

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. 20419  
FOR COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

May 2, 2019

Santa Fe, New Mexico

BEFORE:   SCOTT DAWSON, CHIEF EXAMINER  
            DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the  
New Mexico Oil Conservation Division, Scott Dawson,  
Chief Examiner, and David K. Brooks, Legal Examiner, on  
Thursday, May 2, 2019, 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  
                     Paul Baca Professional Court Reporters  
                     500 4th Street, Northwest, Suite 105  
                     Albuquerque, New Mexico 87102  
                     (505) 843-9241

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# APPEARANCES

FOR APPLICANT COG OPERATING, LLC:  
  
KAITLYN A. LUCK, ESQ.  
HOLLAND & HART, LLP  
110 North Guadalupe, Suite 1  
Santa Fe, New Mexico 87501  
(505) 988-4421  
kluck@hollandhart.com

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1 (9:15 a.m.)

2 EXAMINER DAWSON: Moving to Case 20419,  
3 which is another application of COG Operating, LLC for  
4 compulsory pooling in Eddy County, New Mexico.

5 Call for appearances, please.

6 MS. LUCK: Kaitlyn Luck with the Santa Fe  
7 office of Holland & Hart.

8 EXAMINER DAWSON: Any other appearances?

9 Hearing none, whenever you're ready,  
10 Ms. Luck.

11 Thank you.

12 MS. LUCK: Thank you.

13 In Case Number 20419, COG seeks an order  
14 pooling all uncommitted interests in the Wolfcamp  
15 Formation, the Purple Sage; Wolfcamp Gas Pool,  
16 underlying a 768.56-acre standard horizontal spacing  
17 unit comprised of the west half of Sections 19, 30 and  
18 31, Township 26 South, Range 28 East, Eddy County, New  
19 Mexico.

20 The first exhibit in your packet is the  
21 affidavit of Travis Macha. He has previously testified  
22 before the OCD as an expert petroleum landman and had  
23 his credentials accepted as a matter of record. He's  
24 familiar with this application and the status of the  
25 lands in the subject area.

1                   According to Mr. Macha, none of the parties  
2   proposed to be pooled in this case has indicated  
3   opposition, and he does not anticipate opposition at  
4   this hearing.

5                   This horizontal spacing unit will be  
6   dedicated to the following three proposed wells. The  
7   first well is the Way South State Com #706H well to be  
8   drilled horizontally from a surface location in Unit G  
9   of Section 31 to a bottom-hole location in Unit C of  
10   Section 19, and the Way South State Com 709H and 710H  
11   wells to be drilled horizontally for a surface location  
12   in Unit E of Section 31 to a bottom-hole location in  
13   Unit D of Section 19.

14                  EXAMINER BROOKS: Excuse me. Where do you  
15   have the C-102s for the other two wells? I only see one  
16   for the 706.

17                  MS. LUCK: So they're -- under Tab 1, there  
18   is the 706 C-102, and then behind it will be the 709 and  
19   710. So they're all in the same tab, but they're fairly  
20   lengthy, so they're more towards the back.

21                  EXAMINER BROOKS: It would have been  
22   helpful if you tabbed them in some way so that we could  
23   move from one to the other.

24                  MS. LUCK: I apologize. I'll do that on  
25   the next one.

1 EXAMINER BROOKS: Okay. Thank you.

2 MS. LUCK: But 709 and 710 are all included  
3 in 1A.

4 The completed intervals for all three of  
5 these wells will comply with the setback requirements by  
6 the special rules for the Purple Sage; Wolfcamp Gas  
7 Pool.

8 As we discussed, Exhibit 1A are the C-102s  
9 for all three wells.

10 Exhibit 1B identifies the tracts of land  
11 comprising the proposed spacing and proration unit in  
12 this case. It also identifies the interest ownership by  
13 tract and ultimately by spacing units. COG is seeking  
14 to pool the working interest owners listed on this  
15 exhibit. COG is not seeking to pool any overriding  
16 royalty interest owners in this case. All interest  
17 owners are locatable.

18 Exhibit 1C is a well-proposal letter, along  
19 with an AFE provided to the working interest owners that  
20 COG is seeking to pool. You'll see in paragraph ten of  
21 the affidavit that the 706H well was originally proposed  
22 in February 2019 and was also repropose when the  
23 drilling plans were changed to move this well to the  
24 west-half spacing unit in this case. So under 1C are  
25 both the original well-proposal letter and the second

1 well-proposal letter that shows where the well was  
2 moved. In addition, the well-proposal letters for the  
3 709 well and the 710H well are also behind 1C.

4           The costs reflected in the AFEs are  
5 consistent with what other operators have incurred for  
6 similar horizontal wells in the area in this formation.  
7 No depth severances exist within this proposed spacing  
8 and proration unit, and there are no unleased mineral  
9 interests in the subject acreage.

10           COG has estimated the overhead and  
11 administrative costs for drilling and producing these  
12 wells at \$7,000 per month while drilling and 700 per  
13 month while producing. These costs are consistent with  
14 what other operators in the area are charging for  
15 similar wells.

16           Mr. Macha provided our office with a list  
17 of names and addresses to be provided notice of this  
18 hearing, and that notice is reflected in a later exhibit  
19 that I'll get to.

20           Exhibits 1A through 1C were prepared by  
21 Mr. Macha or compiled under his direction.

22           Turning to Exhibit 2 is the affidavit of  
23 Matt Fisher. He's the geologist for COG in this case.  
24 He has previously testified as an expert witness and had  
25 his credentials accepted.

