

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:

APPLICATION OF COG OPERATING, LLC CASE NO. 15879
FOR A NONSTANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

November 30, 2017

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, William V. Jones,
Chief Examiner, and David K. Brooks, Legal Examiner, on
Thursday, November 30, 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
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APPEARANCES

FOR APPLICANT COG OPERATING, LLC:

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25	(2:25 p.m.)	

1 EXAMINER JONES: And next up is Case 15879,
2 application of COG Operating, LLC for a nonstandard oil
3 spacing and proration unit and compulsory pooling, Lea
4 County, New Mexico.

5 Call for appearances.

6 MR. LARSON: Good afternoon, Mr. Examiner.
7 Gary Larson, from the Santa Fe office of Hinkle Shanor,
8 for the Applicant, COG Operating.

9 MR. MOELLENBERG: Good afternoon. Dalva
10 Moellenberg for Occidental.

11 MR. LARSON: I have two witnesses.

12 EXAMINER JONES: Let the record show the
13 witnesses have been sworn and qualified.

14 EXAMINER BROOKS: And they testified in the
15 prior case.

16 MR. LARSON: (Indicating.)

17 LUKE BEDRICK,
18 after having been previously sworn under oath, was
19 questioned and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. LARSON:

22 Q. Okay. Good afternoon, Mr. Bedrick.

23 A. Good afternoon.

24 Q. And you've already been sworn and qualified as
25 an expert in this case?

1 A. Yes.

2 Q. Would you identify the document marked as
3 Exhibit 1?

4 A. Yes. This is Form C-102 for the Tigercat
5 Federal Com 2H depicting a 320-acre project area
6 comprised of the west half of the east half of Sections
7 8 and 17, Township 26 South, Range 33 East.

8 Q. And is Exhibit 1 a true and correct copy of the
9 C-102 for the #2H well?

10 A. Yes.

11 Q. And what formation is COG seeking to pool?

12 A. The Bone Spring Formation.

13 Q. Are there any depth exceptions in the Bone
14 Spring?

15 A. No.

16 Q. Would you identify the document marked as
17 Exhibit 2?

18 A. Yes. This is a map depicting our project area,
19 which is outlined in red, also showing the interest
20 owners and their prospective -- or respective
21 percentages.

22 Q. Okay. Did you create this document that's been
23 marked as Exhibit 2?

24 A. Yes.

25 Q. And the proposed 320-acre project area is

1 outlined in red; is that correct?

2 A. Yes.

3 Q. And what is the nature of the lands within the
4 proposed project area?

5 A. Tract 1 is fee minerals. Tracts 2 and 3 are
6 federal minerals. Tract 4 is state minerals.

7 Q. And looking at the lower left of Exhibit 2, you
8 have record title owners for each tract?

9 A. Yes.

10 Q. So for Tract 1, that is fee owners of title?

11 A. Yes.

12 Q. And the others are record lease title owners?

13 A. Yes.

14 Q. And will you be submitting communitization
15 agreements?

16 A. Yes.

17 Q. And does Exhibit 2 identify the interests in
18 the project area that were uncommitted --

19 A. Yes.

20 Q. -- when COG filed its application?

21 A. Yes. These parties are highlighted in yellow.

22 Q. Would you identify the document marked as
23 Exhibit 3?

24 A. This is a copy of COG's well-proposal letter
25 for the Tigercat Federal Com 2H, dated September 18th,

1 2017, which was sent to all the working interest owners,
2 and includes the copies of the green cards.

3 Q. Did you prepare and send these well-proposal
4 letters?

5 A. Yes.

6 Q. And did all of the uncommitted interest owners
7 receive the proposal?

8 A. Yes.

9 Q. And after they received the well proposals, did
10 you follow up with these working interest owners?

11 A. Yes, we did.

12 Q. And has COG reached an agreement with
13 Occidental Permian L.P.?

14 A. Yes, we have.

15 Q. Have any of the other interests identified in
16 Exhibit 2 committed to joining the well?

17 A. Yes, RSC Resources and Sagebrush Interest.

18 Q. In your opinion, has COG made a good-faith
19 effort to obtain voluntary joinder of all the
20 uncommitted interests?

