

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

6 APPLICATION OF COG OPERATING, LLC
7 FOR A NONSTANDARD SPACING AND
8 PRORATION UNIT AND COMPULSORY
9 POOLING, EDDY COUNTY, NEW MEXICO.

CASE NO. 15002

ORIGINAL

10 REPORTER'S TRANSCRIPT OF PROCEEDINGS

11 EXAMINER HEARING

12 July 25, 2013

13 Santa Fe, New Mexico

14 BEFORE: PHILLIP GOETZE, CHIEF EXAMINER
15 RICHARD EZEANYIM, TECHNICAL EXAMINER

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18 This matter came on for hearing before the
19 New Mexico Oil Conservation Division, Phillip Goetze,
20 Chief Examiner, and Richard Ezeanyim, Technical
21 Examiner, on Thursday, July 25, 2013, at the New Mexico
22 Energy, Minerals and Natural Resources Department, 1220
23 South St. Francis Drive, Porter Hall, Room 102,
24 Santa Fe, New Mexico.

25 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

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APPEARANCES

FOR APPLICANT COG OPERATING, LLC:

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EXHIBITS OFFERED AND ADMITTED

COG Operating Exhibit Numbers 1 through 5	10
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1 (9:23 a.m.)

2 EXAMINER GOETZE: Let's move to Case Number
3 15002, application of COG Operating, LLC for a
4 nonstandard spacing and proration unit and compulsory
5 pooling, Eddy County, New Mexico.

6 Mr. Feldewert, witnesses?

7 Call for appearances.

8 MR. FELDEWERT: Mr. Examiner, Michael
9 Feldewert, with the Santa Fe office of Hollard & Hart,
10 appearing on behalf of COG Operating, LLC. I have two
11 witnesses here today.

12 EXAMINER GOETZE: Would your witnesses
13 stand, state your names?

14 MR. JOHNSON: Sean Johnson.

15 MS. SNIDOW: Kelli Snidow.

16 EXAMINER GOETZE: And you both are under
17 oath already, so that will not be necessary.

18 Continue.

19 MR. FELDEWERT: Call our first witness,
20 then: Mr. Johnson.

21 SEAN JOHNSON,
22 after having been previously sworn under oath, was
23 questioned and testified as follows:

24 DIRECT EXAMINATION

25 BY MR. FELDEWERT:

1 Q. Would you please state your name, by whom you
2 are employed and in what capacity?

3 A. Sean Johnson; employed by COG as a landman.

4 Q. And you've previously testified before this
5 Division?

6 A. Yes, I have.

7 Q. And have your credentials, etc. been made a
8 matter of public record?

9 A. Yes, I [sic] have.

10 Q. Are you familiar with the application of this
11 case?

12 A. I am.

13 Q. And are you familiar with the subject area of
14 this land?

15 A. Yes, I am.

16 MR. FELDEWERT: I would tender Mr. Johnson
17 as an expert witness in petroleum land matters.

18 EXAMINER GOETZE: So qualified.

19 Q. (BY MR. FELDEWERT) Would you please turn to
20 what's been marked as COG Exhibit Number 1? Identify
21 it, please, and explain what the company seeks under
22 this application.

23 A. In front of you, Exhibit 1, is just a land plat
24 depicting the proposed ~~nonstandard~~ spacing unit for the
25 Fat Tire 12 Federal LBB #1H. And under this

1 application, COG seeks an approved order for the
2 proposed nonstandard spacing unit and also an approved
3 forced pooling order for the mineral interest owners of
4 the depths between 5,000 feet and the top of the Abo.

5 Q. Now, you are seeking to create a 160-acre
6 nonstandard unit comprised of the north half of the
7 north half of Section 12 shown on Exhibit Number 1?

8 A. That is correct.

9 Q. And you mentioned your pooling. I believe the
10 application identifies the Yeso Formation, but based on
11 ownership, are you seeking to pool for 5,000 feet down
12 to the top of the Abo?

13 A. Yes, that's correct.

14 Q. Does this exhibit identify the interest owners
15 in that particular interval?

16 A. Yes, it does.

17 Q. And has COG been able to reach an agreement
18 with all of these interest owners?

19 A. No, we have not.

20 Q. Actually, it's only yourself and EOG. Have you
21 reached an agreement with EOG Resources?

22 A. Yes, we have. EOG has agreed to participate in
23 the well.

24 Q. So the only remaining interest owner in this
25 particular depth are the heirs of Delbert Coyne?

1 A. That is correct.

2 Q. And does this exhibit indicate they own a
3 little over one-and-a-half percent interest in this
4 north half-north half spacing unit?

