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2	FOR APPLICANT COG OPERATING, LLC:	
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- 1 (8:20 a.m.)
- 2 EXAMINER EZEANYIM: Okay. Now we go to
- 3 page 2 and call the first case, Case Number 14965. This
- 4 is the application of COG Operating, LLC for designation
- of a nonstandard spacing unit and compulsory pooling,
- 6 Eddy County, New Mexico.
- 7 Call for appearances.
- 8 MR. HALL: Mr. Examiner, Scott Hall,
- 9 Montgomery & Andrews, Santa Fe, appearing on behalf of
- 10 the Applicant, and I have two witnesses this morning.
- 11 EXAMINER EZEANYIM: Enter your appearances.
- 12 Will the witnesses please stand and state your names and
- 13 be sworn?
- MR. CLARK: Greg Clark.
- MR. DIRKS: Stuart Dirks.
- 16 (Mr. Clark and Mr. Dirks sworn.)
- MR. HALL: At this time, we would call
- 18 Stuart Dirks to the stand.
- 19 STUART DIRKS,
- after having been previously sworn under oath, was
- 21 questioned and testified as follows:
- 22 DIRECT EXAMINATION
- 23 BY MR. HALL:
- Q. For the record, state your name.
- 25 A. Stuart Dirks.

- 1 Q. Mr. Dirks, where do you live and by whom are
- 2 you employed?
- A. I live in Midland, Texas. I'm employed by
- 4 Concho Resources.
- 5 Q. In what capacity?
- 6 A. As a senior landman.
- 7 Q. And you have previously testified before the
- 8 Division's examiners and had your credentials as an
- 9 expert petroleum landman established; is that correct?
- 10 A. That's correct.
- MR. HALL: Mr. Examiner, we re-offer
- 12 Mr. Dirks as a qualified expert landman.
- EXAMINER EZEANYIM: So qualified.
- Q. (BY MR. HALL) Mr. Dirks, are you familiar with
- the application that's been filed in this case?
- 16 A. Yes, I am.
- Q. And the lands that are the subject of the
- 18 application?
- 19 A. Yes, I am.
- Q. Would you summarize for us what COG seeks by
- 21 its application?
- 22 A. We seek the formation of a 160-acre nonstandard
- 23 spacing and proration unit, comprising the west
- 24 half-west half of Section 9, Township 19 South, 26 East
- 25 for our Stonewall 9 Fee #1H well, the horizontal well

- 1 surface location in Unit letter M and bottom hole
- 2 location Unit letter D. We seek the pooling of all
- 3 mineral interests in the Yeso in our proposed unit, and
- 4 we seek that COG Operating be named the operator.
- 5 Q. All right. Let's look at your exhibits,
- 6 Mr. Dirks. If you would turn to Exhibit Number 1 and
- 7 explain that to the hearing examiner.
- 8 A. This is a plat of Section 9 in 19-26, and it
- 9 shows our proposed west half-west half nonstandard
- 10 spacing unit and the breakdown of each interest in each
- 11 half.
- 12 Q. What is the primary objective for the well?
- 13 A. Yeso.
- 14 O. Let's look at Exhibit 2. What does that show
- 15 us?
- 16 A. These show us the parties that we are pooling.
- Q. And would you tell us the surface and --
- 18 locations of the well?
- 19 A. Sure. The surface location is 300 feet from
- 20 the south line, 330 feet from the west line. The bottom
- 21 hole location is 330 feet from the north line, 330 feet
- 22 from the west line.
- Q. And do you anticipate that the entirety of the
- 24 completed interval of the well will be located fully
- 25 within the producing area of the project area?

- 1 A. Yes, that's correct.
- Q. And how long has COG owned its interests in the
- 3 west half-west half?
- 4 A. We started acquiring interests here in October
- 5 of 2010.
- 6 Q. And do you have an approved APD?
- 7 A. Yes, we do.
- 8 Q. Going back to Exhibit 2, are any of these
- 9 interests lease mineral owners?
- 10 A. The heirs or devisees of Edith Maurie Young and
- 11 the heirs or devisees of Anna Lou Home. I'm sorry. Let
- 12 me rephrase that. We believe we have the heirs of Anna
- 13 Lou Home leased.
- 14 Q. Is there an issue with respect to local probate
- in New Mexico for those interests?
- 16 A. Yes, exactly.
- 17 Q. So you've taken the precaution of advertising
- 18 and notifying the record title interest owner?
- 19 A. Yes, that's correct.
- 20 Q. And what percentage of the wells are
- 21 voluntarily committed at this point?
- 22 A. About 96 percent.
- Q. And for the pool, COG seeks a 200-percent risk
- 24 penalty?
- 25 A. Yes, that's correct.

