

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

RECEIVED OCD

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

2014 MAR 11 10:50
CASE #15098

ORIGINAL

7 REPORTER'S TRANSCRIPT OF PROCEEDINGS

8 March 6, 2014

9 Santa Fe, New Mexico

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13 BEFORE: PHILLIP GOETZE, CHIEF EXAMINER

16 This matter came on for hearing before the
17 New Mexico Oil Conservation Division, Phillip
18 Goetze, Chief Examiner, on Thursday, March 6, 2013,
19 at the New Mexico Energy, Minerals and Natural
Resources Department, 1220 South Francis Drive,
Porter Hall, Room 102, Santa Fe, New Mexico.

20 REPORTED BY: Paul Baca, CCR, RPR
21 New Mexico CCR #112
22 Paul Baca Professional Court Reporters
23 500 4th Street, NW - Suite 105
24 Albuquerque, New Mexico 87102

1	APPEARANCES	
2	FOR APPLICANT COG OPERATING, LLC:	
3	MICHAEL H. FELDERWERT, ESQ.	
	HOLLAND & HART	
4	110 North Guadalupe, Suite 1	
	Santa Fe, NM 87501	
5	(505) 988-4421	
	mfelderwert@hollandhart.com	
6		PAGE
7	Case Number 15098 Called	
8	COG Operating, LLC's Case-In-Chief:	3
9	Witnesses:	
10	JOSEPH SCOTT	
11	Direct Examination by Mr. Felderwert	3
	Cross-Examination by Examiner Goetze	11
12		
	GREG CLARK	
13		
	Direct Examination by Mr. Felderwert	12
14	Cross-Examination by Examiner Goetze	17
15		
16	Proceedings Conclude	19
17	Certificate of Court Reporter	20
18		
19	EXHIBITS OFFERED AND ADMITTED	
20	COG Exhibits 1 - 4	10
21	COG Exhibits 5 - 8	16
22		
23		
24		
25		

1 (8:22 a.m.)

2 HEARING EXAMINER GOETZE: Case 15098,
3 Application of COG Operating, LLC, for a
4 non-standard spacing and proration unit and
5 compulsory pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MR. FELDERWERT: May it please the
8 Examiner, Michael Felderwert with the Santa Fe
9 office of Holland & Hart, appearing on behalf of the
10 applicant. I have two witnesses today.

11 HEARING EXAMINER GOETZE: Would the
12 witnesses please stand and identify themselves, and
13 would the clerk swear them in.

14 (Witnesses sworn in.)

15 JOSEPH SCOTT,
16 having been first duly sworn, testified as follows:

17 EXAMINATION

18 BY MR. FELDERWERT:

19 Q. Would you please state your name identify
20 by whom you're employed and in what capacity?

21 A. Joseph Scott, COG Operating, LLC, landman.

22 Q. Mr. Scott, have you previously testified
23 before this division and had your credentials as a
24 petroleum landman accepted and made a matter of
25 public record?

1 A. Yes.

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

4 A. Yes.

5 Q. Have you conducted a study of the subject
6 water?

7 A. Yes.

8 MR. FELDERWERT: Mr. Examiner, I would
9 re-tender Mr. Scott as an expert witness in
10 petroleum land matters.

11 HEARING EXAMINER GOETZE: He is so
12 qualified.

13 Q. (By Mr. Felderwert) Would you be kind
14 enough to turn to Exhibit No. 1, and first identify
15 it and then explain to the examiner what the company
16 seeks under this application?

17 A. The yellow indicates COG's acreage. The
18 square located in Section 33, 18 south 26 east, is
19 the surface hole location. And the circle in the
20 southwest-southwest Section 4, 19 south 26 east, is
21 the bottom hole location. And the red line
22 indicates the horizontal well that we propose to
23 dedicate a 160-acre nonstandard spacing unit to the
24 west half-west half of 19 South 26 East. We propose
25 to dedicate these acres to the Sherman 4 Fee Number

1 10H.

2 Q. In what formation do you seek?

3 A. Yeso formation.

4 Q. Now, this particular well is going to have
5 its surface location in Section 33 to the north of
6 Section 4?

7 A. Correct.

8 Q. And then the well -- the completed
9 interval for the well would be on the west half of
10 the west half of Section 4?

11 A. That's correct.

12 Q. Would the completed interval comply with
13 all of the setback requirements under the division
14 rules?

15 A. Yes.

16 Q. Has the company received an API number yet
17 for this well?

18 A. We have not.

19 Q. What pool is involved in this application?

20 A. It's the Atoka Glorieta formation, the
21 Yeso -- Glorieta Yeso formation.

22 MR. FELDERWERT: I think it's the Atoka
23 Gloria Yeso Pool.

24 HEARING EXAMINER GOETZE: Okay.

25 MR. FELDERWERT: And Mr. Examiner, that is

1 pool code 3250.

