. We -- yes.

23 MS. KESSLER: Mr. Examiners, this well has
24 been drilled, and they are very anxious to complete
25 this well because it has not yet been completed.

1 MR. JONES: Okay. No dilly-dallying.

2 EXAMINER McMILLAN: So there's no
3 unlocatable interest?

4 THE WITNESS: No.

5 MR. JONES: I have no more questions.

6 MR. BROOKS: No questions.

7 EXAMINER McMILLAN: Okay. Thank you.

8 MS. KESSLER: I will call my next witness.

9 CARRIE M. MARTIN,

10 after having been first duly sworn under oath,

11 was questioned and testified as follows:

12 EXAMINATION

13 BY MS. KESSLER:

14 Q. Can you please state your name for the
15 record and tell the examiner by whom you are
16 employed and in what capacity?

17 A. Carrie Martin, and I'm a geologist at COG
18 Operating, LLC.

19 Q. Did you previously testify before the
20 division today?

21 A. Yes.

22 Q. And were your credentials accepted as a
23 matter of record?

24 A. Yes.

25 MS. KESSLER: Mr. Examiner, I would move

1 Ms. Martin -- or I tender Ms. Martin as an expert in
2 petroleum geology.

3 EXAMINER McMILLAN: So qualified.

4 Q. (By Ms. Kessler) Could you please turn to
5 Exhibit 6 and identify this exhibit for the
6 examiners?

7 A. This is a location map of the Viking
8 Helmet State Com Number 2H well location.

9 The yellow acreage is the COG acreage of
10 the area.

11 The purple dashed line is the location of
12 the wellbore, oriented from north to south.

13 The red line is the location of a
14 producing Wolfcamp well.

15 Q. What is Exhibit 7?

16 A. This is a structure map of the Third Bone
17 Spring Sand with a 50-foot contour interval.

18 This structure map shows that there's no
19 faults in the area, no pinchouts, and no geological
20 impediments to horizontal wells.

21 And it's consistent across the map area.

22 Q. And what is Exhibit 8?

23 A. Exhibit 8 shows a location of the
24 cross-section A to A prime.

25 And these wells are represented --

1 representative of the geology of the area for the
2 Wolfbone Pool interval.

3 Q. Exhibit 9?

4 A. This is a cross-section that was
5 previously shown, A to A prime. It is marked by the
6 top of the Third Bone Spring carbonate in black.

7 The purple line is the Third Bone -- top
8 of the Third Bone Spring Sand.

9 The red line is the top of the Wolfcamp
10 formation.

11 And the pink line is the top of the
12 Wolfcamp B.

13 And this interval from the top of the
14 Third Bone Spring carbonate and down to the Wolfcamp
15 B is the interval for the Wolfbone Pool.

16 Q. And once again, you've shown where the
17 lateral has landed, correct?

18 A. Correct. And that is shown as -- in the
19 very upper part of the Wolfcamp formation.

20 Q. Okay. What have you identified with
21 respect to continuity across the nonstandard spacing
22 unit?

23 A. This cross-section shows that the
24 thickness is consistent across the area within this
25 Wolfbone Pool interval.

1 Q. Do you believe that each tract in the
2 proposed nonstandard spacing unit will, on average,
3 contribute more or less equally to production of the
4 well?

5 A. Yes.

6 Q. And does the completed interval comply
7 with the division's 330-foot setback requirements?

8 A. Yes.

9 Q. In your opinion, will the granting of
10 COG's application be in the best interest of
11 conservation for the prevention of waste and the
12 protection of correlative rights?

13 A. Yes.

14 Q. Were Exhibits 6 through 9 prepared by you?

15 A. Yes.

16 MS. KESSLER: Mr. Examiner, I would move
17 admission of Exhibits 6 through 9.

18 EXAMINER McMILLAN: Exhibits 6 through 9
19 may now be accepted as part of the record.

20 MS. KESSLER: That concludes my
21 examination.

22 EXAMINER McMILLAN: So the oil gravity and
23 GOR was the same used in the previous case I
24 referenced?

25 THE WITNESS: Yes. The wellbore that was

1 previously spoken about in the last hearing was the
2 same well that's in this map area. So it's 48.5 oil
3 gravity and a GOR of 867.