- 1 Q. Let's look at Exhibit 3, if you would identify
- 2 that and explain that to us.
- 3 A. This is just a log showing all the contacts
- 4 that I've had with OXY, telephone calls, written
- 5 correspondence, e-mails and Internet meetings.
- Q. And so the first page is a chronology of those
- 7 efforts; is that correct?
- 8 A. That's correct.
- 9 Q. And under that is a copy of your well proposal
- 10 letter?
- 11 A. That's correct.
- 12 O. And what is the status of OXY's interest at
- 13 this point?
- 14 A. OXY either wants to grant us a term assignment
- or participate. They're still trying to decide.
- Q. Are there any interest owners that you are
- 17 unable to locate?
- 18 A. No.
- 19 Q. With respect to the Anna Lou Home heirs, tell
- 20 us what you did to track those interest owners down.
- 21 A. We believe we found her only heirs. She had
- 22 two daughters, Anna Amerson [phonetic] and Teresa
- 23 Berdus [phonetic]. And we believe those are the only
- 24 heirs, and we have taken leases from both of them.
- Q. So the only enjoined interest at this point is

- 1 OXY Y-1's interest; is that correct?
- 2 A. (Indicating.)
- Q. In your opinion, has COG made a good-faith
- 4 effort to negotiate with OXY Y-1 and obtain their
- 5 voluntary participation?
- 6 A. Yes, we have.
- 7 Q. Look at Exhibit 4, please, or the AFE, and I'd
- 8 like for you to review the totals shown on that exhibit.
- 9 But first, would you explain those two columns headed
- 10 "BCP" and "ACP"? What are those?
- 11 A. BCP shows the before casing point costs, and
- 12 ACP shows the after casing point costs, for a total well
- 13 cost of \$3,524,000.
- Q. And are these costs in line with what's being
- 15 charged by other operators for similar wells in the
- 16 area?
- 17 A. Yes. Yes, they are.
- 18 Q. And have you made an estimate of the overhead
- 19 administrative costs while drilling and producing the
- 20 well?
- A. Yes, \$5,500 per month while drilling; \$550 per
- 22 month while producing.
- 23 EXAMINER EZEANYIM: Can you repeat that?
- A. \$5,500 per month while drilling, and \$550 per
- 25 month, producing.

- 1 Q. (BY MR. HALL) And are you asking that those
- 2 costs be incorporated into the Division's orders for
- 3 this case?
- 4 A. Yes.
- 5 . Q. And are you also asking that the Division
- 6 provide for adjustment for those costs according to the
- 7 current COPAS bulletin?
- 8 A. Yes.
- 9 Q. Let's look at Exhibit 5. Does this identify
- 10 the offset lease owners surrounding the project area?
- 11 A. The table on the bottom half does, yes.
- 12 Q. And were all those interest owners notified of
- 13 this application?
- 14 A. Yes.
- Q. And did you receive any objections to the
- 16 application from them?
- 17 A. No. No.
- Q. Mr. Dirks, in your opinion, would granting
- 19 COG's application be in the interest of conservation and
- 20 the prevention of waste and the protection of
- 21 correlative rights?
- 22 A. Yes.
- Q. Were Exhibits 1 through 5 prepared by you?
- 24 A. Yes.
- 25 MR. HALL: Move the admission of Exhibits 1

- 1 through 5.
- 2 EXAMINER EZEANYIM: Exhibits 1 through 5
- 3 will be admitted.
- 4 (COG Operating Exhibit Numbers 1 through 5
- 5 were offered and admitted into evidence.)
- 6 EXAMINER EZEANYIM: Do you have any
- 7 questions?
- 8 EXAMINER BROOKS: No questions.
- 9 EXAMINER EZEANYIM: Do you have any
- 10 questions?
- 11 EXAMINER GOETZE: No questions.
- 12 CROSS-EXAMINATION
- 13 BY EXAMINER EZEANYIM:
- 0. What's the API number?
- 15 A. I've got the permit in my briefcase. I don't
- 16 have it with me. I'm sorry. Can I give that to you
- 17 after?
- 18 Q. Yeah.
- Anyway, for the name of the well, the land
- 20 fee [sic]?
- 21 A. Fee lands, yes, sir.
- 22 Q. Fee land.
- 23 And you said you notified everybody that is
- 24 supposed to get notice?
- 25 A. Yes, sir.