2 Q. (By Mr. Felderwert) Is Section 4 all fee
3 lands?

4 A. Yes.

5 Q. If I turn to what has been marked as COG
6 Exhibit No. 2, is this an ownership plat that
7 identifies, first, the ownership by tract?

8 A. Yes.

9 Q. Okay. If I flip over, then, to the second
10 page of this exhibit at the bottom, does it provide
11 the percentage ownership in the spacing unit as a
12 hole at the bottom?

13 A. Yes.

14 Q. What interest do you seek to pool?

15 A. The interest shown in the yellow.

16 Q. And that is at the bottom of the second
17 page of Exhibit 2?

18 A. Yes.

19 Q. Now, with respect to these particular
20 interest owners, have you been in touch with Oxy
21 about this application?

22 A. Yes, I have.

23 Q. Have you sent to them a JOA?

24 A. Yes.

25 Q. And are they reviewing it?

1 A. Yes, they are.

2 Q. And with respect to the New Mexico Highway
3 and Transportation Department, have you previously
4 had to deal with that particular agency?

5 A. Yes. And also we have sent a proposal to
6 them. A right-of-way was given. There's a question
7 as to the intent of the -- of the assignment where
8 it assigns not only the surface but the minerals.
9 The highway isn't recognizing the ownership in the
10 minerals; however, the deed conveys the minerals, so
11 they are under review and not in a position right
12 now where they can actually lease to us or
13 participate in the well.

14 Q. And that's why you're seeking to pool them
15 here today?

16 A. Yes.

17 Q. Okay. Now, with respect -- you also
18 identify on here two estates and then a trustee
19 under a will for the -- for Kenneth Hunter. What is
20 the circumstance with respect to those particular
21 interests?

22 A. We received a rough draft title opinion on
23 Monday. And we -- we thought we had all the mineral
24 interests identified and leased. These parties were
25 identified and, therefore, we have -- we are going

1 to file a publication for the estates where
2 marketable title lies.

3 Their heirs/devisees have not been
4 identified for the Robert Stevenson estate or the
5 Chester Hunter estate. A will proposal has been
6 sent yesterday to Nellie Hunter as her separate
7 property, and Nellie Hunter as trustee of the
8 Kenneth Hunter trust.

9 Q. So as part of the preparation for this
10 hearing here today, your company obtained recently a
11 drilling opinion?

12 A. Yes.

13 Q. Or a title opinion?

14 A. Yes.

15 Q. And these particular interests showed up
16 for the first time?

17 A. Yes, they did.

18 Q. Okay. So are we going to -- so at this
19 point in time, they have not been given timely
20 notice?

21 A. They have not.

22 Q. All right. And we intend to ask for a
23 continuance of the case for four weeks so that these
24 new interests receive proper notice of the hearing?

25 A. Yes.

1 Q. Now, with respect to the remaining
2 interests that were involved here, did you send a
3 well proposal letter to all of these parties?

4 A. Yes.

5 Q. Okay. If I turn to what has been marked
6 as COG Exhibit No. 3, is that the well proposal that
7 was submitted to the interest owners of record at
8 that time?

9 A. Yes.

10 Q. And does it contain an AFE?

11 A. Yes.

12 Q. Are the costs that are reflected on this
13 AFE, are they consistent with what the company has
14 incurred for drilling similar horizontal wells?

15 A. Yes.

16 Q. If I look, Mr. Scott, on the first page of
17 this Exhibit No. 3, about halfway down does it
18 identify the overhead and the administrative costs
19 for this well?

20 A. Yes, it's \$5,450 per drilling and \$545 for
21 producing rate.

22 Q. And are those the overhead and
23 administrative costs that you are asking that the
24 division incorporate into an order for this case?

25 A. Yes.

1 Q. Did the company also identify the leased
2 mineral interest owners in the 40-acre tracts
3 surrounding a proposed non-standard unit?

4 A. Yes.

5 Q. Have those interest owners been included
6 in the notice of this hearing?

7 A. Yes.

8 Q. And is COG, Exhibit No. 4, an affidavit
9 prepared by my office with the attached letters
10 providing notice of this hearing to these affected
11 parties?

12 A. Yes.

13 Q. Mr. Scott, were exhibits 1 through 3
14 prepared by you or compiled under your direction and
15 supervision?

16 A. Yes.

17 MR. FELDERWERT: Mr. Examiner, at this
18 point I would move the admission into evidence of
19 COG Exhibits 1 through 4, which includes my
20 affidavit.

