

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:

CASE NOS: 20832

APPLICATION OF COG OPERATING LLC
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

November 14, 2019

SANTA FE, NEW MEXICO

This matter came on for hearing before the New Mexico Oil Conservation Division, EXAMINERS LEONARD LOWE, KATHLEEN MURPHY, DYLAN COSS, DEAN McCLURE, and LEGAL EXAMINER ERIC AMES, on Thursday, November 14, 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: Irene Delgado, NMCCR 253
PAUL BACA PROFESSIONAL COURT REPORTERS
500 Fourth Street, NW, Suite 105
Albuquerque, NM 87102
505-843-9241

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S

For the Applicant:

MICHAEL RODRIGUEZ
1048 Paseo de Peralta
Santa Fe, NM 87501
505-780-8000
mrodriguez@concho.com

For MRC Permian:

JAMES BRUCE
P.O. Box 1056
Santa Fe, NM 87504-1056
505-982-2151
jamesbruce@aol.com

I N D E X

CASE NO. 20832 CALLED	
ADAM REKER	
Direct by Mr. Rodriguez	03
CANDICE PETTIJOHN	
Direct by Mr. Rodriguez	14
TAKEN UNDER ADVISEMENT:	19

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

	Admitted
Exhibits 1 through 4	12
Exhibits 5 through 8	18

1 HEARING EXAMINER LOWE: We are back on the
2 record. We will start with case Number 20832, COG for
3 compulsory pooling. Call for appearance.

4 MR. RODRIGUEZ: Good afternoon, Michael Rodriguez
5 with COG Operating LLC.

6 MR. BRUCE: Mr. Examiner, Jim Bruce representing
7 MRC Permian Company and Matador Production Company. I have
8 no witnesses.

9 MR. RODRIGUEZ: We have two witnesses.

10 (Oath administered.)

11 HEARING EXAMINER LOWE: You may proceed.

12 MR. RODRIGUEZ: Thank you.

13 ADAM REKER

14 (Sworn, testified as follows:)

15 DIRECT EXAMINATION

16 BY MR. RODRIGUEZ:

17 Q. Good afternoon. Please state your name, with
18 whom you are employed and your work capacity.

19 A. I'm Adam Reker for COG Operating LLC. I'm a
20 landman.

21 Q. Have you previously testified before the
22 Division?

23 A. Yes.

24 Q. Were your credentials as a petroleum landman
25 accepted as a matter of record?

1 A. Yes, they were.

2 Q. Are you familiar with the application that COG
3 has filed in this case?

4 A. Yes.

5 Q. Are you familiar with the status of the land
6 that's the subject of the application?

7 A. I am.

8 MR. RODRIGUEZ: Mr. Examiner, I would like to
9 tender Mr. Reker as an expert in petroleum land matters.

10 HEARING EXAMINER LOWE: He is so qualified.

11 THE WITNESS: He had to think about it.

12 BY MR. RODRIGUEZ:

13 Q. Turn to Exhibit Number 1. Please identify what
14 this is.

15 A. This is a C-102 plat for the Tin Foil Fed Com
16 Number 604H. It establishes our 960-acre project area with
17 the surface hole location being in Unit Letter O of Section
18 23, 25-35 in Lea County. The bottom hole location being in
19 Unit Letter B, being in Section 14 of 25-35 in Lea County,
20 New Mexico.

21 Q. You said this is for the 604H?

22 A. Yes. And the following is the 705H, and it's got
23 similar 2 mile, but it -- the west it goes from Unit Letter
24 M, Section 23 to Unit Letter D of Section 14.

25 Q. Can you please explain what you seek in this

1 application?

2 A. We are seeking to pool all the uncommitted
3 interests, some of them being working interest owners, some
4 of them unleased mineral interest owners, and we want to
5 establish this 960-acre project area.