DIRECT EXAMINATION

2 BY MR. HALL:

1

- Q. For the record, please state your name.
- 4 A. Greg Clark.
- 5 Q. Mr. Clark, where do you live and by whom are
- 6 you employed?
- 7 A. Midland, Texas; COG.
- 8 Q. What do you do for COG?
- 9 A. Senior geologist.
- 10 Q. Are you familiar with the lands that are the
- 11 subject of this application?
- 12 A. I am.
- Q. And have you previously testified before the
- 14 Division's examiners and had your credentials as an
- 15 expert geologist accepted as a matter of record?
- 16 A. I have.
- MR. HALL: At this point, Mr. Examiner, we
- 18 would re-offer Mr. Clark as an expert petroleum
- 19 geologist.
- 20 EXAMINER EZEANYIM: So qualified.
- Q. (BY MR. HALL) Mr. Clark, if you would, you
- 22 prepared exhibits for this hearing?
- 23 A. Yes.
- Q. Let's look at, first, Exhibit 6, if you would
- 25 explain that to the hearing examiner, what that shows.

- 1 A. This is a regional structure map showing
- 2 overall dip in a northeast to southwest direction, basin
- 3 work. This is on the shelf edge. We've outlined in
- 4 blue the different producing fields in the area, and
- 5 then the wells themselves that are colored red and/or
- 6 blue are Paddock and/or Blinebry producers.
- 7 The yellow represents Concho acreage, and
- 8 it depicts the Stonewall 9 Fee #1H in which we are
- 9 requesting to drill. This structure map is on top of
- 10 the Paddock. It's mainly shown to represent that there
- is no major geologic impediments and/or faulting that
- 12 would separate us from any of the analogous fields that
- 13 we've shown. And it also shows that we are on strike
- 14 with the already produced Dayton field, which is to the
- 15 northeast.
- 16 Q. Let's turn to Exhibit 7, your cross-section
- 17 map. Would you explain that, please?
- 18 A. Sure. This is the same regional map area with
- 19 the structure taken off, and what it represents is the
- 20 line of section, which will be the next exhibit, that
- 21 goes from the south to the north and the east, from
- 22 Cemetary field to Dayton field. We feel that these
- 23 other fields are representative and correlative to the
- 24 area in which we are requesting to drill the Stonewall 9
- 25 Fee #1H.

- 1 Q. Let's look at Exhibit 8, your cross section.
- 2 A. Again, this is the cross section going from
- 3 south to north, from the Cemetary to the Dayton field.
- 4 We have a number of wells -- we have three wells in here
- 5 that have been perfed and completed in the Paddock
- 6 Formation. They are represented by the red rectangles
- 7 that are in the depth track, so that would be the well
- 8 that is in third from the left and the last well. The
- 9 third well from the right is a vertical well that COG
- 10 has drilled, that we are currently testing in the
- 11 Blinebry. So, therefore, that's why that hasn't been
- 12 produced yet.
- 13 And then the other two wells are deep
- 14 Morrow wells that are gas wells and haven't been
- 15 completed back to the Paddock.
- But this project is also flattened on top
- 17 of the Paddock. It's shown to represent that there is
- 18 not any major stratigraphic differences throughout this
- 19 area that would separate us from where we want to drill
- 20 the proposed well. We feel that the log characteristics
- 21 are very similar, so, therefore, all of these areas are
- 22 pretty analogous to --
- 23 CROSS-EXAMINATION
- 24 BY EXAMINER EZEANYIM:
- 25 Q. Along the line, A prime, what are those red

- 1 dots, big red dots? What are those? You called them
- 2 triangles?
- 3 A. Rectangles.
- 4 Q. Are they rectangles? I mean, I see --
- 5 A. The long red lines --
- 6 Q. Along the A, A prime.
- 7 A. The long red lines in the depth track of the
- 8 log? Is that what you're referring to?
- 9 Q. No. I'm referring to along the line of A, A
- 10 prime. You have those --
- 11 A. A, A prime, the red dots?
- 12 Q. Yes, the red. Yes.
- 13 A. Those are the wells that are on the cross
- 14 section. Those represent the wells which are on the
- 15 cross section in the next exhibit.
- 16 Q. You used red rectangles?
- 17 A. I'm referring to the next exhibit,
- 18 Mr. Examiner, Exhibit 8.
- 19 Q. Oh, okay, because I see circles -- red circles.
- 20 Okay.
- 21 A. Yes.
- 22 CONTINUED DIRECT EXAMINATION
- 23 BY MR. HALL:
- Q. Mr. Clark, in your opinion, are each of the
- 25 40-acre tracts that comprise this project perspective

