

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:

AMENDED APPLICATION OF COG
OPERATING, LLC FOR A NONSTANDARD
SPACING AND PRORATION UNIT AND
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

CASE NO. 15639

Consolidated with

AMENDED APPLICATION OF COG
OPERATING, LLC FOR A NONSTANDARD
SPACING AND PRORATION UNIT AND
COMPULSORY POLING, EDDY COUNTY,
NEW MEXICO.

CASE NO. 15640

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

April 13, 2017

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
GABRIEL WADE, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, and Gabriel Wade, Legal Examiner, on
Thursday, April 13, 2017, 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: Mary C. Hankins, CCR, RPR
New Mexico CCR #20
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500 4th Street, Northwest, Suite 105
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1 APPEARANCES

2 FOR APPLICANT COG OPERATING, LLC:

3 WILLIAM F. CARR, ESQ.
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 6

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1 (8:56 a.m.)

2 EXAMINER McMILLAN: Let's go to Case Number
3 15639, amended application of COG Operating, LLC for a
4 nonstandard spacing and proration unit and compulsory
5 pooling, Eddy County, New Mexico.

6 For the record, are the two cases going to
7 be combined?

8 MR. CARR: May it please the Examiner, we
9 would request this be consolidated with the next case.
10 They're the same federal lease, and the ownership is
11 virtually identical in both of the units to be pooled.

12 EXAMINER McMILLAN: Okay. Then Case Number
13 15639 shall be combined with Case Number 15640,
14 application of COG Operating, LLC for a nonstandard
15 spacing and proration unit and compulsory pooling, Eddy
16 County, New Mexico.

17 Call for appearances.

18 MR. CARR: May it please the Examiner, my
19 name is William F. Carr, Senior Counsel to Concho
20 Resources. I represent COG Operating in this matter. I
21 have two witnesses.

22 EXAMINER McMILLAN: Okay. The witnesses
23 will please stand up and be sworn in at this time.

24 Thank you.

25 (Mr. Cuccerre and Mr. Bergman sworn.)

1 MR. CARR: May it please the Examiners, at
2 this time we would call Vincent Cuccerre.

3 EXAMINER McMILLAN: Just real quickly, any
4 other appearances?

5 Please proceed.

6 MR. CARR: Thank you.

7 VINCENT CUCCERRE,
8 after having been previously sworn under oath, was
9 questioned and testified as follows:

10 DIRECT EXAMINATION

11 BY MR. CARR:

12 **Q. Will you state your name for the record?**

13 A. My name is a Vincent Cuccerre. The last name
14 is spelled C-U-C-C-E-R-R-E.

15 **Q. Mr. Cuccerre, where do you reside?**

16 A. In Midland, Texas.

17 **Q. By who are you employed?**

18 A. With Concho Resources.

19 **Q. And what is your position with Concho**
20 **Resources?**

21 A. I'm a landman on the New Mexico Basin.

22 **Q. Have you previously testified before the**
23 **New Mexico Oil Conservation Division?**

24 A. No, I have not.

25 **Q. Would you review for Mr. McMillan your**

1 **educational background and your work experience?**

2 A. I graduated in May of 2015 from the Texas Tech
3 University in the Rawls College of Business with an
4 energy commerce degree. I've had two internships, one
5 with Citation Oil & Gas Corporation and one with Concho
6 Resources, both as a landman in the Permian Basin, and
7 now I'm full time with Concho Resources as a landman on
8 the New Mexico Basin.

9 **Q. Are you a member of any professional**
10 **associations?**

11 A. Yes, the American Association of Petroleum
12 Landmen Permian Basin Landmen's Association, Young
13 Professionals in Energy.

14 **Q. Are you familiar with each of the applications**
15 **filed in these consolidated cases?**

16 A. Yes.

17 **Q. And are you familiar with the status of the**
18 **lands in the area which are the subject of the pooling**
19 **cases?**

20 A. Yes, I am.

21 **Q. Have you personally contacted each of the**
22 **parties who own interests that could be affected by this**
23 **application?**

24 A. Yes, I have.

25 MR. CARR: We tender Mr. Cuccerre as an

1 expert in petroleum land matters.

2 EXAMINER McMILLAN: The only problem I've
3 got is that business school at Texas Tech is kind of
4 iffy.

5 MR. CARR: I knew you would say that.

6 (Laughter.)

7 EXAMINER McMILLAN: You know, my daughter's
8 going to school there.

9 So qualified (laughter).

10 Q. (BY MR. CARR) Mr. Cuccerre, could you explain
11 what COG seeks with each of these cases?

12 A. COG seeks two things, the first being an
13 approval of a nonstandard -- nonstandard spacing unit
14 for each well in the Bone Spring Formation, and then,
15 second, compulsory pooling of all uncommitted interests
16 in the Bone Spring Formation.

