

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

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

CASE NO. 15310

7 APPLICATION BY COG OPERATING, LLC, TO RE-OPEN
8 CASE NO. 15310 TO CONTRACT THE NON-STANDARD
9 PROJECT AREA TO CONFORM WITH THE BOUNDARIES OF
10 ACREAGE SUBJECT TO A PROPOSED STATE
11 COMMUNITIZATION AGREEMENT, LEA COUNTY,
12 NEW MEXICO.

13 REPORTER'S TRANSCRIPT OF PROCEEDINGS

14 EXAMINER HEARING

15 Thursday, June 23, 2016

16 Santa Fe, New Mexico

17
18 This matter came on for hearing before the
19 New Mexico Oil Conservation Division, William V. Jones,
20 Examiner, and David Brooks, Legal Examiner, on Thursday,
21 June 23, 2016 at the New Mexico Energy, Minerals, and
22 Natural Resources Department, Wendell Chino Building, 1220
23 South St. Francis Drive, Porter Hall, Room 102, Santa Fe,
24 New Mexico.

25 REPORTED BY: MARY Therese Macfarlane
New Mexico CCR 122
PAUL BACA COURT REPORTERS
500 Fourth Street NW, Suite 105
Albuquerque, New Mexico 87102

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A P P E A R A N C E S

FOR THE APPLICANT: Michael Feldewert, Esq.
Holland & Hart, LLP
P.O. Box 2209
Santa Fe, NM 87504-2208

C O N T E N T S

CASE NUMBER 15310 CALLED	
APPLICANT CASE-IN-CHIEF	
WITNESS: JOH-AARON HOUSE	PAGE
EXAMINATION BY MR. FELDEWERT:	3
EXAMINATION BY THE HEARING EXAMINER:	10

E X H I B I T I N D E X

APPLICANT	ADMITTED
COG OPERATING, LLC, EXHIBIT A	10
APPLICANT COG OPERATING, LLC, EXHIBIT B	10
APPLICANT COG OPERATING, LLC, EXHIBIT C	10
APPLICANT COG OPERATING, LLC, EXHIBIT D	10

1 (Time noted: 8:35 a.m.).

2 EXAMINER JONES: The next case up is No. 153710,
3 the Application by COG Operating, LLC, to re-open Case
4 No. 15310 to contract the non-standard project area to
5 conform with the boundaries of acreage subject to a
6 proposed State Communitization Agreement, Lea County, New
7 Mexico.

8 MR. FELDEWERT: May it please the examiner,
9 Michael Feldewert of the Santa Fe office of Holland & Hart
10 on behalf of the Applicant, and I have one witness here
11 today.

12 EXAMINER JONES: Will that witness please stand.

13 The witness has been previously sworn.

14 MR. FELDEWERT: Mr. Examiner, before I begin, in
15 the packet that I handed to you, you will see exhibits
16 that are marked A through D, and the reason for that is
17 because I did not want any confusion between the exhibits
18 entered in the first case and in this matter.

19 EXAMINER JONES: Thank you. It will all go in
20 the same case file?

21 MR. FELDEWERT: Yes, sir.

22 JON-AARON HOUSE,
23 having been previously sworn, testified as follows:

24 EXAMINATION

25 BY MR. FELDEWERT:

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

3 A. Jon-Aaron House, employed by COG Operating, LLC,
4 as senior landman.

5 Q. And Mr. House, did you testify as an expert in
6 Petroleum land matters for the company in May of 2015 in
7 the case that resulted in the issuance of the Order that's
8 before the Division today?

9 A. Yes.

10 Q. And if I turn to what has been marked as COG
11 Exhibit A, is this a copy of Order No. R-14033 that was
12 entered following the case in which you testified?

13 A. Yes.

14 Q. And essentially, Mr. House, what did this
15 Division's Order do?

16 A. It granted a 640-acre non-standard project area
17 for the four wells listed on page 2.

18 Q. Okay. What amendment to this Order does the
19 Company seek under this application?

20 A. We are seeking to contract the 640-acre project
21 for a 480-acre project area.

22 Q. If I turn to what has been marked as COG Exhibit
23 B, is this -- was this particular exhibit also entered in
24 the initial case?

25 A. Yes.

1 Q. And does this exhibit assist in identifying why
2 the Company is seeking now to contract the project area
3 from 640 acres to 480 acres?

4 A. Yes. It shows the three wells that we currently
5 have drilled and producing in black, and then the two
6 state leases that are subject to the Section, along with a
7 permitted red well bore that we are now extending two
8 miles to the north. If you were to take that red line and
9 just extend it straight north to the east half/east half
10 of 22, that is the planned well.

11 Q. With respect to the four wells shown on here,
12 first as to the three wells in black, you said those have
13 been drilled?

14 A. Yes.

15 Q. Are those wells producers?

16 A. Yes.

17 Q. Are those wells listed on the second page of the
18 initial Order?

19 A. Yes.

20 Q. And then this fourth well in red you said you
21 are extending it as a two-mile lateral into the east half
22 of the east half of these two sections?

23 A. Yes.

24 Q. Is that the acreage that you seek to exclude
25 from what now is the approved 640-acre project?

1 A. Yes. We will exclude the east half, east half
2 of Section 27.

3 Q. Now, have you read the Division Order in this
4 case?

5 A. Yes.

6 Q. Since that well in red on the east half east
7 half, since it has not been drilled, is that Division
8 Order technically in effect?

