

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

ORIGINAL

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

CASE NO. 14879

APPLICATION OF COG OPERATING, LLC FOR A
NON-STANDARD SPACING AND PRORATION UNIT
AND COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

DOCKET NO. 21-12

BEFORE: RICHARD EZEANYIM, Hearing Officer
DAVID K. BROOKS, Legal Examiner

JULY 12, 2012

Santa Fe, New Mexico

10:28 AM

This matter came on for hearing before the
New Mexico Oil Conservation Division, RICHARD EZEANYIM,
Hearing Examiner, and DAVID K. BROOKS, Legal Examiner,
on THURSDAY, JULY 12, 2012, at the New Mexico Energy,
Minerals and Natural Resources Department, 1220 South
Street Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Lisa Reinicke
PAUL BACA PROFESSIONAL COURT REPORTERS
500 Fourth Street, NW, Suite 105
Albuquerque, NM 87102

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A P P E A R A N C E S

For COG Operating, LLC:

HOLLAND & HART
 110 North Guadalupe, Suite 1
 Santa Fe, New Mexico 87501
 (505) 988-4421
 By: Adam Rankin

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1 MR. EXAMINER: So at this point we will go
2 to page 4, and then do case number 14879. I call case
3 number 14879, application of COG Operating, LLC for a
4 non-standard spacing and proration unit and compulsory
5 pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MR. RANKIN: Thank you, Mr. Examiner. Adam
8 Rankin with Holland & Hart on behalf of COG. I've got
9 two witnesses today.

10 MR. EXAMINER: Any other appearances? May
11 the witnesses stand up and be sworn, please. State your
12 name, please.

13 MS. MOHEBKHOSRAVI: My name is Katayoun
14 Mohebkhosravi.

15 MR. CLARK: Greg Clark.

16 [Whereupon the witnesses were duly sworn.]

17 MR. EXAMINER: Mr. Rankin?

18 MR. RANKIN: Thank you, Mr. Examiner.

19 KATAYOUN MOHEBKHOSRAVI

20 after having been first duly sworn under oath,

21 was questioned and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. RANKIN:

24 Q. Can you please, for the record, state your name
25 again and your place of residence?

1 A. Well, my name is Katayoun Mohebkhosravi, but for
2 simplicity sake I will go by Katie Moheb. And I live in
3 Midland, Texas.

4 Q. Thank you. And by whom are you employed?

5 A. I'm employed by Concho Resources.

6 Q. And in what capacity?

7 A. As a landman.

8 Q. And have you previously testified before the
9 division and had you credentials as an expert landman
10 been accepted by the division?

11 A. Yes.

12 Q. And are you familiar with the application that's
13 filed in this case?

14 A. Yes, I am.

15 Q. And with the lands as well?

16 A. Yes.

17 Q. And would you please turn to what has been marked
18 as Exhibit Number 1 in the exhibit packet. Will you
19 review for the Examiners what this shows?

20 A. Yes. This is a lease map showing our lease in
21 section 8, specifically showing the well which is the
22 Bradley 8 Fee Number 3H. It also shows the other wells
23 in the Yeso area.

24 Q. And what is it that COG is requesting with this
25 application?

1 A. Well, we are requesting a 160-acre non-standard
2 spacing unit, and we'd also like to pool all minerals in
3 that area in the Yeso formation underlying that 160-acre
4 non-standard spacing unit.

5 Q. And you'd like to designate COG as the operator
6 of the well and of the unit; is that correct?

7 A. Yes, that's correct.

8 Q. And is there a designated pool that's subject to
9 this application?

10 A. Yes. It's the Atoka Glorieta Yeso.

11 Q. And the status of the land here is entirely fee;
12 is that correct?

13 A. Yes, it is fee.

14 Q. And turning to the second page of that exhibit
15 there's a breakdown of the ownership interest; is that
16 correct?

17 A. Yes.

18 Q. And how many of the interests on this list remain
19 uncommitted to the well?

20 A. There are five uncommitted parties.

21 Q. And of those five interests have you been able to
22 locate or contact everybody on the list?

23 A. Yes. You'll see on your list the ones with
24 asterisks are five uncommitted parties. We have
25 received a notice of return from the Ross Eight Bartlett

1 Family Trust. And we also did not receive a green card
2 back from the Carol Sue Sanford Garrett.

3 Q. And what efforts have you undertaken to locate
4 these interests? What was your process to find them?

5 A. Well, we had a title opinion rendered by our
6 attorney. And initially we had mineral ownership
7 reports created by our brokers, and they have since
8 updated those. Our brokers also do a pretty thorough
9 Internet search.