17 Q. What is the character of the lands in this
18 case?

19 A. In Section 29, it's governed by one federal
20 lease, and the ownership is common throughout.

21 Q. Let's refer to what has been marked as COG
22 Exhibit Number 1. Would you identify this and review it
23 for the Examiner?

24 A. Yes. The Form C-102 is for the Populus Federal
25 2H, and the information is API Number 30-0015-44102.

1 The pool code is 97818. The pool name, WC-015 G-03
2 S252636M; Bone Spring. And below is the plat where the
3 nonstandard spacing unit is identified in the west half
4 of the east half of Section 29. And the surface-hole
5 location is in Unit B from 115 feet from the north line
6 and 2,310 feet from the east line. And that bottom-hole
7 location is in Unit O, 200 feet from the south line
8 1,980 feet from the east line.

9 Q. We have shown the total depth of where we're
10 planning to drill; is that correct?

11 A. Yes.

12 Q. And when we say 200 feet, that is not how close
13 we tend to be producing to the south line of the
14 section; is that right?

15 A. That's correct.

16 Q. This area is governed by statewide Oil
17 Conservation Division oil rules; is it not?

18 A. Yes. The statewide rules are 40-acre units and
19 33 -- 330-foot setbacks.

20 Q. And will the well be completed at least 330
21 feet from the outer boundary of the dedicated
22 nonstandard?

23 A. Yes.

24 Q. What is the target zone in each of these wells?

25 A. It's the 2nd Bone Spring Sand Formation.

1 **Q. And are there any depth severances in the area?**

2 A. No. There are no depth severances within the
3 Bone Spring Formation, and ownership is common
4 throughout the whole section.

5 **Q. Let's go to what's been marked as Exhibit**
6 **Number 2. Would you identify that?**

7 A. This is the Form C-102 for the Populus Federal
8 4H, the same general information as the 2H, with the API
9 number being 30-015-44103. And then the plat identifies
10 the nonstandard spacing unit we're seeking. That's in
11 the west half-west half of Section 29. The surface-hole
12 location will be in Unit D, 210 feet from the north
13 line, 990 feet from the west line. And then the
14 bottom-hole location will be Unit N, 200 feet from the
15 south line, 660 feet from the west line.

16 **Q. And this is for the Populus 4H well?**

17 A. Yes, sir.

18 **Q. And like the 2H, the completed interval will be**
19 **at least 330 feet back from the outer boundary of the**
20 **dedicated unit?**

21 A. Yes.

22 **Q. Let's go to Exhibit Number 3. Would you**
23 **identify this exhibit, please?**

24 A. Yes. This is -- Exhibit 3 is an ownership
25 breakdown for the two nonstandard spacing units that we

1 seek for the 2H and the 4H. And Section 29 is a single
2 Fed lease, so the ownership is common throughout. And
3 in between the 2H and the 4H is the 3H, and that order
4 number was R-14086, and you can see that ownership
5 breakdown in the working interest summary.

6 Q. So between the two wells that we're proposing
7 today and the nonstandard units for those wells, we have
8 already pooled and drilled the Populus 3H?

9 A. Correct.

10 Q. And that's the order number that you provided.

11 All right. Let's move to Exhibit Number 4.
12 What is this?

13 A. These are the letters that we sent to the
14 respective parties, EOG and OXY. The well proposal sent
15 to EOG was dated December 20th. And in those well
16 proposals, we provided them with the working interest
17 owner breakdown and the AFEs. And then you can see
18 OXY's letter as well dated December 20th, 2016 with the
19 same information provided. And then we updated them
20 with AFEs for the new costs. And then we also provided
21 them with another letter for amending the operating
22 agreement to expand the contract area to the respective
23 project areas on March 8th, 2017. Also sent that letter
24 to OXY. And then the last letter is the new JOA.

25 Q. At this point in time, what is the status of

1 **negotiations with each of these parties?**

2 A. The status right now is we're awaiting
3 executions. We have finalized the agreements -- the
4 terms of the joint operating agreement. And because of
5 the upcoming spud dates, we're seeking a pooling order.

6 **Q. Have each of the operating agreements now been**
7 **referred to the respective companies' legal counsel for**
8 **review?**

9 A. Yes.

10 **Q. And what is the spud date on the first well?**

11 A. April 16th.

12 **Q. And so we've been working with them since**
13 **December 20th, and we're to a point where we need to go**
14 **forward with the pooling?**

15 A. That's correct.

16 **Q. You've sent AFEs with the proposal letters?**

17 A. Uh-huh.

18 **Q. Those were revised; is that correct?**

19 A. Yes.

20 **Q. And why were they revised?**

21 A. After further research with the engineers and
22 the geologists, they provided us with further accurate
23 AFE costs.