9 A. It is not. The Order was contingent on drilling
10 all four wells and having them producing before it became
11 into effect.

12 Q. So with respect to the three wells that have
13 been drilled and producing, are they currently dedicated
14 to a 640-acre project area?

15 A. They are still dedicated to the 640-acre project
16 area. We were waiting for the fourth well being drilled
17 to update the C-102 to reflect the 640-acre area.

18 Q. Because that is when the Order would be in
19 effect?

20 A. That's correct.

21 Q. Now you mentioned this exhibit reflects the two
22 state leases involved in Section 27. Who owns the
23 interest in those two state leases?

24 A. COG owns 100 percent of both of those leases.

25 Q. Is there currently, Mr. House, on file with the

1 New Mexico State Lands Office a communitization agreement
2 for 640 acres?

3 A. Yes.

4 Q. Has the company discussed with the State Lands
5 Office it's new development plans for the east half of the
6 east half of the section?

7 A. Yes. And they have stated that they would
8 contract our original 640-acre area down to 480 acres.

9 Q. Okay. Have they asked the Company come before
10 the Division to approve the more limited project area
11 before they actually execute and file that new
12 communitization agreement?

13 A. Yes.

14 Q. And in fact once you get the Order from the
15 Division, then you would be in a position to actually
16 dedicate the existing well to the 480-acre project area?

17 A. That's correct.

18 Q. If I turn to what has been marked as COG Exhibit
19 C, does this reflect for the Division on a Midland map the
20 acreage that would now be part of the 480-acre proposed
21 project area?

22 A. That's correct.

23 Q. And that is comprised of?

24 A. What that is comprised of the east half/east
25 half and the west half of Section 27 of 21 South/33 East

1 in Lea County.

2 Q. Would the approval of this 480-acre project area
3 allow the company to consolidate the surface facilities?

4 A. Yes. Currently the 1H and 2H are going into a
5 single battery at the 1H location. 3H has its own
6 dedicated battery. With the approval of this 480-acre we
7 would then remove the 3H facility and consolidate into the
8 1H battery.

9 Q. Okay. Now, in addition to that I wanted you to
10 take a look, flip over to COG Exhibit A, which is the
11 Division's Order, and I'd like you to go to page 3 of that
12 Order.

13 So it would be Exhibit A, page 3.

14 A. Okay.

15 Q. If I go to subparagraph 12 it reads as follows.

16 It says: The formation of this project
17 area will enable wells to be located within the project
18 area based on drilling results instead of land
19 considerations, will enable the fracturing of multiple
20 wells at the same time, and ensure a more efficient and
21 less wasteful exploitation of the reservoir.

22 Does this same conclusion apply equally to
23 your proposed 480-acre project area?

24 A. Yes.

25 Q. Are there multiple pay zones in the Bone Spring

1 Formation that underlies this acreage for future
2 development?

3 A. Yes.

4 Q. Now, the pool that is involved here is actually
5 identified on the first page of this Order, correct?

6 A. That is correct.

7 And is this pool separated into 40-acre tracts?

8 A. Yes.

9 Q. And in preparation for this hearing did the
10 Company identify the affected parties in the 40-acre
11 tracts surrounding your proposed 480-acre non-standard
12 project area?

13 A. Yes.

14 Q. If you flip to what has been marked as COG
15 Exhibit D, is this an affidavit prepared by my office with
16 the attached letters providing notice of this hearing to
17 these offsetting affected parties?

18 A. Yes.

19 Q. Were COG Exhibits A B and C prepared by you or
20 compiled under your direction or supervision?

21 A. Yes.

22 MR. FELDEWERT: Mr. Examiner, I would move the
23 admission into evidence of COG Exhibits A, B, C and D. D
24 is the Notice Affidavit.

25 EXAMINER JONES: Exhibits A, B, C and D are

1 admitted in this case.

2 MR. FELDEWERT: That concludes my examination of
3 this witness. Thank you.

4 MR. BROOKS: No questions.

5 EXAMINER JONES: Okay. Well, I guess if you
6 stay around here long enough you have to live with what
7 you did, so that's me in this case.

8 Anyway, I appreciate you coming back in.

9 THE WITNESS: Yes, sir.

10 EXAMINATION

11 BY EXAMINER JONES:

12 Q. The original well that was being proposed to be
13 drilled on the east half/east half, what happened? How
14 come it wasn't drilled?

15 A. We prefer to drill two miles and to reduce our
16 surface footprint in the area, and effectively drain our
17 productive interval. We wanted to drill a two-mile well
18 north.

19 EXAMINER JONES: Okay. Well, I have everything
20 we need in this case. Thanks for being so thorough.
21 Thanks for coming up.

22 MR. FELDEWERT: Thank you.

23 EXAMINER JONES: Taking case 15310 (re-opened)
24 under advisement, and we will make it a priority to get it
25 out as soon as possible.

1 MR. FELDEWERT: Thank you.

2 THE WITNESS: Thank you.

3 (Time noted: 8:55 a.m.)

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REPORTER'S CERTIFICATE

I, MARY THERESE MACFARLANE, New Mexico
 Reporter CCR No. 122, DO HEREBY CERTIFY that on Thursday,
 August 17, 2015, the proceedings in the above-captioned
 matter were taken before me; that I did report in
 stenographic shorthand the proceedings set forth herein,
 and the foregoing pages are a true and correct
 transcription to the best of my ability and control.

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

 MARY THERESE MACFARLANE, CCR
 NM Certified Court Reporter No. 122
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