4 And that was from a test in July of 2015
5 that was published on their completion report.

6 Q. (By Ms. Kessler) That was the Endurance
7 Telecaster well.

8 Is that correct?

9 A. Correct.

10 EXAMINER McMILLAN: Go ahead. I don't
11 have anything else.

12 MR. JONES: This structure map that you're
13 showing here, it's got negative signs on it.

14 And if I would draw a strike line, it
15 would be -- is it correct to draw it from the
16 northwest to the southeast, is that right pretty
17 much, and a dip to the southwest?

18 Is that correct?

19 THE WITNESS: It is somewhat dipping to
20 the southwest.

21 MR. JONES: Okay.

22 THE WITNESS: It's a very shallow dip in
23 the area.

24 MR. JONES: Okay. Any trouble drilling
25 it? Has this one been drilled already too?

1 THE WITNESS: This one has been drilled
2 already.

3 MR. JONES: Yeah.

4 THE WITNESS: And there was no problems
5 drilling it.

6 MR. JONES: Okay. What is the top and
7 bottom going to be of this pool?

8 THE WITNESS: The top and bottom of the
9 pool is marked from the cross-section, which is the
10 top of the Third Bone Spring carbonate. And the
11 bottom of the pool is the top of the Wolfcamp B.

12 MR. JONES: Okay. The top of the Third
13 Bone Spring carb.

14 And the bottom is what, now?

15 THE WITNESS: The Wolfcamp B, which is
16 equivalent to the base of the Wolfcamp A shale.

17 MR. JONES: Okay. How did you find out
18 about what the top and the bottom of this Wolfbone
19 Pool would be?

20 THE WITNESS: This was a pool that was
21 suggested by Mr. Paul Kautz.

22 MR. JONES: Oh.

23 THE WITNESS: And we did provide a
24 recommendation for the interval in question.

25 MR. JONES: So he sent you something in

1 writing, or somebody something?

2 THE WITNESS: He -- not to me directly,
3 but to other members of COG Operating.

4 MR. JONES: Okay. So he's going to
5 propose this as a nomenclature. And you choose in
6 this case not to, not -- even though there's an
7 established well already producing, but chose to
8 just go with the wildcat pool?

9 MS. KESSLER: The well is not yet
10 producing, Mr. Examiner. It hasn't been completed.

11 MR. JONES: The Endurance well?

12 MS. KESSLER: Oh, the Endurance well. I'm
13 sorry. That well is completed.

14 THE WITNESS: That is completed, correct.

15 MR. JONES: Okay.

16 MS. KESSLER: I don't know the status of
17 that. I'm sorry.

18 MR. JONES: So we're just going to wait
19 for Paul on what -- so the formation name, we're
20 going to call it Wolfbone.

21 So is that an established geologic name or
22 is it -- can you make up names as they get -- as you
23 find these rocks or...

24 THE WITNESS: I did not make up the name.
25 This was a pool that was suggested by Mr. Paul

1 Kautz, and the name of the pool was suggested by
2 Paul Kautz.

3 MR. JONES: Okay. So it's going to be a
4 new formation name, at least for New Mexico.

5 And we're going to have a top and bottom
6 of the pool, and he's going to define the lateral
7 limits of it.

8 Thank you very much.

9 MR. BROOKS: Do you know the history of
10 this Wolfbone? Where did the concept originate?

11 THE WITNESS: I'm not familiar with how it
12 was obtained.

13 MR. BROOKS: Fair enough. Thank you.

14 EXAMINER McMILLAN: Okay. So thank you
15 very much.

16 Case Number 15374 shall be taken under
17 advisement.

18 (Proceedings concluded at 9:17 a.m.)
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CERTIFICATE

I, Paul Baca, RPR, CCR in and for the
State of New Mexico, do hereby certify that the
above and foregoing contains a true and correct
record, produced to the best of my ability via
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