6 Q. These wells will be developing the Dogie Draw
7 Wolfcamp?

8 A. Yes.

9 Q. And that pool code 17980; correct?

10 A. Yes.

11 Q. Are there any special rules for this pool?

12 A. There are not.

13 Q. Does the proposed spacing unit incorporate
14 proximity acreage committed under the horizontal well rules?

15 A. Yes, it does.

16 Q. Does the incorporation of proximity acreage
17 enable the wells with completed intervals to remain within
18 Division setback requirements?

19 A. Yes.

20 Q. Turn to Exhibit Number 2. Please identify what
21 that is.

22 A. This is a land exhibit that I created for this
23 hearing. It is establishes our three sets of ownership, our
24 three sets of tracts, the N/2 of NW and the NW of the NE of
25 Section 14 being the fee acreage, the other two are federal

1 acreage, two separate federal leases owned by COG and
2 Chevron. It also identifies in red the parties seeking to
3 be pooled today. The parties that are in italics and black
4 have already signed our operating agreement and are
5 committed to join these two wells.

6 **Q. Have you proposed the wells to the parties**
7 **identified in Exhibit Number 2?**

8 A. Yes.

9 **Q. And have you heard back from any of those**
10 **parties?**

11 A. Yes. Actually, so, as I said a second ago,
12 Advanced Interview Partners and Chevron USA have elected to
13 participate in these two wells and signed our JOA.

14 MRC Permian who entered their appearance today,
15 they have indicated to me they want to participate as well,
16 but have not signed the JOA yet. So they signed the AFE and
17 proposal letters, but they haven't -- I asked him them if
18 they wanted to participate under the pooling order we are
19 seeking today or the JOA and they haven't gotten back to me
20 yet.

21 The other parties are completely unresponsive, so
22 we have had to publish notice and do other things trying to
23 find those people and see if we can get ahold them.

24 **Q. We will get to that in a second. So the parties**
25 **in red are -- located on Exhibit 2 are the remaining parties**

1 to be pooled?

2 A. Yes.

3 Q. Can you approximate just about how much of that
4 working interest that is?

5 A. In the two mile locations, it is somewhere around
6 1.5 percent that we are seeking to pool. We have 98.5
7 percent on board.

8 Q. Great. So can we turn to Exhibit Number 3,
9 please. What is this exhibit?

10 A. These are the proposal letters that we sent to
11 all of the unleased mineral interest owners and working
12 interest owners that own leases within the Tin Foil spacing
13 unit we are seeking to create.

14 Q. And there was a correction letter that was sent
15 out to the working interest owners?

16 A. Yes.

17 Q. Which well was that for?

18 A. 604H.

19 Q. And what was being corrected?

20 A. So internally within our company we had permitted
21 this -- mistakenly permitted this well as a Bone Spring
22 well, and we had intended to drill from that location a
23 Wolfcamp well and develop the Wolfcamp reserves here. We
24 figured it out about ten days after we proposed the wells
25 initially, so we sent a correction letter and updated AFE

1 which showed the Wolfcamp that we were intending to target
2 with our onsites we had already done with the BLM.

3 Q. Were there any timing or notice issues?

4 A. No.

5 Q. And are the corrections in this letter reflected
6 on the AFE for the 604H?

7 A. Yes.

8 Q. We will also look at that in a moment. But
9 first, in addition to sending these letters out, what
10 efforts were undertaken to obtain voluntary joinders in the
11 remaining interest.

12 A. So we have some People Finding software that we
13 and the title opinion that we got that gave us these owners
14 in red on Exhibit 2. They also have their addresses on our
15 title opinion. So we used our last known address and names
16 to put into our People Finding software and we sent notices
17 to their last known address.

18 We also published, in an abundance of caution,
19 because several of those parties were completely
20 unresponsive even though those proposals had been received
21 and we could prove they had been received via Fed Ex and
22 certified mail, but they are completely unresponsive. So we
23 published in case those were poor addresses, but we were
24 able to contact or attempt to contact all of those people.
25 Some had just been unresponsive and some are still pending.