5 A. That is correct.

6 Q. And have you been able to locate the heirs of
7 this particular interest?

8 A. We have not. We have identified that Delbert
9 Coyne is deceased. And we currently have our brokers,
10 working on behalf of COG, trying to identify in the
11 courthouse and the county records, and at this time they
12 have not been able to identify who the heirs of Delbert
13 Coyne are.

14 Q. And they have examined the courthouse records?

15 A. Yes, they have.

16 Q. And the county records?

17 A. They have.

18 Q. You mentioned the well. Is there an API number
19 yet for the well that's identified in Exhibit Number 1?

20 A. Right now there is not an API number provided.
21 We have submitted for an APD, but there is no APD at
22 this point.

23 Q. But Exhibit Number 1 at least identifies the
24 name of the proposed well?

25 A. That's correct.

1 Q. What pool, Mr. Johnson, is involved in this
2 application?

3 A. At this time, we are unsure of the pool that it
4 would be located in. We know that the proposed spacing
5 unit is located between three established pools.

6 Q. Let's turn to what's been marked as Exhibit
7 Number 2. Does this assist in explaining what you're
8 talking about here with respect to the pool?

9 A. Yes. If you see our proposed location, Section
10 12, we've identified that it's situated between three
11 existing pools. The first to the south being the BKU
12 and Dodd Upper Glorieta-Yeso pool, which has been
13 identified by the Commission as an unexpandable pool.

14 Q. Okay. So that's -- for lack of a better word,
15 those pools are frozen --

16 A. Those pools are frozen.

17 Q. -- one-mile boundary?

18 A. That is correct.

19 And to the east, you will see that the pool
20 is the Loco Hills Glorieta-Yeso pool, and to the west of
21 our proposal is the East Empire Glorieta-Yeso pool.

22 Q. So if I'm looking at Exhibit 2 -- and I know
23 it's kind of hard to read. But right in the middle of
24 that exhibit, in blue, is your proposed spacing unit; is
25 that correct?

1 A. Yes, that's correct.

2 Q. And if then I move to the northwest, up into
3 Section 2, what pool is designated in that area by that
4 division?

5 A. That's the East Empire Glorieta-Yeso pool.

6 Q. And if I go back to that center point and I
7 move to the northeast, to Section -- what section is
8 that? Can you read it? 2?

9 A. Right. Wait.

10 Q. I'm sorry. That might be Section 6. I'm
11 sorry. Section 6. What pool has the Divison designated
12 there?

13 A. That has been designated by the Commission as
14 the Loco Hills Glorieta-Yeso pool.

15 Q. And it's pretty much right in between those two
16 pools?

17 A. That's correct.

18 Q. Okay. Is this -- Section 12 that's involved
19 here, is this all federal land?

20 A. It is all federal, that's correct.

21 Q. And does the particular north half-north half
22 spacing unit involve a single federal lease?

23 A. It is a single federal lease.

24 Q. You mentioned that you've been unable to locate
25 the heirs of Delbert Coyne. If I turn to what's been

1 marked as COG Exhibit Number 3, is that an Affidavit of
2 Publication in the newspaper of this hearing directed to
3 Delbert Coyne or his successors, heirs or devisees?

4 A. That's correct.

5 Q. If I turn to what's been marked as COG Exhibit
6 Number 4, is that the AFE for this proposed well?

7 A. Yes, it is.

8 Q. Are these costs consistent with what the
9 company has incurred for drilling similar horizontal
10 wells in this area?

11 A. Yes, it is.

12 Q. And has this AFE actually been approved by the
13 other interest owner you've been able to locate, EOG
14 Resources?

15 A. That is correct.

16 Q. Has the company made an estimate of the
17 overhead and administrative costs while drilling this
18 well and also while producing if you are successful?

19 A. Yes, we have.

20 Q. What are those numbers?

21 A. 6,000 while drilling and 600 a month producing.

22 Q. And does the company request that these figures
23 be incorporated into any order from this hearing and
24 adjusted in accordance with the COPAS guidelines?

25 A. Yes, we do.

1 Q. And at this point, do you also then ask that
2 the customary 200-percent risk penalty be imposed on
3 this unlocatable estate interest?

4 A. Yes, we do.

5 Q. With respect to your nonstandard spacing unit,
6 did the company identify all of the leased mineral
7 interest owners in the 48 tracts surrounding the spacing
8 unit?

9 A. Yes, we did.

10 Q. And if you'll turn to what's been marked as COG
11 Exhibit Number 5, is this an affidavit prepared by my
12 office, with the attached letters, providing notice of
13 this hearing to these offsetting owners?