21 A. Yes.

22 Q. Would you identify the document marked as
23 Exhibit 4?

24 A. This is a sample letter of the hearing --
25 hearing notice letter sent to all uncommitted interest

1 parties -- interest owners.

2 Q. And were the hearing notice letters sent at
3 your direction?

4 A. Yes.

5 Q. And was it sent to all the uncommitted
6 interests identified in Exhibit 2?

7 A. Yes.

8 Q. Would you identify the document marked as
9 Exhibit 5?

10 A. This a list of all offset owners to the project
11 area.

12 Q. So that includes offset operators, mineral
13 lessees and unleased mineral interests?

14 A. Yes.

15 Q. Would you identify the document marked as
16 Exhibit 6?

17 A. This is a sample hearing notice letter sent to
18 all offset interest owners.

19 Q. And were hearing notice letters sent at your
20 direction to all of the offset interests identified in
21 Exhibit 5?

22 A. Yes.

23 Q. And did COG have good addresses for all of the
24 offset interests?

25 A. Yes.

1 Q. And did COG also publish a notice that
2 individually identifies the interests noted in Exhibits
3 2 and 5?

4 A. Yes. It was published in the "Hobbs News-Sun."

5 Q. And what date was the notice published?

6 A. November 9th, 2017.

7 Q. Would you identify the document marked as
8 Exhibit 7?

9 A. Yes. This is an Affidavit of Publication of
10 the notice in the "Hobbs News-Sun."

11 Q. Is it a true and correct copy of the affidavit?

12 A. Yes.

13 Q. Would you identify the document marked as
14 Exhibit 8?

15 A. This is a copy of COG Operating's AFE for the
16 Tigercat Federal Com 2H.

17 Q. And this is the AFE that was sent with the
18 well-proposal letters?

19 A. Yes.

20 Q. And what are the total estimated well costs?

21 A. \$10,470,600.

22 Q. And are those costs similar to the costs
23 incurred by COG for other two-mile Bone Spring
24 horizontals?

25 A. Yes.

1 Q. Do you have a recommendation for the amount COG
2 should be paid for supervision and administrative
3 expenses?

4 A. Yes, \$7,000 a month while drilling, \$700 a
5 month while the well is producing.

6 Q. Are those amounts consistent and similar to
7 those charged by COG for other two-mile Bone Spring
8 wells?

9 A. Yes.

10 Q. And do you recommend that the rates for
11 supervision and administrative expenses be adjusted
12 pursuant to the COPAS accounting procedure?

13 A. Yes.

14 Q. Is COG also requesting a 200 percent risk
15 charge for drilling and completely the well?

16 A. Yes.

17 Q. In your opinion, will the granting of COG's
18 application avoid the drilling of unnecessary wells,
19 protect correlative rights and serve the interest of
20 conservation and the prevention of waste?

21 A. Yes.

22 MR. LARSON: Mr. Examiner, I move the
23 admission of COG Exhibits 1 through 8.

24 MR. MOELLENBERG: No objection.

25 EXAMINER JONES: Exhibits 1 through 8 are

1 admitted.

2 (COG Operating, LLC Exhibit Numbers 1
3 through 8 are offered and admitted into
4 evidence.)

5 MR. LARSON: And I pass the witness.

6 EXAMINER JONES: Mr. Moellenberg, any
7 questions?

8 MR. MOELLENBERG: No questions.

9 EXAMINER BROOKS: No questions.

10 CROSS-EXAMINATION

11 BY EXAMINER JONES:

12 Q. Is there a difference in the land testimony
13 that I might have missed between the last case and this
14 case? In other words, the same parties, the same
15 participants?