24 **Q. So you adjusted those AFEs?**

25 A. Yes.

1 Q. And have you had any complaints about the
2 adjustments that you've provided?

3 A. No, sir.

4 Q. Let's go to COG Exhibit Number 6. Would you
5 identify and review this?

6 A. Exhibit 6?

7 Q. Exhibit Number 6.

8 A. The offset owners? This exhibit here
9 identifies all the offset owners who we located and gave
10 notice to under the provided OCD rules.

11 Q. What overhead and administrative costs does COG
12 request be provided for in this order?

13 A. \$7,000 a month while drilling and \$700 a month
14 while producing.

15 Q. And are these costs in line with what other
16 operators and other COG wells that COG has used?

17 A. Yes. Those are the standard rates.

18 Q. And you request that these numbers be
19 incorporated into the order; is that correct?

20 A. Yes.

21 Q. Do you also request that these figures be
22 adjusted in accordance with the appropriate accounting
23 procedures?

24 A. Yes.

25 Q. Does COG request a 200 percent risk charge be

1 assessed against any interest owner who does not
2 voluntarily commit to its proportionate share?

3 A. Yes.

4 Q. Was notice of this hearing provided to all the
5 pooled parties and all the offset owners as required by
6 Oil Conservation Division rules and regulations?

7 A. Yes.

8 Q. Is Exhibit Number 7 a copy of my affidavit
9 confirming that notice of today's hearing has been
10 provided?

11 A. Yes.

12 Q. And is Exhibit A the copy of the Affidavit of
13 Publication in the "Carlsbad Current-Argus" that was
14 also provided this hearing?

15 A. Yes.

16 Q. And, Mr. Cuccerre, we have gotten to a point
17 where we've been hopeful we could avoid the hearing and
18 just advise the Examiner that each party had signed the
19 proposed agreement, but those offers are still out, and
20 they're reviewing the agreements, correct?

21 A. Yes.

22 Q. If those parties and as those parties sign the
23 agreements, will you immediately advise the Division
24 that they have voluntarily committed their interest to
25 these wells?

1 A. Yes.

2 **Q. Were Exhibits 1 through 8 prepared by you or**
3 **compiled under your direction and supervision?**

4 A. Yes.

5 **Q. Can you testify to their accuracy?**

6 A. Correct.

7 MR. CARR: May it please the Examiner, at
8 this time we would move COG Exhibits 1 through 8.

9 EXAMINER McMILLAN: Exhibits 1 through 8 in
10 Cases 15639 and 15640 shall -- may now be accepted as
11 part of the record.

12 (COG Operating, LLC Exhibit Numbers 1
13 through 8 are offered and admitted into
14 evidence.)

15 MR. LARSON: That concludes my examination.

16 CROSS-EXAMINATION

17 BY EXAMINER McMILLAN:

18 **Q. Okay. The 15640 is proposed, right, the well?**

19 A. Yes.

20 **Q. Okay. And I just want -- for clarity purposes,**
21 **there are no unlocatable interests, correct?**

22 A. That's correct.

23 **Q. For both of these, there are no depth**
24 **severances, correct?**

25 A. Correct.

1 **Q. I made a mistake. What's the R number for the**
2 **west half-east half?**

3 MR. CARR: Oh, let's see. Mr. Examiner, I
4 have that order. It's R-14086.

5 EXAMINER McMILLAN: Okay. That's fine. It
6 just shows there is orderly development.

7 MR. CARR: That's correct.

8 EXAMINER McMILLAN: That's the point.

9 Okay. And then for 15639, the date of the
10 hearing is proposed, the spud order issued. It will be
11 a subject well?

12 MR. CARR: Correct.

13 EXAMINER McMILLAN: Go ahead.

14 EXAMINER WADE: I have no questions.

15 EXAMINER McMILLAN: Thank you very much.

16 THE WITNESS: Thank you.

17 MR. CARR: Mr. Examiner, at this time I
18 call Drew Bergman.

19 EXAMINER McMILLAN: Please proceed.

20 DREW BERGMAN,
21 after having been previously sworn under oath, was
22 questioned and testified as follows:

23 DIRECT EXAMINATION

24 BY MR. CARR:

25 **Q. State your name for the record, please.**

1 A. My name is Drew Bergman.

2 Q. Where do you reside?

3 A. Midland, Texas.

4 Q. By whom are you employed?

5 A. COG Operating.

6 Q. And what is your position with COG Operating?

7 A. I'm a geologist.

8 Q. Mr. Bergman, have you previously testified as
9 an expert witness in geology before this Division?

10 A. Yes, I have.

11 Q. And at that time, your credentials were
12 accepted and made a matter of record?

13 A. Yes, they were.

14 Q. Have you prepared a geologic study of the area
15 which is involved in each of these cases?

16 A. Yes, I have.

17 Q. And have you prepared exhibits for presentation
18 here today?

19 A. Yes.

20 MR. CARR: Mr. Examiner, we tender
21 Mr. Bergman as an expert petroleum geologist.

22 EXAMINER McMILLAN: So qualified.

23 Q. (BY MR. CARR) Mr. Bergman, let's go to what's
24 been marked as COG Exhibit Number 9. Would you identify
25 those and explain what it shows?

1 A. This is a map around the Populus wells. You
2 have COG acreage in yellow. You have offset 2nd Bone
3 Spring Sand wells in solid orange lines, and you have
4 the two Populus wells in the dashed orange lines.

5 Q. And between them is the Populus 3, which we
6 pooled a little over a year ago, correct?

7 A. Correct.

8 Q. Let's go to Exhibit Number 10. What does that
9 show us?

10 A. This is a -- the Vike Hunters [sic;phonetic]
11 are a special map at the base of the 2nd Bone Spring
12 Sand, and it's showing continuous dip from the east to
13 the west in the Basin.

14 Q. And there is nothing that was shown
15 structurally that would interfere with the contribution
16 of the acreage to the proposed wells?

17 A. No.

18 Q. Let's move to Exhibit Number 11. Would you
19 identify this, please?

20 A. This -- there is a green line on the map, shows
21 the line of the cross section through the area.

22 Q. And are the wells that you have selected to
23 include on the cross section representative of the 2nd
24 Bone Spring in this area?

25 A. Yes.

1 Q. Let's go to your cross section, Exhibit Number
2 12. Would you review this?

3 A. So you have the -- on each well, you have three
4 sets of logs. You have a gamma ray log, a porosity log
5 and a resistivity log. You have the top of the 2nd --
6 top of the base of the 2nd Bone Spring marked by the
7 orange lines and the interval of the interest defined by
8 the green box to the left of the -- the far left log.

9 Q. And what does this show you about the acreage
10 we propose to dedicate to the --

11 A. That you have continuous and uniform thickness
12 on the 2nd Bone Spring Sand in the area.

13 Q. And I guess here we actually only have one
14 tract, is that right, that one federal lease?

15 A. Yes.

16 Q. And so there is nothing here that would prevent
17 uniform drainage to the wellbore as proposed?

18 A. Yes.

19 Q. But will the completed interval in each well
20 comply with the horizontal well setback requirements?

21 A. Yes, they will.

22 Q. Will granting the application be in the best
23 interest of conservation, the prevention of waste and
24 the protection of correlative rights?

25 A. Yes.

1 **Q. Were Exhibits 8 through 12 prepared by you?**

2 A. Yes, they were.

3 MR. CARR: At this time, Mr. Examiner,
4 we'll move admission into evidence COG Exhibits 8
5 through 12.

6 EXAMINER McMILLAN: Exhibits 8 through 12
7 in Case Number 15639 and 15640 may now be accepted as
8 part of the record.

9 (COG Operating, LLC Exhibit Numbers 8
10 through 12 are offered and admitted into
11 evidence.)

12 MR. CARR: That concludes my examination of
13 Mr. Bergman.

14 CROSS-EXAMINATION

15 BY EXAMINER McMILLAN:

16 **Q. Okay. And all quarter sections are expected to**
17 **contribute equally to production, right?**

18 A. Yes, sir.

19 **Q. I guess -- I'm looking at Exhibit 12.**

20 A. Okay.

21 **Q. So that's a thick interval. Is there any**
22 **chance you could actually be drilling multiple wells**
23 **within the second -- within the project area? I'm just**
24 **curious. Has there been any discussion of that?**

25 A. More analysis would be needed for us to fully

1 determine that.

2 EXAMINER McMILLAN: Go ahead.

3 EXAMINER WADE: I have no questions.

4 EXAMINER McMILLAN: Thank you.

5 MR. CARR: Thank you, Mr. Examiner.

6 EXAMINER McMILLAN: Case Number 15639 and

7 Case Number 15640 shall be taken under advisement.

8 We're going to take a ten-minute break.

9 Thanks.

10 (Case Numbers 15639 and 15640 conclude,
11 9:15 a.m.)

12 (Recess, 9:15 a.m. to 9:29 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO
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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

21
22 MARY C. HANKINS, CCR, RPR
23 Certified Court Reporter
24 New Mexico CCR No. 20
25 Date of CCR Expiration: 12/31/2017
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