10 Q. And so for Carol Sue Sanford Garrett the
11 information that you had obtained on her was a lease of
12 record from 2009; is that correct?

13 A. Yes. We have an oil and gas lease from her.

14 Q. But the information from the property county
15 trust was a bit older; is that correct?

16 A. Yes, that is correct.

17 Q. Now, in your opinion, has COG made a good faith
18 effort to locate and contact every interest owner in
19 this spacing unit?

20 A. Yes, we have.

21 Q. And has COG undertaken a good faith effort to
22 reach a voluntary agreement with the remaining
23 uncommitted interests in this property?

24 A. Yes.

25 Q. Ms. Moheb, can you please turn to what has been

1 marked as Exhibit Number 2. And this is a sample well
2 proposal letter that was sent out to all interests in
3 the property; is that correct?

4 A. Yes.

5 Q. And is that the AFE that was included with that
6 letter; is that right?

7 A. Yes.

8 Q. Now, looking at the AFE, are these costs
9 consistent with what COG has incurred for drilling
10 similar horizontal wells in the area?

11 A. Yes, it is.

12 Q. And has COG made an estimate of the costs that
13 will be incurred of the overhead administrative costs
14 while drilling and while producing if the well is
15 successful?

16 A. Yes. It is going to be 5,500 per month while
17 drilling and 550 while producing.

18 Q. Now, are these costs consistent with what COG has
19 incurred for other wells in the area?

20 A. Yes, this is consistent with all of our other
21 wells in Lakewood.

22 Q. And does COG request that these figures be
23 incorporated into any order that results from this
24 hearing?

25 A. Yes.

1 Q. And does COG also request that these overhead
2 initiative costs be adjusted in accordance with COPAS
3 accounting procedures?

4 A. Yes, we do.

5 Q. And does COG also request that the maximum
6 200 percent risk penalty be assessed against all
7 uncommitted interests in this well?

8 A. Yes.

9 Q. Now, as far as the formation of the non-standard
10 units go, have you also brought a geologist to testify
11 regarding the testimony of the creation of these units.

12 A. Yes, we have.

13 Q. And did COG identify all the leased interests in
14 the surrounding 40-acre tracts to the proposed unit?

15 A. Yes.

16 Q. And were those interests also noticed of this
17 hearing?

18 A. Yes, they were all notified.

19 Q. And turning to Exhibit Number 3, is this a copy
20 of the affidavit prepared by your attorney indicating
21 that notices were provided to all the offsetting
22 interests and to the interests within the -- the pooled
23 interest; is that correct?

24 A. Yes, this is it.

25 Q. And following that page is a list of all those

1 interests, the offsetting interests and the pooled party
2 interests who received notice and a copy of all the
3 green card receipts; is that correct?

4 A. That is correct.

5 Q. And with the exception of the Ross Bartlett Trust
6 indicating that that interest -- that notice was
7 returned; is that correct?

8 A. Yes.

9 Q. Thank you, Ms. Moheb. Were Exhibits 1 through 3
10 compiled by you or prepared by you under your
11 supervision?

12 A. Yes.

13 MR. RANKIN: Mr. Examiner, I move to admit
14 into evidence Exhibits 1 through 3.

15 MR. EXAMINER: Exhibits 1 through 3 will be
16 admitted.

17 [Exhibits 1 through 3 admitted.]

18 MR. RANKIN: I have no further questions of
19 the witness.

20 EXAMINER BROOKS: No questions.

21 MR. EXAMINER: Give me the name of the pool
22 in the Yeso.

23 MS. MOHEBKHOSRAVI: It's the Atoka Glorieta
24 Yeso.

25 MR. EXAMINER: You weren't able to locate

1 five. How many -- you located everybody?

2 MS. MOHEBKHOSRAVI: There were two that --
3 we had one party that we received notice back from them.
4 It was returned to us for a wrong address. And then
5 there was another party who the green card was not
6 returned to us.

7 MR. EXAMINER: And you didn't publish the
8 notification in the newspaper?

9 MR. RANKIN: They have not been identified
10 in the newspaper publication.

11 MR. EXAMINER: What?

12 MR. RANKIN: They have not been identified
13 in a newspaper publication. So one of the green cards
14 received -- the one green card that we did not receive
15 back was for an address that was identified in a 2009
16 lease of record. The other one that was returned to us
17 as undeliverable and was for an address that was of
18 record but it was in the 1980s. So that is an older
19 address, the Garrett or the Bartlett family.