1 **Q. In your opinion, have you made a good-faith**
2 **effort to obtain voluntary joinders of the parties?**

3 A. Yes, we did.

4 **Q. If you reach an agreement with any of the**
5 **parties, will you notify the Division prior to a pooling**
6 **order?**

7 A. Yes.

8 **Q. Were there any depth severances in this?**

9 A. Not within the Wolfcamp, no.

10 **Q. Are there any unleased mineral interests?**

11 A. Yes. That would be, of those owners in red, all
12 of them except for MRC Permian are going to be unleased
13 mineral interests, and then the other is a working interest
14 that we are seeking to pool. So Joe D. Abott, Estate of
15 Wards Edward Bolter, Stephanie Holcomb, and Michael D. Burn
16 are unleased mineral interests.

17 **Q. That's found on Exhibit 2?**

18 A. Yes.

19 **Q. Let's turn to the second page, the second to the**
20 **past last page of Exhibit 3. Is this the Fed Com 604H?**

21 A. Yes.

22 **Q. What is the estimated cost of this well?**

23 A. \$14,589,255.

24 **Q. Is this also the cost for the 705H?**

25 A. Yes.

1 Q. Is that located on the last page?

2 A. That's correct.

3 Q. And is COG seeking administrative and overhead
4 costs for drilling and producing the well?

5 A. Yes. We are seeking 8,000 for drilling and 800
6 for a producing well.

7 Q. Are these costs in line with what other operators
8 in the area are charging for similar wells?

9 A. Yes, they are. And they are the same as in our
10 JOA that Chevron and Advance have already signed.

11 Q. You ask that these administrative and overhead
12 costs be adjusted according to the COPAS accounting
13 procedures?

14 A. Yes.

15 Q. And regarding the interests that remain
16 uncommitted to this well, do you request that the Division
17 impose the 200 percent risk penalty?

18 A. Yes, we do.

19 Q. Let's turn to Exhibit Number 4.

20 Is this my affidavit confirming that notice of this
21 hearing was sent out to the interest owners subject to the
22 pooling.

23 A. Yes.

24 Q. Were any cards returned?

25 A. I don't believe so.

1 **Q. And I believe you already testified to this, were**
2 **there any parties you could not locate?**

3 A. So we -- it's hard to say if they are unlocatable
4 because the green cards were not returned. We showed that
5 they received our packet, but we are assuming that those are
6 either poor addresses or they were just completely
7 unresponsive. That's why we did publish notice, just to
8 cover our basis. So I don't know if they were unlocatable
9 or just unresponsive.

10 **Q. Was this notice -- I believe you also testified**
11 **this notice was also published.**

12 A. Yes.

13 **Q. Is there a copy of that notice included in the**
14 **last page of Exhibit 4?**

15 A. Yes.

16 **Q. Do you request that COG be designated operator**
17 **for the Tin Foil Fed Com 604H and 705H wells?**

18 A. Yes, I do.

19 **Q. Do you also request an extension of 120 day**
20 **drilling deadline?**

21 A. Yes.

22 **Q. Do you have any expirations or any other timing**
23 **issues?**

24 A. We do. The N/2 of the NW/4 and then the NW of
25 the NE/4 of Section 14 is fee acreage. We have 14 or 15

1 leases that are expiring between May 1 of 2020 and about Mid
2 August of 2020. We anticipate spudding these wells and
3 satisfying those obligations prior to May 1, which would
4 satisfy all obligations.

5 Q. Were Exhibits Number 1 through 3 compiled by you
6 or under your direct supervision?

7 A. Yes.

8 Q. Will the granting of this application be in the
9 interest of conservation, prevention of waste, and the
10 protection of correlative rights?

11 A. Yes, it will.

12 MR. RODRIGUEZ: I move to have Exhibits 1 through
13 4 admitted into evidence.

14 MR. BRUCE: No objection.

15 HEARING EXAMINER LOWE: No objections? Exhibits
16 1 through 4 admitted for this case.

17 (Exhibits 1 through 4 admitted.)