- 1 [sic] for the production of the well?
- 2 A. Yes.
- 3 Q. And is COG proposing that participation in the
- 4 well be allocated on a 100-percent surface-acre basis?
- 5 A. Yes.
- 6 Q. In your opinion, is that a fair and reasonable
- 7 basis for participation?
- 8 A. Yes, it is.
- 9 Q. And explain why. Do each of the 40-acre
- 10 tracts --
- 11 A. I feel that each of the 40-acre tracts will
- 12 contribute more or less equally to the overall
- 13 production of the well.
- 14 O. Let's look at Exhibit 9. Tell us what this
- 15 shows.
- 16 A. This is a cartoon diagram showing that the
- 17 completed interval will be within the setbacks of the
- 18 unit boundaries.
- 19 Q. So no producing interval of the well will.
- 20 encroach beyond the setback; is that correct?
- 21 A. That is correct.
- Q. And, Mr. Clark, anything further with respect
- 23 to Exhibit 9?
- 24 A. No, sir.
- Q. In your opinion, Mr. Clark, would the granting

- of COG's application be in the best interest of
- 2 conservation, prevention of waste and the protection of
- 3 correlative rights?
- 4 A. Yes.
- 5 Q. And were Exhibits 6 through 9 prepared by you
- 6 or at your direction?
- 7 A. That is correct.
- 8 MR. HALL: We move the admission of
- 9 Exhibits 6 through 9, and that concludes my direct of
- 10 this witness.
- 11 EXAMINER EZEANYIM: Exhibits 6 through 9
- 12 will be admitted.
- 13 (COG Operating Exhibit Numbers 6 through 9
- were offered and admitted into evidence.)
- 15 EXAMINER EZEANYIM: David?
- 16 EXAMINER BROOKS: No questions.
- 17 EXAMINER EZEANYIM: Mr. Goetze?
- 18 EXAMINER GOETZE: No questions.
- 19 RECROSS EXAMINATION
- 20 BY EXAMINER EZEANYIM:
- Q. Let's go to Exhibit Number 6. Do you have
- 22 Exhibit 6 with you?
- 23 A. Yes.
- Q. Let me see. What section is that? 19 South,
- 25 25 southeast -- I mean southwest. I see a bunch of

- 1 wells. Who owns those wells?
- 2 A. In the south -- like Section 24 [sic]? Is that
- 3 what you're referring to?
- 4 Q. Yes.
- 5 A. The best of my knowledge is that Mewbourne is
- 6 the main operator in that section, and we have a little
- 7 bit of interest. We are partners in some of those
- 8 wells.
- 9 Q. -- or symmetric; do you know?
- 10 A. I'm not sure what the pooling order is assigned
- 11 to those horizontal wells without looking at the APD.
- 12 Q. And you are going to be producing from the
- 13 Yeso?
- 14 A. Yes, sir.
- 15 Q. Because this application is
- 16 Atoka-Glorieta-Yeso?
- 17 A. Yes, sir. We will be landing -- if you look at
- 18 Exhibit 8, the lateral interval will be within the
- 19 Paddock, and it's depicted with a bracket. On Exhibit
- 20 8, on the cross section, it's depicted with a bracket
- 21 and labeled.
- Q. Just north of that, if you go to Section 5,
- 23 most of your wells are drilled east-west. You are going
- 24 to start Section 9 with north-south. Can you tell me
- 25 why you want to do that? If you look at Section 5, you

- 1 can see it's all east-west.
- 2 A. We feel that the SHmax is very minimal.
- 3 O. The what?
- A. SHmax, the horizontal maximum stress direction,
- 5 is very minimal. We feel that drilling north-south or
- 6 east-west would not have any preferred difference in
- 7 terms of SHmax and its contribution from completion.
- 8 Q. Because that's -- that's the only way that
- 9 Section 9 is right now, and it's not prudent to drill
- 10 east-west on that section. So you have to be
- 11 north-south or south-north or whatever, right? Because
- 12 if you look at that, that is the well you are proposing
- in Section 5 [sic]?
- 14 A. Yes, sir.
- 15 Q. So it means that, you know, from what you are
- 16 just explaining, all wells drilled in that section have
- 17 to be north-south or south-north?
- 18 A. Yes, sir. That is the plan.
- 19 Q. All of Section 9? I think it looks like COG
- 20 owns all of Section 9?
- 21 A. I would have to refer to our landman on that
- 22 question.
- Q. I think that's what he said. What is that
- 24 color?
- 25 EXAMINER EZEANYIM: Mr. Hall, is that color