21 HEARING EXAMINER GOETZE: Exhibits 1
22 through 4 are so entered.

23 (COG Exhibits 1 through 4 were offered and
24 admitted into evidence.)

25 Q. (By Mr. Felderwert) Now, Mr. Scott, has

1 the company also brought a geologists here today to
2 testify in support of this application?

3 A. Yes.

4 Q. Okay. But at the completion of this
5 hearing, do you ask that the matter be continued for
6 four weeks to allow additional notice or to allow
7 notice to these recently-discovered estates?

8 A. Yes.

9 Q. Okay. Mr. Examiner, that concludes my
10 examination of this witness.

11 HEARING EXAMINER GOETZE: Just one
12 question. On the New Mexico State DOT, they have
13 the title, or the deed -- mineral deed?

14 THE WITNESS: Yes, they do.

15 HEARING EXAMINER GOETZE: So there's no
16 question it's theirs.

17 THE WITNESS: There's no question it's
18 theirs, yes. They --

19 HEARING EXAMINER GOETZE: Go ahead.

20 THE WITNESS: The intent is in question.

21 HEARING EXAMINER GOETZE: Well, it's been
22 brought to our attention that DOT is trying to
23 utilize some of their resources, so they have come
24 to inquire, they're trying to communicate with them.

25 No further questions for this witness.

1 GREG CLARK,
2 having been previously sworn, testified as follows:

3 EXAMINATION

4 BY MR. FELDERWERT:

5 Q. Would you please state your name and
6 identify by whom you're employed and in what
7 capacity?

8 A. Greg Clark. I work for Concho as a
9 geologist.

10 Q. Mr. Clark, have you previously testified
11 before this division and had your credentials as a
12 petroleum geologist accepted and made a matter of
13 public record?

14 A. Yes.

15 Q. Are you familiar with this application?

16 A. Yes.

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

19 A. I have.

20 MR. FELDERWERT: At this point, then,
21 Mr. Examiner, I would tender Mr. Clark as an expert
22 witness in petroleum geology.

23 HEARING EXAMINER GOETZE: He is so
24 qualified.

25 Q. (By Mr. Felderwert) Mr. Clark, would you

1 please turn to COG Exhibit No. 5. First identify
2 what it is, and then explain to the examiner what it
3 shows.

4 A. Sure. This is a regional structure map on
5 top of the Paddock formation. As you can see, it
6 shows regional dip that goes from the northwest to
7 the southeast, towards the basin. We are on the
8 shelf edge margin of the Delaware basin in this
9 area.

10 We have producing fields that are
11 highlighted in blue. We also -- it shows our
12 acreage and the Sherman 4H10 Fee well that we have
13 proposed to drill. We have Paddock Producers in red
14 and Blinebry Producers in blue.

15 The main purpose of this is to show that
16 there is no major geological structures that would
17 keep us from developing this area using the
18 horizontal well.

19 Q. Mr. Clark, were you able to develop a
20 cross-section for this area?

21 A. Yes.

22 Q. If I turn to what has been marked as COG
23 Exhibit No. 6, does it identify the wells that are
24 included within your cross-section?

25 A. Yes, it does.

1 Q. One of them includes a well in Section 4;
2 is that right?

3 A. That's correct.

4 Q. In your opinion, are these wells
5 representative of the area?

6 A. Yes, they are.

7 Q. If I then turn to what has been marked as
8 COG Exhibit No. 7, is this the actual type logs that
9 correspond with the wells shown on Exhibit No. 6?

10 A. Yes, they are.

11 Q. Okay. Would you orient us and then
12 explain to the examiner what this shows?

13 A. Sure. Going from left to right would be
14 the line of section going from the south to the
15 northeast in the three-well cross-section area.

16 This is a gamma ray and neutron density
17 logs. Gamma ray is in the left tract and the
18 neutron density is in the right tract. You can see
19 the well -- oh, this is a stratigraphic
20 cross-section. The structural component has been
21 taken out in order to show the stratigraphic
22 relationship and consistencies in the area that we
23 feel is representative of the area.

24 As you can see, there's similar
25 porosities; log characteristics are the same; and

1 there is no big thickening or thinning throughout
2 this area.

3 The well to the right, as you can see in
4 the depth tract with the red rectangles is
5 indicative of the perforated interval within the
6 Paddock that that vertical well was completed.

7 The well in the middle is a COG vertical
8 well, excuse me, that has been completed in the
9 Blinebry and has not been completed in the Paddock.

10 And then the well to the left was a COG
11 pilot hole, so therefore we have not completed
12 anything in the vertical well.

13 You'll notice by the bracket it is
14 representative of the lateral interval in which we
15 intend to land the well and go horizontal.