18 MR. RODRIGUEZ: No further questions.

19 HEARING EXAMINER LOWE: Mr. McClure?

20 EXAMINER McCLURE: No questions.

21 EXAMINER MURPHY: No questions.

22 EXAMINER COSS: I don't have any.

23 MR. AMES: No.

24 HEARING EXAMINER LOWE: I have a couple of
25 questions. Why are you excluding the E/2 of the E/2.

1 THE WITNESS: Why?

2 HEARING EXAMINER LOWE: Yes.

3 THE WITNESS: So it has differing ownership from
4 this. Also our -- so there is two aspects to this. From
5 the land side of things it has differing ownership than the
6 rest of the section. That's why we are seeking 960 acre
7 unit for the rest of the section.

8 Additionally the geologist can speak more to
9 this, but I think the further -- this is kind of a step up
10 for us, so the further west we get, the more control we have
11 as far as the wells go. So east gets riskier, but I believe
12 she can testify to that.

13 HEARING EXAMINER LOWE: My other question would
14 be, in the notice that you -- the notice that you published
15 in the paper, does notice there indicate the correct pool,
16 or was that because you noted that you applied for --
17 initially applied and identified the incorrect pool
18 initially?

19 THE WITNESS: Yes. When we published notice, we
20 published for the Wolfcamp pool, which is what we are
21 seeking today. We had initially published the Bone Spring
22 incorrectly, ten days later fixed it, and then the
23 publication came another month and a half or month or so
24 after that, so we had already fixed the issue by the time we
25 were publishing.

1 HEARING EXAMINER LOWE: Okay. Okay.

2 THE WITNESS: And where is that public notice
3 located at then?

4 THE WITNESS: On the last page of Exhibit 4,
5 Tab 4.

6 HEARING EXAMINER LOWE: And I notice you
7 specifically call out the parties that you couldn't reach
8 initially, or you had no contact information, or did you
9 just do a generalized notice?

10 THE WITNESS: So at this time we did all of the
11 parties who were not committed, which I believe was
12 everybody. We ended up getting several of these parties on
13 board later because Chevron is listed in this publication,
14 and they have since signed the JOA as of last week. So we
15 did, I think, everybody, and then we have since gotten
16 several of those parties on board.

17 HEARING EXAMINER LOWE: Okay. That's all the
18 questions I have.

19 MR. RODRIGUEZ: Thank you. I would like to call
20 my next witness.

21 HEARING EXAMINER LOWE: You are now excused.

22 CANDICE PETTIJOHN

23 (Sworn, testified as follows:)

24 DIRECT EXAMINATION

25 BY MR. RODRIGUEZ:

1 Q. Good afternoon.

2 A. Good afternoon.

3 Q. Could you please state your name for the record
4 and tell the Examiners by whom you are employed and in what
5 capacity?

6 A. I'm Candice Pettijohn. I'm a geologist at
7 Concho.

8 Q. Have you previously testified before the
9 Division?

10 A. Yes.

11 Q. Were your credentials as an expert geologist
12 accepted and made a matter of public record?

13 A. Yes.

14 Q. Are you familiar with the application being filed
15 by COG in this case?

16 A. Yes.

17 Q. Have you conducted a geologic study of the area?

18 A. Yes.

19 MR. RODRIGUEZ: Mr. Examiner, I would like to
20 tender Ms. Pettijohn as an expert in petroleum geology
21 matters.

22 HEARING EXAMINER LOWE: She is so qualified.

23 MR. RODRIGUEZ: Thank you.

24 BY MR. RODRIGUEZ:

25 Q. Turn to Exhibit 5, please. Identify what this

1 **is.**

2 A. This is a location map for the Tin Foil project
3 with our two proposed wells shown in red dash lines, and
4 then the offset existing producing Wolfcamp wells shown in
5 solid red line and our acreage is shown in yellow.

6 **Q. And Exhibit Number 6, can you please identify**
7 **what this is and walk us through it.**

8 A. This is structure map for the top of the Wolfcamp
9 formation. The contours indicate that the formation is
10 consistently dipping from east to west through the project
11 area.