- 1 yellow?
- 2 A. That is yellow.
- 3 MR. HALL: It's yellow.
- 4 Q. (BY EXAMINER EZEANYIM) Yellow means that -- you
- 5 color all that Section 9 --
- A. Not necessarily. We color the whole section
- 7 yellow if we own any interest in it, because we would be
- 8 participating in any other wells whether we were
- 9 operators or not.
- 10 Q. So it doesn't mean that you own all of Section
- 11 9?
- 12 A. Again, I'd have to refer to my landman on that
- 13 question.
- 14 MR. HALL: Mr. Examiner, the testimony from
- 15 the landman earlier was that they control about 96
- 16 percent of the working interest.
- 17 EXAMINER EZEANYIM: In that section?
- MR. HALL: Yes.
- 19 Q. (BY EXAMINER EZEANYIM) What are you -- what is
- 20 the horizontal portion of the well in the Yeso? You
- 21 don't have anything uphole, like the used surface or the
- 22 Yeso Formation? You are just pooling the Yeso?
- MR. HALL: We just applied for the Yeso.
- 24 EXAMINER EZEANYIM: I just want to make
- 25 sure.

- MR. HALL: Yeah.
- 2 EXAMINER EZEANYIM: If you guys can get me
- 3 the API number.
- 4 MR. HALL: Ready? 230 --
- 5 EXAMINER EZEANYIM: Oh, do you have it?
- 6 Okay.
- 7 MR. HALL: -- 01540925.
- 8 EXAMINER EZEANYIM: Okay. Thank you.
- 9 You may be excused.
- 10 MR. HALL: And at this time, Mr. Examiner,
- 11 we'd offer Exhibit 10, which is the Affidavit of
- 12 Publication for the deceased mineral interest owners in
- 13 the Carlsbad newspaper, as well as our affidavit and
- 14 notice to --
- 15 EXAMINER EZEANYIM: What did you do to show
- 16 that you found everybody?
- MR. HALL: There were some unprobated
- 18 interests that didn't appear. It didn't appear that
- 19 probates had been conducted in New Mexico for two
- 20 interest owners. So out of precaution, they were --
- 21 EXAMINER EZEANYIM: Mr. Brooks, what is a
- 22 probate?
- 23 EXAMINER BROOKS: It's a legal proceeding
- 24 for the transfer of property upon the death of a person
- 25 from the estate of the deceased to the heirs.

- 1 EXAMINER EZEANYIM: Okay. Depends on what
- 2 I understand.
- 3 So you did this public notice because
- 4 somebody -- the owner is dead. Nobody has inherited, or
- 5 what is going on there?
- 6 MR. HALL: There was no evidence of probate
- 7 in New Mexico, so in the event that there were some
- 8 heirs that happened to be reading the Carlsbad Argus and
- 9 saw this --
- 10 EXAMINER BROOKS: To explain somewhat in
- 11 detail, title does not -- ownership passes from the
- 12 deceased to the heirs automatically. It's not
- 13 necessarily -- probate is not necessary for the heirs to
- 14 have ownership. But in New Mexico, it is considered
- 15 necessary for them to have what's called "marketable
- 16 title, "because, unless a court determines who the heirs
- 17 are, there is always a possibility that we're mistaken
- 18 about who they are. So in the absence of a court
- 19 determination, there is some uncertainty about whether
- 20 or not the people who claim to be heirs or are believed
- 21 to be heirs actually are the heirs.
- 22 EXAMINER EZEANYIM: Okay. I can
- 23 understand, because, you know, whenever I see this
- 24 notice, I think you have to do an escrow, since, you
- 25 know -- which I understand you did. Which exhibit do

	. ממשע
1	STATE OF NEW MEXICO
2	COUNTY OF BERNALILLO
3	
4	CERTIFICATE OF COURT REPORTER
5	I, MARY C. HANKINS, New Mexico Certified
6	Court Reporter No. 20, and Registered Professional
7.	Reporter, do hereby certify that I reported the
8	foregoing proceedings in stenographic shorthand and that
9	the foregoing pages are a true and correct transcript of
10	those proceedings that were reduced to printed form by
11	me to the best of my ability.
12	I FURTHER CERTIFY that the Reporter's
13	Record of the proceedings truly and accurately reflects
14	the exhibits, if any, offered by the respective parties.
15	I FURTHER CERTIFY that I am neither
16	employed by nor related to any of the parties or
17	attorneys in this case and that I have no interest in
18	the final disposition of this case.
19	May C. Hankens
20	MARY C. HANKINS, CCR, RPR
21	Paul Baca Court Reporters New Mexico CCR No. 20
22	Date of CCR Expiration: 12/31/2013
23	
24	
25	