16 Q. Mr. Clark, what conclusions have you drawn
17 from your study?

18 A. I've concluded that there are no geologic
19 impediments that would keep us from developing this
20 area using horizontal wells. I also feel that it
21 can be efficiently and effectively developed using
22 horizontal wells. And also I feel like the well on
23 average will contribute more or less equally to the
24 total production of the well.

25 Q. Now, there was testimony that the

1 completed interval for this well will comply with
2 the setback requirements under the divisions rules?

3 A. Yes.

4 Q. If I turn to what has been marked as COG
5 Exhibit No. 8. Is this a well diagram demonstrating
6 compliance with the setback?

7 A. Yes, it is.

8 Q. In your opinion, Mr. Clark, will the
9 granting of this application be in the best interest
10 of conservation, in the prevention of waste, and
11 protection of rights?

12 A. Yes.

13 Q. Were COG Exhibits 5 through 8 prepared by
14 you or compiled under your direction or supervision?

15 A. Yes, they were.

16 MR. FELDERWERT: Mr. Examiner, at this
17 time I would move the admission into evidence of COG
18 exhibits 5 through 8.

19 HEARING EXAMINER GOETZE: Exhibits 5
20 through 8 are admitted.

21 (COG Exhibits 5 through 8 were offered and
22 admitted into evidence.)

23 MR. FELDERWERT: And that concludes my
24 examination of this witness.

25 HEARING EXAMINER GOETZE: Very good. A

1 few questions, please. Exhibit 6.

2 THE WITNESS: Yes.

3 HEARING EXAMINER GOETZE: Whose over in
4 Section 5 there?

5 THE WITNESS: That would be COG.

6 HEARING EXAMINER GOETZE: Okay. Why the
7 change in orientation at this point? I notice that
8 33 is north south, and certainly down in Section 8
9 it's north south; 5 was east west.

10 Is there some significant reason for the
11 orientation change?

12 A. As you can see, we also drilled a well
13 which is the Sherman 4H that's in the east half of
14 the section that's north south. And that well has
15 been on line for quite a while. But in terms of a
16 maximum horizontal stress direction, we feel that it
17 isn't in a northwest to southeast direction, so
18 therefore the stand-up or lay-down should not have
19 any bearing on the completion.

20 HEARING EXAMINER GOETZE: Okay. So it's
21 more driven by opportunity than --

22 THE WITNESS: Yes, sir.

23 HEARING EXAMINER GOETZE: -- than geology
24 per se.

25 THE WITNESS: Yes, sir, land issues and

1 things of that nature. And then we have done quite
2 a bit of signs study out here to determine SH max,
3 and we have seen that there is really no difference
4 in the lay-down versus the stand-up.

5 HEARING EXAMINER GOETZE: Just one more
6 question: On the stone wall 9 fee, the pilot was
7 drilled but no information was attained on the
8 Paddock, per se.

9 THE WITNESS: Well, we drilled the pilot
10 hole to help us -- we needed a little more control
11 in the area; we were very limited. So we drilled
12 the pilot hole to help us get a better handle on
13 where we wanted to land the horizontal well. So
14 we've drilled the horizontal well, and it's been
15 completed at this point.

16 HEARING EXAMINER GOETZE: That one is in
17 Blinebry?

18 THE WITNESS: No, that's in the Paddock.

19 HEARING EXAMINER GOETZE: It's in the
20 Paddock. Okay.

21 THE WITNESS: Yes, sir.

22 HEARING EXAMINER GOETZE: Okay. No other
23 questions for this witness?

24 Based on the fact that you still have
25 notification information to provide to us, we'll go

1 ahead and continue this case until the April 3rd
2 docket, and therefore we'll move on to the next
3 case.

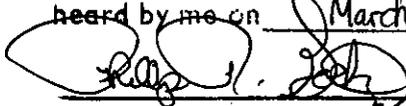
4 MR. FELDERWERT: Thank you, Mr. Examiner.

5 HEARING EXAMINER GOETZE: Are you staying
6 up here?

7 MR. FELDERWERT: I'm staying up here, yes.

8 (Proceedings concluded at 8:38 a.m.)
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14 I do hereby certify that the foregoing is
15 a complete record of the proceedings in
the Examiner hearing of Case No. 15090
heard by me on March 6 2014

16  , Examiner
17 Oil Conservation Division
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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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CERTIFICATE OF COURT REPORTER

I, PAUL BACA, New Mexico Certified Court Reporter No. 112, 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 or related to any of the parties or attorneys in this case and that I have no interest in the final disposition of this case.



PAUL BACA, RPR, CCR
Certified Court Reporter #112
License Expires: 12-31-14