12 **Q. Did you observe any faulting, pinchouts or**
13 **geologic impediments to developing the targeted interval in**
14 **this area?**

15 A. No.

16 **Q. Turn to Exhibit Number 7. Go ahead and identify**
17 **what that is.**

18 A. This is a location map indicating where the cross
19 section wells are in green, A to A prime for the next
20 exhibit.

21 **Q. Do you consider these wells to be representative**
22 **of the area making up COG's proposed unit?**

23 A. Yes.

24 **Q. And those are the wells you just testified on on**
25 **Exhibit Number 8?**

1 A. Yes.

2 Q. All right. Turn to exhibit please. Can you walk
3 us through this exhibit?

4 A. This is a cross section A to A prime. The top of
5 the Wolfcamp is shown in red here. And our lateral target
6 is indicated in green and demonstrates that the formation
7 has a consistent thickness over the project area.

8 Q. In your opinion, what well orientation is
9 preferred for horizontal well development in this area?

10 A. North to south.

11 Q. Is that orientation for the subject wells?

12 A. Yes.

13 Q. How does that relate to other wells in the area?

14 A. It's the same as existing producers.

15 Q. So based on your geologic study, due to the
16 acreage, will the proposed spacing unit contribute more or
17 less equally to production from the wellbores?

18 A. Yes.

19 Q. In your opinion, is the horizontal well the best
20 way to efficiently and effectively drain this project area?

21 A. Yes.

22 Q. In your opinion would the granting of this COG's
23 application be in the best interest of conservation and
24 prevention of waste?

25 A. Yes.

1 Q. And protection of correlative rights?

2 A. Yes.

3 Q. Were COG -- I'm sorry -- were Exhibits Number 5
4 through 8 prepared by you?

5 A. Yes.

6 MR. RODRIGUEZ: Mr. Examiner, I move to have
7 Exhibits Number 5 through 8 admitted into evidence.

8 MR. BRUCE: No objection.

9 HEARING EXAMINER LOWE: No objection. Exhibits 5
10 through 8 will be accepted.

11 (Exhibits 5 through 8 admitted.)

12 MR. RODRIGUEZ: Thank you. I have no further
13 questions.

14 HEARING EXAMINER LOWE: Mr. McClure?

15 EXAMINER McCLURE: I have no questions.

16 HEARING EXAMINER LOWE: Ms. Murphy?

17 EXAMINER MURPHY: Why are the wells named two
18 different numbers, numbers 600 and 700, and they are both
19 Wolfcamp?

20 THE WITNESS: I can't take ownership of the
21 numbering of these wells. I didn't plan them.

22 EXAMINER MURPHY: Is that because one was
23 initially thought to be a Bone Spring, or not?

24 MR. RODRIGUEZ: I wouldn't be able to tell you.

25 EXAMINER MURPHY: No more questions.

1 MR. COSS: I guess more for curiosity, could you
2 explain why going to the east in this particular case gave
3 pause geologically?

4 THE WITNESS: It did step out from existing
5 production.

6 HEARING EXAMINER LOWE: Any questions?

7 MR. AMES: No, thank you.

8 HEARING EXAMINER LOWE: I have no questions.

9 MR. RODRIGUEZ: At this time I would ask this
10 case be taken under advisement.

11 HEARING EXAMINER LOWE: Case Number 20832 will be
12 taken under advisement.

13 MR. RODRIGUEZ: Thank you.

14 (Case 20832 taken under advisement.)

15

16

17

18

19

20

21

22

23

24

25

1 STATE OF NEW MEXICO)
)SS
2 COUNTY OF SANTA FE)

3 I, IRENE DELGADO, certify that I reported the
4 proceedings in the above-transcribed pages, that pages
5 numbered 1 through 19 are a true and correct transcript of
6 my stenographic notes and were reduced to typewritten
7 transcript through Computer-Aided Transcription, and that on
8 the date I reported these proceedings I was a New Mexico
9 Certified Court Reporter.

10 Dated at Santa Fe, New Mexico, this 14th day of
11 November 2019.

12
13
14
15
16
17
18
19
20
21
22
23
24
25

Irene Delgado, NMCCR 253
Expires: 12-31-19