14 A. Yes, it is.

15 Q. Were COG Exhibits 1 through 4 prepared by you
16 or compiled under your direction or supervision?

17 A. Yes, they were.

18 MR. FELDEWERT: Mr. Examiner, at this time,
19 I'd move the admission of Exhibits 1 through 4, as well
20 as Exhibit Number 5, which is our affidavit.

21 EXAMINER GOETZE: So entered.

22 (COG Operating Exhibit Numbers 1 through 5
23 were offered and admitted into evidence.)

24 MR. FELDEWERT: This concludes my
25 examination of this witness.

1 EXAMINER GOETZE: I have no questions for
2 you.

3 Mr. Ezeanyim?

4 CROSS-EXAMINATION

5 BY EXAMINER EZEANYIM:

6 Q. On that exhibit -- go to Exhibit Number 2. You
7 say you are not sure of the pool the way it's drilled
8 from -- you are not sure of the pool in the Yeso,
9 correct?

10 A. That's correct.

11 Q. If you go to -- of course, I can't read it.
12 What good does it do you if you can't read it? I can't
13 read it. So if you go to East Empire, where is your
14 well? Your well is in 17, 29, right?

15 A. Correct.

16 Q. Now, so how are you going to determine the pool
17 where it's going to produce? Are you going to determine
18 that?

19 A. Right now it's not dedicated to a pool. It's
20 situated in between three established pools, so that's
21 where we're trying to see which pool it would be
22 admitted into.

23 Q. There is no wide [sic] cost here. There are a
24 lot of pools. You should be able to choose which pool
25 you want to produce from. We want to identify the pool.

1 MR. FELDEWERT: I think, Mr. Examiner --
2 and let me get to filing the APD with the -- the work
3 with the Division's district office. The district
4 office would like this well assigned.

5 EXAMINER EZEANYIM: Okay. That makes
6 sense. That's all I have.

7 THE WITNESS: Thank you.

8 EXAMINER GOETZE: Next witness?

9 MR. FELDEWERT: Call our next witness.

10 KELLI A. SNIDOW,
11 after having been previously sworn under oath, was
12 questioned and testified as follows:

13 DIRECT EXAMINATION

14 BY MR. FELDEWERT:

15 Q. Would you please state your full name, identify
16 by whom you are employed and in what capacity?

17 A. Kelli Snidow. I'm employed by COG Operating as
18 a geologist.

19 Q. And you have, likewise, previously testified
20 before this Division?

21 A. Yes, I have.

22 Q. And had your credentials as a petroleum
23 geologist accepted and made a matter of public record?

24 A. Yes.

25 Q. Are you familiar with this application?

1 A. Yes, I am.

2 Q. And have you conducted a study of the lands
3 that are the subject of this application?

4 A. Yes.

5 MR. FELDEWERT: Mr. Examiner, I would
6 tender Ms. Snidow as an expert witness in petroleum
7 geology.

8 EXAMINER GOETZE: So qualified.

9 Q. (BY MR. FELDEWERT) Ms. Snidow, if you would
10 turn, please, to what's been marked as COG Exhibit
11 Number 6. Would you please identify it for us and
12 explain what it shows?

13 A. Yes. So this is also a regional structure map
14 on the top of the Paddock, with a 50-foot contour
15 interval. Again, the COG acreage is highlighted in
16 yellow, with the proposed wellbore as a red horizontal
17 line. There are also colorings on this map, red or blue
18 circles for Paddock or Blinebry producers. This
19 structure map indicates that the Yeso Formations are
20 dipping to the east, and, therefore, there are no
21 pinch-outs, faults or other geologic impediments to
22 developing this area.

23 Q. And this map -- I'm sorry. Exhibit Number 6
24 also shows the existing development in this area?

25 A. Yes, that is correct. It shows drilled wells,

1 both vertical and horizontal, in the area.

2 Q. And if we then turn to what's -- do you also
3 have a cross-section map of this area?

4 A. Yes, I do.

5 Q. Turn to what's been marked as Exhibit Number 7.
6 Does this identify the wells in this area that you have
7 chosen for your cross section?

8 A. That is correct. So it is A to A prime from
9 the west to the east.

10 Q. And how did you choose your wells?

11 A. I chose my wells based on nearby offsets that
12 penetrated the Yeso and also based on available log data
13 for the area.

14 Q. Do you believe that these wells are
15 representative of the area?

16 A. I do.

17 Q. Let's turn to what's been marked as COG Exhibit
18 Number 8. Is this a stratigraphic cross section that
19 corresponds with the wells shown on Exhibit Number 7?

20 A. Yes, it does, from A to A prime.

21 Q. Good.

22 Would you please then walk us through this
23 stratigraphic cross section identified as Exhibit Number
24 8?

25 A. Yes. Highlighted on these four wells is the

1 Glorieta Formation in yellow, the Paddock Formation in
2 green, and the Blinebry Formation in red. There is also
3 5,000-foot stratigraphic marker. That's what this cross
4 section is hung on. This cross section indicates,
5 again, the -- it correlates with the structure map you
6 previously saw, where the formation is dipping to the
7 east. It also demonstrates that these formations are of
8 uniform thickness in this area.

9 Q. Now, Mr. Johnson mentioned that modification of
10 the application is at a pooling for the 5,000-foot depth
11 and below in the Yeso Formation. What is the target
12 interval for your well?

13 A. The target interval for this well would be the
14 Blinebry or, more specifically, the Lower Blinebry.

15 Q. And that's depicted on here in pink?

16 A. Correct.

17 Q. What conclusions have you drawn from your
18 study?

19 A. I believe that there are no geologic
20 impediments to developing this area using horizontal
21 wells, and I believe this area can be efficiently and
22 economically developed with horizontal wells.

23 Q. Now, based also on your study, is it your
24 opinion that the proposed nonstandard unit well, on
25 average, will contribute more or less equally to the

1 production of the wellbore?

2 A. Yes, that is correct.

3 Q. Finally, Ms. Snidow, if I turn to -- let me ask
4 you this first: Will the completed interval for this
5 well comply with all the setback rules required by the
6 Division?

7 A. Yes.

8 Q. And if I turn to what's been marked as COG
9 Exhibit Number 9, is this a well diagram for this
10 proposed well demonstrating compliance with the setback
11 requirements?

12 A. That is correct.

13 Q. In your opinion, will the granting of COG's
14 application be in the best interest of conservation, the
15 prevention of waste and the protection of correlative
16 rights?

17 A. Yes.

18 Q. And were Exhibits 6 through 9 prepared by you
19 or compiled under your direction and supervision?

20 A. Yes.

21 MR. FELDEWERT: Mr. Examiner, at this time,
22 I would move the admission into evidence of COG Exhibits
23 6 through 9.

24 EXAMINER GOETZE: Exhibits 6 through 9 are
25 so entered.

1 (COG Operating Exhibit Numbers 6 through 9
2 were offered and admitted into evidence.)

3 MR. FELDEWERT: And that concludes my
4 examination of this witness.

5 EXAMINER GOETZE: One general question.
6 You said the setback rules. That's a statewide
7 standard?

8 MR. FELDEWERT: Yes, sir.

9 EXAMINER GOETZE: I have no more questions.
10 Mr. Ezeanyim?

11 CROSS-EXAMINATION

12 BY EXAMINER EZEANYIM:

13 Q. What is a geologic impediment? You say "no
14 geologic impediments." What do you mean by geologic
15 impediment?

16 A. We foresee no issues -- no geologic issues,
17 concerns, problems.

18 Q. I mean, if the formation has normal porosity,
19 permeability and everything, you know, they can produce,
20 but when you use the word "impediment," I begin to
21 wonder what you mean by that. Do you know what you mean
22 by geologic impediment? I mean, you are representing
23 COG, and you say there is no geologic impediment. What
24 geologic impediment do you anticipate?

25 A. I'm indicating that there are no geologic

1 impediments to developing this area. An example might
2 be a fault or something along those lines, and I do not
3 believe we have any of those issues in this area.

4 Q. Okay. I have nothing further.

5 EXAMINER GOETZE: We are done with this
6 witness.

7 MR. FELDEWERT: That concludes our
8 presentation, Mr. Examiner.

9 EXAMINER GOETZE: Case 15002 is taken under
10 advisement.

11 And let's take a break right at this point,
12 a ten-minute break.

13 (Case Number 15002 concludes; break taken,
14 9:40 a.m. to 9:54 a.m.)

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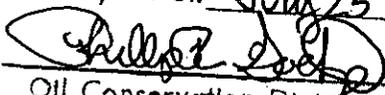
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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 15002
heard by me on July 25 2013.
 , Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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CERTIFICATE OF COURT REPORTER

I, MARY C. HANKINS, New Mexico Certified Court Reporter No. 20, and Registered Professional Reporter, 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 that were reduced to printed form by me to the best of my ability.

I FURTHER CERTIFY that the Reporter's Record of the proceedings truly and accurately reflects the exhibits, if any, offered by the respective parties.

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 in the final disposition of this case.



MARY C. HANKINS, CCR, RPR
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