20 MR. EXAMINER: So are you saying we are not
21 supposed to do a notification because --

22 MR. RANKIN: No. I think we would request
23 that we continue the case for four weeks so we can
24 provide notice of publication for the Bartlett family.

25 MR. EXAMINER: Okay. So you would request

1 at the end of this to continue the case for at least two
2 weeks.

3 MR. RANKIN: Well, the minimum. I think
4 whatever the division would require. But I think if we
5 publish it quickly I think we could get it -- is there a
6 requirement for -- there's no requirement for how long a
7 notification must be?

8 EXAMINER BROOKS: I believe it's 20 days.

9 MR. EXAMINER: So in that case it would be
10 continued.

11 EXAMINER BROOKS: It would have to be four
12 weeks.

13 MR. RANKIN: So that would be August 9th; is
14 that correct?

15 MR. EXAMINER: So you want to continue the
16 case today and then continue it for four weeks?

17 MR. RANKIN: That's correct.

18 MR. EXAMINER: Okay. You may step down.

19 Call your next witness.

20 MR. RANKIN: Thank you, Mr. Examiner. My
21 next witness is Mr. Greg Clark.

22 GREG CLARK

23 after having been first duly sworn under oath,

24 was questioned and testified as follows:

25 DIRECT EXAMINATION

1 BY MR. RANKIN:

2 Q. Can you please state your name for the record?

3 A. Yes, Greg Clark.

4 Q. And by whom are you employed and where do you
5 reside?

6 A. Concho, Midland, Texas.

7 Q. And in what capacity do you work for Conoco?

8 A. A geologist.

9 Q. And have you previously testified before the
10 division?

11 A. I have.

12 Q. And have your credentials as a petroleum
13 geologist been accepted as a matter of record?

14 A. They have.

15 Q. And are you familiar with the application filed
16 in this case?

17 A. I am.

18 Q. And have you conducted a geologic study of the
19 area?

20 A. Yes.

21 MR. RANKIN: Mr. Examiner, I would tender
22 Mr. Clark as an expert in petroleum geology.

23 MR. EXAMINER: Mr. Clark is so qualified.

24 MR. RANKIN: Thank you, Mr. Examiner.

25 Q. (By Mr. Rankin) Mr. Clark, could you please turn

1 to what's been marked as Exhibit Number 4 and please
2 review for the Examiners what it depicts.

3 A. Yes. This is a regional structure map on top of
4 the Paddock, which is the top of the Yeso in the area.
5 We've identified offset producing fields. Also we have
6 identified Paddock producers and/or Blinebry producers
7 with Paddock being color coded red and Blinebry
8 producers being color coded blue. The yellow depicts
9 our Concho acreage in this section in which we are
10 proposing to drill the Bradley 8 Fee Number 3H.

11 And we've also identified the surface hole and
12 bottom hole location. The purpose of this structure map
13 is to show that there is no major geologic impediments
14 that would separate us from producing fields that we
15 feel are analogous to where we are proposing to drill
16 this well. We have a regional dip that goes in the
17 direction from the northwest to the southeast. And
18 we've also highlighted various horizontal wells in the
19 area that have been drilled and are producing in the
20 Yeso.

21 MR. EXAMINER: How many of them belong to
22 you? How many of those horizontal wells belong to you?

23 MR. CLARK: Out of all of these?

24 MR. EXAMINER: Yeah.

25 MR. CLARK: You know, I would have to get

1 back with you on that unless you want me to try to count
2 them all right now.

3 MR. EXAMINER: No, no, no. You don't have
4 to do that.

5 MR. CLARK: In the Lakewood area in which we
6 are drilling or proposing the Bradley Fee Number H there
7 are one, two, three, four, five, six that we have
8 drilled, and we have a seventh that we are currently
9 drilling right now.

10 MR. EXAMINER: And they are north/south?

11 MR. CLARK: They are north/south and
12 east/west oriented.

13 MR. EXAMINER: Okay.

14 Q. (By Mr. Rankin) Mr. Clark, turning to your next
15 exhibit, Exhibit 5, this is an overview of a cross
16 section; is that correct? Can you please review what
17 this shows?