1                   He's familiar with this application, and he  
2   has conducted a geologic study of the Wolfcamp A within  
3   the Wolfcamp Formation underlying the subject acreage.  
4   In this case COG is targeting the Wolfcamp A within the  
5   Wolfcamp Formation for all three of the wells, the 706,  
6   709 and 710.

7                   Exhibit 2A is a project locator map that  
8   reflects COG's acreage in yellow. The path of the  
9   proposed wells are depicted by dashed pink lines, and  
10   existing producing wells are represented by solid pink  
11   lines.

12                  Turning to Exhibit 2B is a subsea structure  
13   map that was prepared on top of the Wolfcamp A and is  
14   representative of the targeted intervals in the Wolfcamp  
15   Formation. This map shows the formation is dipping to  
16   the east in the area and that Mr. Fisher did not observe  
17   any faulting, pinch-outs or other geologic impediments  
18   to developing the Wolfcamp A with a horizontal well in  
19   this area.

20                  Exhibit 2C overlays a cross-section line in  
21   red consisting of three wells penetrating the Wolfcamp  
22   Formation that he used to construct the stratigraphic  
23   cross section from A to A prime. He considers these  
24   three wells to be representative of the geology in the  
25   area.

1                   And turning to Exhibit 2D is the logs for  
2     those three wells. The proposed target interval for the  
3     Wolfcamp A is labeled and depicted in green on the  
4     exhibit. In his opinion, the stand-up orientation of  
5     the proposed wells is the preferred orientation for  
6     horizontal development in the area and is appropriate to  
7     efficiently and effectively develop the acreage. Based  
8     on his geologic study, the Wolfcamp A is suitable for  
9     development, and the acreage comprising the proposed  
10    spacing unit will contribute more or less equally to  
11    production from the wellbores

12                   In his opinion, COG's application will be  
13    in the best interest of conservation, the prevention of  
14    waste and the protection of correlative rights.

15                   And finally turning to Exhibit 3 is my  
16    affidavit that reflects that our office provided notice  
17    to the interest owners in the subject acreage, and  
18    notice was delivered to all of the parties at issue.

19                   And I would move for admission of Exhibits  
20    1 through 3.

21                   If the hearing examiners have any  
22    questions, I'm happy --

23                   EXAMINER DAWSON: Exhibits 1 through 3 will  
24    be admitted to the record at this time.

25                   (COG Operating, LLC Exhibit Numbers 1, 2



1                   and 3 are offered and admitted into  
2                   evidence.)

3                   EXAMINER DAWSON: Do you have any  
4                   questions, Mr. Brooks?

5                   EXAMINER BROOKS: I think so. I am looking  
6                   at the last page of Exhibit 1B, and you list the -- you  
7                   list the working interest parties, and you have EOG  
8                   Resources. I assume that is the party -- from what I  
9                   can see, it looks like that is probably the only party  
10                  you want pooled; is that correct?

11                  MS. LUCK: That's not correct because we're  
12                  also seeking to pool COG and Concho -- oh, I am sorry.  
13                  Just seeking to pool OXY in this case because we don't  
14                  have a signed agreement with them.

15                  EXAMINER BROOKS: Okay. That's approved.  
16                  So you'll want to pool EOG, and you'll want  
17                  to pool OXY Y-1 or their interests. Technically, you  
18                  pool interests and not owners, but I'm not making a  
19                  point of that except just humorously because it doesn't  
20                  matter, and everybody understands what we're saying.

21                  Okay. So these parties identified on the  
22                  top table on the last page of Exhibit 1A are all of the  
23                  owners of working interests in the unit, right?

24                  MS. LUCK: Yeah. So these are all -- on  
25                  Exhibit 1B are the working interests in this unit.

1 EXAMINER BROOKS: Okay. And they're all --  
2 they're all committed except --

3 MS. LUCK: OXY Y-1.

4 EXAMINER BROOKS: -- EOG and OXY Y-1?

5 MS. LUCK: That's correct.

6 EXAMINER BROOKS: Okay. Now, Nest Egg  
7 [sic] is -- has an overriding royalty interest and you  
8 say no pooling required. Is that because you have a  
9 pooling power?

10 MS. LUCK: That's correct.

11 EXAMINER BROOKS: Okay. Is that explained  
12 in the -- is that noted in the affidavit?

13 MS. LUCK: That is explained in the  
14 affidavit, and I can point you to the paragraph that we  
15 talk about that.

16 EXAMINER BROOKS: Well, it doesn't matter.  
17 If it's in there, it's in there, and that's fine.

18 I think that's all the questions I have.

19 Since those are all the parties, then there  
20 would be no unlocatable parties; is that correct?

21 MS. LUCK: That's correct. There are no  
22 unlocatable interests in this acreage.

23 EXAMINER BROOKS: And there are no depth  
24 severances?

25 MS. LUCK: There are no depth severances.

1 EXAMINER BROOKS: Okay. Thank you.

2 MS. LUCK: Thank you.

3 EXAMINER DAWSON: I have no questions. And  
4 I'm assuming you're requesting for this to be taken  
5 under advisement?

6 MS. LUCK: Yes. Thank you.

7 EXAMINER DAWSON: Okay. At this point Case  
8 Number 20419 will be taken under advisement.

9 Thank you very much, Ms. Luck.

10 MS. LUCK: Thank you.

11 (Case Number 20419 concludes, 9:26 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 DATED THIS 21st day of May 2019.

21

22

23 MARY C. HANKINS, CCR, RPR  
24 Certified Court Reporter  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2019  
Paul Baca Professional Court Reporters

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