16 A. Yes. Yes, same parties, same participants.
17 The only difference is the percentages are slightly
18 different due to an additional mineral interest in the
19 northeast quarter-northeast quarter of Section 8.

20 Q. Northeast-northeast of 8. Okay.

21 EXAMINER BROOKS: But that doesn't add
22 another party?

23 THE WITNESS: No, sir.

24 Q. (BY EXAMINER JONES) Okay. And the well's going
25 to be at the same surface location as the other well, it

1 **looks like?**

2 A. Yes, on the same pad.

3 Q. Pretty close. Same pad.

4 Okay. Thanks very much.

5 JOHNNY R. BERTALOTT,

6 after having been previously sworn under oath, was

7 questioned and testified as follows:

8 DIRECT EXAMINATION

9 BY MR. LARSON:

10 Q. Good afternoon, Mr. Bertalott.

11 A. Good afternoon.

12 MR. LARSON: Mr. Examiner, just to confirm,
13 Mr. Bertalott was qualified as an expert in petroleum
14 geology.

15 EXAMINER JONES: He is qualified.

16 Q. (BY MR. LARSON) Mr. Bertalott, would you
17 **identify the document marked as Exhibit 9?**

18 A. Yes, sir. Exhibit 9 is a location map. The
19 highlighted yellow is the acreage we are seeking to
20 pool. The brown, dashed line is the location of the
21 Tigercat Federal Com 2H with the surface-hole location
22 denoted by the brown circle at the northern part of
23 Section 8.

24 MR. LARSON: Could we go off the record for
25 just a moment, Mr. Examiner?

1 EXAMINER JONES: Yes.

2 (Discussion off the record, 2:34 p.m. to
3 2:34 p.m.)

4 MR. LARSON: Mr. Examiner, I would like to
5 incorporate by reference Mr. Bertalott's testimony from
6 Case 15878 and ask him to identify the three remaining
7 exhibits in this case.

8 EXAMINER JONES: That sounds like a plan.

9 Q. (BY MR. LARSON) Would you identify the exhibit
10 marked as Exhibit 10?

11 A. Exhibit 10 is the location map with the
12 Tigercat Federal Com 2H being posted. It is a subsea
13 structure map on the 1st Bone Spring Shale. What went
14 into the assessment is that we would be drilling
15 slightly downdip, and there is no structural complexity
16 in the area.

17 Q. Would you identify the document marked as
18 Exhibit 11?

19 A. Exhibit 11 is a location map showing cross
20 section, A to A prime, from north to south and where it
21 is with respect to the proposed Tigercat Federal Com 2H.

22 Q. And did you prepare Exhibits 9, 10, 11 and 12?

23 A. Yes, sir, I did.

24 MR. LARSON: Mr. Examiner, I move admission
25 of Exhibits 9 through 12 into the record.

1 MR. MOELLENBERG: No objection.

2 EXAMINER JONES: Exhibits 9 through 12 are
3 admitted.

4 (COG Operating, LLC Exhibit Numbers 9
5 through 12 are offered and admitted into
6 evidence.)

7 MR. LARSON: And I pass the witness.

8 MR. MOELLENBERG: No questions.

9 EXAMINER BROOKS: No questions.

10 CROSS-EXAMINATION

11 BY EXAMINER JONES:

12 Q. Did you draw your own contour maps here, or did
13 the computer do that?

14 A. Those are hand-contoured.

15 Q. They look pretty good.

16 A. Yes. This structure map is hand-contoured.

17 Q. From a bigger map you shot down?

18 A. Yes, sir.

19 Q. Thank you. I have no further questions. Thank
20 you very much.

21 MR. LARSON: Thank you, Mr. Examiner.

22 EXAMINER JONES: With that, we'll take Case
23 15879 under advisement.

24 (Case Number 15879 concludes, 2:36 p.m.)

25

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

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

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23 Certified Court Reporter
24 New Mexico CCR No. 20
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