18 A. Sure. This is the same regional area. Extent
19 map is a structure map with the structure contours taken
20 off. The main purpose of this map is to show the line
21 of cross section, which will be the next exhibit that we
22 will go through. And the cross section is oriented on
23 the south from A to the north to A prime.

24 Q. And turning to the next exhibit, Mr. Clark, is
25 the cross section that you reference. Can you review

1 for the Examiners what this cross section shows?

2 A. Yes. Again, this is a regional cross section
3 map. It's a stratigraphic cross section map which is
4 hung on top of the Paddock. The structure component has
5 been taken out in order to show the stratigraphic
6 relationship from the cemetery field, which is at the
7 left of the cross section, which is the A to the Dayton
8 field, which is A prime and to the north.

9 If you look at these wells, the red rectangles on
10 the right side of the logs depict perforated intervals
11 within the Yeso formation. And there are two wells, the
12 well to the left and the well to the right -- or the
13 third from the left that you'll notice have not been
14 completed in the Paddock Yeso interval, and that is
15 because they are deep Morrow producing gas wells and
16 have yet to be recompleted into that interval.

17 You'll see where we have a bracket on the second
18 well from the left, which shows the lateral interval in
19 which we plan on going horizontal. And the arrow also
20 depicts that same interval. The overall purpose of this
21 cross section is to show that there's no major
22 stratigraphic thickening or thinning as we go across the
23 area regionally, therefore, making us feel that where we
24 are proposing to drill the Bradley is analogous
25 throughout the region in terms of stratigraphy and the

1 Paddock interval.

2 Q. Thank you, Mr. Clark. Now, based on your
3 geologic analysis and study of the area and the proposed
4 unit, what conclusions have you reached regarding the
5 proposed horizontal well?

6 A. I have found that there are no geologic
7 impediments to keep us from developing this area using a
8 full section horizontal. I feel that we can efficiently
9 and economically develop this by using horizontal wells,
10 this area. And also based on my geologic analysis I
11 conclude that each 40-acre unit that would comprise the
12 proposed non-standard unit well will, on average,
13 contribute equally to the overall production of the
14 well.

15 Q. Now, turn to the last exhibit, which is marked
16 Exhibit Number 7. This is a wellbore schematic of the
17 proposed well and it demonstrates that the interval that
18 will be producing is within 330 setbacks required by the
19 division rules; is that correct?

20 A. That is correct.

21 Q. Mr. Clark, based on your analysis in your study,
22 in your opinion, will the granting of COG's application
23 be in the best interest of the prevention of waste and
24 the protection of correlative rights?

25 A. Yes.

1 Q. And were COG Exhibits 6 through 9 prepared by you
2 or under your supervision?

3 A. They were.

4 MR. RANKIN: Mr. Examiner, I move to enter
5 into evidence Exhibits 6 through 9.

6 MR. EXAMINER: Exhibits 6 through 9 will be
7 admitted.

8 [Exhibits 6 through 9 admitted.]

9 MR. RANKIN: And I pass the witness. I have
10 no further questions.

11 MR. EXAMINER: Any questions?

12 EXAMINER BROOKS: No questions.

13 MR. EXAMINER: Does anybody have an API
14 number for this one?

15 MR. CLARK: It's on the very front of the --
16 on the very first page, the cover page.

17 MR. EXAMINER: Oh, okay. Very good. Yeah,
18 you may step down.

19 MR. RANKIN: Thank you, Mr. Examiner.

20 MR. EXAMINER: This case -- because you need
21 to do some publication, right? Mr. Rankin?

22 MR. RANKIN: That's correct.

23 MR. EXAMINER: Yeah, because of that this
24 case will be continued for four weeks.

25 EXAMINER BROOKS: Yeah, that would be August

1 9th.

2 MR. EXAMINER: August 9th. So the case will
3 be continued until August 9th, at which point the
4 counsel will provide the notice requirements.

5 [Case 14879 continued until August 9, 2012.]

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14879
heard by me on August 9, 2012

Oil Conservation Division Examiner

REPORTER'S CERTIFICATE

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I, Lisa Reinicke, New Mexico Provisional Reporter, License #P-405, working under the direction and direct supervision of Paul Baca, New Mexico CCR License #112, Official Court Reporter for the US District Court, District of New Mexico, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

I FURTHER CERTIFY that I am neither employed by nor related to 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.


Lisa R. Reinicke,
Provisional License P-405
License expires: 8/21/2012

Ex count: