

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. 15045

10 REPORTER'S TRANSCRIPT OF PROCEEDINGS

11 EXAMINER HEARING

12 September 19, 2013

13 Santa Fe, New Mexico

14 BEFORE: DAVID K. BROOKS, 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, David K. Brooks,  
20 Chief Examiner, and Richard Ezeanyim, Technical  
21 Examiner, on Thursday, September 19, 2013, at the New  
22 Mexico Energy, Minerals and Natural Resources  
23 Department, 1220 South St. Francis Drive, Porter Hall,  
24 Room 102, 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

## 1 APPEARANCES

2 FOR APPLICANT COG OPERATING, LLC:

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## 22 EXHIBITS OFFERED AND ADMITTED

23	COG Operating, LLC Exhibit Numbers 1 through 6	11
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1 (2:10 p.m.)

2 EXAMINER BROOKS: We'll call Case Number  
3 15045, application of COG Operating, LLC for a  
4 nonstandard spacing and proration unit and compulsory  
5 pooling, Eddy County, New Mexico.

6 MR. FELDEWERT: May it please the Examiner,  
7 Michael Feldewert, with the Santa Fe office of the law  
8 firm of Holland & Hart, appearing on behalf of the  
9 Applicant. I have two witnesses here today.

10 EXAMINER BROOKS: Very good. Will the  
11 witnesses please stand and identify themselves?

12 MR. CLARK: Greg Clark.

13 MR. SCOTT: Joseph Scott.

14 EXAMINER BROOKS: I don't believe either  
15 one of these witnesses was called this morning.

16 MR. FELDEWERT: Correct.

17 EXAMINER BROOKS: We need to swear the  
18 witnesses.

19 (Mr. Clark and Mr. Scott sworn.)

20 JOSEPH SCOTT,  
21 after having been first duly sworn under oath, was  
22 questioned and testified as follows:

23 DIRECT EXAMINATION

24 BY MR. FELDEWERT:

25 Q. Would you please state your full name for the

1 record, by whom you are employed and in what capacity?

2 A. My name is Joseph Scott. I'm employed by COG  
3 Operating, LLC, and I'm a landman.

4 Q. Mr. Scott, have you previously testified before  
5 this Division?

6 A. No.

7 Q. Why don't you give us a review of your  
8 educational background?

9 A. I have a business degree in energy commerce  
10 from Texas Tech University.

11 Q. And when did you receive that degree?

12 A. December of 2009.

13 Q. And what has been your work history since  
14 receiving your degree in 2009?

15 A. After graduation, I started working with Yates  
16 Petroleum Corporation. I worked there for three years.  
17 In June, I started working for COG Operating, LLC, so a  
18 little bit over three months I've been working for COG.

19 Q. And when you were with Yates Petroleum as a  
20 landman, were you in Artesia?

21 A. Yes, sir.

22 Q. Did your area of responsibility include  
23 southeast New Mexico?

24 A. Yes, sir.

25 Q. And have your responsibilities with COG

1 likewise included southeast New Mexico?

2 A. Yes, sir.

3 Q. Are you now or have you been a member of any  
4 professional organizations?

5 A. When I was working for Yates, I was a member of  
6 the New Mexico Association of -- New Mexico Landmen's  
7 Association. However, my dues have lapsed; I need to  
8 pay them.

9 Q. So you're currently inactive?

10 A. Yes.

11 Q. Are you familiar with the application that's  
12 been filed in this case?

13 A. Yes.

14 Q. And are you familiar with the status of the  
15 lands in the subject area?

16 A. Yes.

17 MR. FELDEWERT: I tender Mr. Scott as an  
18 expert witness in petroleum land matters.

19 EXAMINER BROOKS: So qualified.

20 Q. (BY MR. FELDEWERT) Mr. Scott, would you take a  
21 look at what's been marked as COG Exhibit Number 1?  
22 Identify it, and then explain what the company seeks  
23 under this application.

24 A. We seek a nonstandard compulsory pool. This  
25 plat identifies the location of the well we plan to pool

1 and drill. The red line indicates a south-north  
2 orientation of the well. The square indicates the  
3 surface-hole location. The circle indicates the  
4 bottom-hole location. The red indicates wells that are  
5 Paddock producers, and the blue indicates wells that are  
6 Blinebry producers.

7 Q. Are you creating a 160-acre nonstandard unit  
8 that comprises the west half of the west half of Section  
9 10?

10 A. Yes.

11 Q. And what mineral interests are you pooling  
12 under that particular spacing unit?

13 A. They're all fee interests.

14 Q. Are you seeking to pool the Yeso Formation?

15 A. Yes, the Yeso -- Glorieta-Yeso Formation.

16 Q. If I turn to what's been marked as COG Exhibit  
17 Number 2, is this the C-102 for your proposed well?

18 A. Yes.

19 Q. And it provides the API number; does it not?

20 A. Yes, it does.

21 Q. And it likewise provides the pool that it's  
22 been assigned to, along with the pool code?

23 A. Yes.

24 Q. Will the completed interval for this well  
25 comply with the Division's setback requirements?

1 A. Yes.

2 Q. I believe you testified that Section 10 is all  
3 fee lands?

4 A. Yes.

5 Q. If I turn to what's been marked as COG Exhibit  
6 Number 3, is that a map identifying the interest owners  
7 in the proposed spacing unit by tract?

8 A. Yes.

9 Q. Is it also identified on the last page, the  
10 interest that these parties would hold in the proposed  
11 spacing unit?

12 A. Yes.

13 Q. Now, as I look at the interest shown on the  
14 last page, there is some coloration here. What does the  
15 yellow indicate which is shaded over William J. McCaw,  
16 Black Stone Minerals Company and Lanita C. Williamson  
17 Family Living Trust?

18 A. They're unleased mineral owners who are  
19 noncommitted.

20 Q. And likewise, then, you have some shading over  
21 the heirs of four estates, correct?

22 A. Yes.

23 Q. What efforts did the company undertake to  
24 locate the potential heirs of these mineral estates?

25 A. We believe we've identified all the heirs of

1 these estates. All but two are leased.

2 Q. Do you have concerns that you may have not  
3 located all the heirs at this point in time?

4 A. No, I have no concerns that we haven't located  
5 any of the heirs.

6 Q. And did you nonetheless provide notice by  
7 publication in the local newspaper directed at these  
8 potential heirs providing notice of this hearing?

9 A. Yes.

10 Q. And if I turn to what's been marked as COG  
11 Exhibit Number 4, is that the Notice of Publication for  
12 the heirs of these estates?

13 A. Yes, it is.

14 Q. Now, with respect to the parties that you were  
15 able to locate and you have not been able to reach an  
16 agreement with yet, what is the effort with respect to  
17 those interest owners in yellow on Exhibit Number 3?  
18 What's the status?

19 A. In yellow, William McCaw, I have contacted him.  
20 Our brokers tried to lease him before the proposed  
21 operation. We then proposed the well to him and also  
22 the option to lease with us. I then followed up with a  
23 phone call to William asking what he wanted to do. He  
24 said he would get back with me. I then followed up with  
25 another phone call, and he said he was planning to lease

1 to somebody else, and he did not provide that  
2 information.

3 Q. Have you had similar efforts and follow-up with  
4 the other two interest owners shown in yellow, the Black  
5 Stone Minerals Company and the Trust?

6 A. Yes. Black Stone, we could not come to a  
7 mutual agreeable oil and gas lease. The form that they  
8 provided that they wanted to use was very onerous, and  
9 we could not agree to the terms. And Lanita C.  
10 Williamson Family Living Trust, dated January 17th,  
11 2011, I have sent her a lease. We have agreed on terms  
12 verbally. I'm just waiting for the trustee of the Trust  
13 to return the oil and gas lease to me for reporting  
14 purposes.

15 Q. Okay. Now, if I turn to what's been marked as  
16 COG Exhibit Number 5, is this a copy of the well  
17 proposal letter that was sent to the mineral interest  
18 owners that you were able to locate?

19 A. Yes, it is.

20 Q. And does this submission include an AFE?

21 A. Yes, it did.

22 Q. Is that attached as the last page of this  
23 exhibit?

24 A. Yes, it is.

25 Q. Are the costs reflected on this AFE consistent

1 with what the company has incurred for drilling similar  
2 wells in this area?

3 A. Yes.

4 Q. Has the company made an estimate of the  
5 overhead and the administrative costs while drilling  
6 this well and also while producing if you are  
7 successful?

8 A. Yes. Drilling costs will be \$5,450 while  
9 drilling and \$545 for operating costs.

10 Q. . And does the company request that these figures  
11 be incorporated into the order and that the order  
12 provide for adjustment in accordance with the COPAS  
13 guidelines?

14 A. Yes.

15 Q. Now, has the company brought a geologist today  
16 to provide technical testimony in support of this  
17 nonstandard spacing unit?

18 A. Yes.

19 Q. In the course of preparing for -- in permitting  
20 this well and also in filing your application for  
21 pooling, did the company identify the leased mineral  
22 interest owners in the 40-acre tracts surrounding the  
23 proposed nonstandard unit?

24 A. Yes.

25 Q. Were these known leased mineral owners included

1 in the notice of this hearing?

2 A. Yes.

3 Q. If you turn to what's been marked as COG  
4 Exhibit Number 6, is this an affidavit prepared by my  
5 office with the attached letters providing notice of  
6 this hearing to the affected parties?

7 A. Yes.

8 Q. And were Exhibits 1 through 5 prepared by you  
9 or compiled under your direction and supervision?

10 A. Yes.

11 MR. FELDEWERT: Mr. Examiner, at this time,  
12 I would move admission into evidence COG Exhibits 1  
13 through 6, which includes my affidavit.

14 EXAMINER BROOKS: Okay. 1 through 6 will  
15 be admitted.

16 (COG Exhibit Numbers 1 through 6 were  
17 offered and admitted into evidence.)

18 MR. FELDEWERT: And that concludes my  
19 examination of this witness.

20 EXAMINER BROOKS: Okay.

21 CROSS-EXAMINATION

22 BY EXAMINER BROOKS:

23 Q. What pool is this in; do you know?

24 A. It's the Glorieta-Yeso, Pool Code 3250.

25 Q. Do you know the name of the pool?

1 A. The Atoka-Glorieta-Yeso.

2 Q. Atoka-Glorieta-Yeso.

3 MR. FELDEWERT: Mr. Examiner, I think it's  
4 also identified on the C-102, which we marked as Exhibit  
5 Number 2.

6 EXAMINER BROOKS: You're right. Yes, it  
7 is.

8 Q. (BY EXAMINER BROOKS) And this Glorieta-Yeso  
9 will be the only formation that's pooled, right?

10 A. Yes.

11 Q. And I see you also have an API number on this  
12 C-102?

13 A. Yes.

14 Q. That covers everything I need to know.

15 EXAMINER BROOKS: Any questions, Richard?

16 CROSS-EXAMINATION

17 BY EXAMINER EZEANYIM:

18 Q. No questions, but is the Atoka on statewide  
19 rules?

20 A. Excuse me?

21 Q. Atoka-Glorieta-Yeso?

22 EXAMINER BROOKS: I believe it is.

23 Q. (BY EXAMINER EZEANYIM) It's not on any special  
24 pool rule?

25 A. No, there are no special pool rules.

1 EXAMINER EZEANYIM: No questions.

2 MR. FELDEWERT: Call our next witness.

3 GREG CLARK,

4 after having been previously sworn under oath, was  
5 questioned and testified as follows:

6 DIRECT EXAMINATION

7 BY MR. FELDEWERT:

8 Q. Would you please state your name for the  
9 record?

10 A. Greg Clark.

11 Q. And by whom are you employed and in what  
12 capacity?

13 A. COG, a geologist.

14 Q. Mr. Clark, you have previously testified before  
15 this Division, correct?

16 A. I have.

17 Q. And your credentials as a petroleum geologist  
18 were accepted and made a matter of record?

19 A. Yes, they were.

20 Q. Are you familiar with this particular  
21 application?

22 A. I am.

23 Q. And have you conducted a study on the lands  
24 that are the subject of this application?

25 A. Yes.

1                   MR. FELDEWERT: Mr. Examiner, I would  
2 tender Mr. Clark as an expert witness in petroleum  
3 geology.

4                   EXAMINER BROOKS: He is so qualified.

5           Q.     (BY MR. FELDEWERT) Mr. Clark, would you turn to  
6 what's been marked as COG Exhibit Number 7? Would you  
7 identify it for us, please, and explain what it shows?

8           A.     I will. This is a regional structure map. It  
9 identifies existing producing fields in the area. The  
10 structure is on top of the Glorieta. The contour  
11 interval is 25 feet. We see a regional dip that goes  
12 from the northwest to the southeast. Concho's acreage  
13 is in yellow, and the red line shows the Bragg 10 Fee  
14 #1H in which we are proposing to drill.

15                   This structure map shows the structural  
16 relationship to the close Dayton field. We're on  
17 structural strike, and we don't see any geologic  
18 impediments, i.e., faults or structures, that would keep  
19 us separated from that field and using it as an analogy.  
20 Oh, and the Paddock producers are in red, and the  
21 Blinbry producers are colored in blue.

22           Q.     And you don't observe any geologic impediments  
23 to developing this horizontal well?

24           A.     I do not.

25           Q.     If I turn to what's been marked as COG Exhibit

1 Number 8 --

2 Let me ask you preliminarily: Did you  
3 create a cross section -- a stratigraphic cross section  
4 for this area?

5 A. I did.

6 Q. And does COG Exhibit Number 8 identify the  
7 wells that were utilized for your cross section?

8 A. Yes.

9 Q. In your opinion, are the wells that you  
10 utilized representative of the area?

11 A. They are representative of the fields that they  
12 are in and analogous to where we want to drill the Bragg  
13 10 Fee #1H.

14 Q. And you go from A to A prime on this particular  
15 exhibit?

16 A. That's correct. A to the south in the Cemetery  
17 area to A prime to the north and the east and the Dayton  
18 field area.

19 Q. If I then turn to what's been marked as COG  
20 Exhibit Number 9, is this a cross section that  
21 corresponds to those wells shown on the previous  
22 exhibit?

23 A. It is.

24 Q. What does this cross section show?

25 A. This is a stratigraphic cross section, which

1 means it's been flattened on top of the Paddock. The  
2 structural component has been taken out in order to show  
3 the relationship of the Paddock Formation from the south  
4 to the north, from the Cemetery field through the Dayton  
5 field area. As you'll see, the log characteristics are  
6 very similar. The porosities are very similar, and we  
7 don't see a lot or hardly any thickening or thinning  
8 throughout this area. We feel that the wells in this  
9 cross section are analogous where we want to drill the  
10 Bragg 10 Fee #1H.

11                   You'll see the landing interval, which is  
12 marked in red with the red bracket on the well that is  
13 second from the left. That's where we intend to land  
14 the lateral, in that stratigraphic interval. And you  
15 will see three wells, the second and the third well from  
16 the left and the fourth well from the right, that have  
17 the red rectangle boxes or single red marks in the depth  
18 track that represent wells that have been perforated and  
19 completed in the Paddock.

20                   The first well on the left and the second  
21 well from the right are both Morrow gas producing wells  
22 and have not been completed into the Yeso or the Paddock  
23 at this point. And the third well from the right is the  
24 COG Stonewall [phonetic] 9 Fee #1H pilot hole in which  
25 we drilled to help us identify where we wanted to land

1 that lateral, and, therefore, we have not completed the  
2 Paddock in that well.

3 Q. What conclusions have you drawn from your  
4 study?

5 A. Concluded that there are no major geologic  
6 impediments to keep us from drilling this area using a  
7 horizontal well. Also feel that we can efficiently and  
8 economically produce this area using horizontal wells,  
9 and this nonstandard unit more or less will contribute  
10 equally through the whole unit to the wellbore.

11 Q. Does COG Exhibit Number 10 reflect, then, that  
12 the completed interval for this well will comply with  
13 all the setback requirements of the Divison's rules?

14 A. Yes.

15 Q. In your opinion, will the granting of this  
16 application be in the best interest of conservation, the  
17 prevention of waste and the protection of correlative  
18 rights?

19 A. Yes.

20 Q. Were COG Exhibits 7 through 10 compiled by you  
21 or under your direction and supervision?

22 A. Yes, they were.

23 MR. FELDEWERT: I move admission into  
24 evidence COG Exhibits 7 through 10.

25 EXAMINER BROOKS: 7 through 10 are

1 admitted.

2 (COG Exhibit Numbers 7 through 10 were  
3 offered and admitted into evidence.)

4 MR. FELDEWERT: Mr. Examiner, that  
5 completes my examination.

6 CROSS-EXAMINATION

7 BY EXAMINER BROOKS:

8 Q. To just try to clarify what I think you were  
9 saying a minute ago about the contribution to  
10 production --

11 A. Yes.

12 Q. -- would it be your opinion that each of the  
13 quarter-quarter sections included in this nonstandard  
14 unit would contribute more or less equally to the  
15 production of this well?

16 A. Yes, sir. Yes, sir.

17 Q. Thank you?

18 EXAMINER BROOKS: Anything?

19 EXAMINER EZEANYIM: No questions.

20 EXAMINER BROOKS: Very good. If there is  
21 nothing further, then Case Number 15045 will be taken  
22 under advisement.

23 MR. FELDEWERT: Thank you.

24 (Case Number 15045 concludes, 2:28 p.m.)

25 I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. \_\_\_\_\_,  
heard by \_\_\_\_\_.

1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3

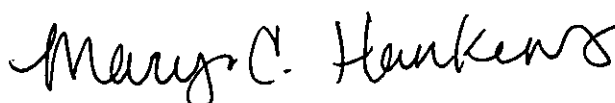
4 CERTIFICATE OF COURT REPORTER

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



20

21 MARY C. HANKINS, CCR, RPR  
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