

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

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

ORIGINAL

APPLICATION OF COG OPERATING, LLC
FOR TWO NONSTANDARD PROJECT AREAS,
TWO NONSTANDARD OIL SPACING AND
PRORATION UNITS, AND APPROVAL OF
NONSTANDARD LOCATIONS FOR TWO WELLS
IN LEA COUNTY, NEW MEXICO.

CASE NO. 15035

APPLICATION OF COG OPERATING, LLC
FOR A NONSTANDARD SPACING AND
PRORATION UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

CASE NO. 15044

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSION HEARING

July 17, 2014

Santa Fe, New Mexico

BEFORE: JAMI BAILEY, CHAIRPERSON
TERRY WARNELL, COMMISSIONER
ROBERT S. BALCH, COMMISSIONER
BILL BRANCARD, ESQ.

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This matter came on for hearing before the
New Mexico Oil Conservation Commission on Thursday,
July 17, 2014, at the New Mexico Energy, Minerals⁸⁰ and
Natural Resources Department, Wendell Chino Building,
1220 South St. Francis Drive, Porter Hall, Room 102,
Santa Fe, New Mexico.

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1	INDEX	
2		PAGE
3	Case Numbers 15035 and 15044 Called	4
4	Presentation by Mr. Feldewert/Motion for Remand	4
5	Proceedings Conclude	10
6	Certificate of Court Reporter	11

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10 EXHIBITS OFFERED AND ADMITTED

11 (No exhibits.)

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1 (9:05 a.m.)

2 CHAIRPERSON BAILEY: I now call Case 15035,
3 which has been consolidated with Case 15044. These are
4 de novo cases that I understand we have some issues
5 here. These are applications of COG Operating, LLC for
6 a nonstandard spacing and proration unit and compulsory
7 pooling and approval of nonstandard locations for two
8 wells.

9 Would you care to explain what we are doing
10 today?

11 MR. FELDEWERT: Yes, Madam Chair. Michael
12 Feldewert appearing on behalf of COG Operating, LLC.
13 And also in the room are the attorneys for the other
14 parties to the appeal and also for one of the parties
15 that appeared in the case below.

16 What I'm able to report is after some
17 tireless and sustained and dedicated efforts by
18 Ms. Chappelle, and particularly by Mr. Bruce even after
19 he withdrew from the case, the parties were able to
20 finally agree on a development plan for the acreage in
21 question. And since a picture is worth a thousand
22 words, if you have our package, COG's exhibits, Exhibit
23 Number 2 depicts the acreage in question. And
24 essentially what you'll see on there are Sections 5 and
25 8 in Township 26 South, Range 34 East, in Lea County.

1 I'm not going to admit this exhibit. I just want to use
2 it for demonstrative purposes.

3 Most of that acreage is covered by a single
4 federal lease, and it's the acreage there in the north
5 half-north half of Section 5, which is fee acreage. And
6 the order that was entered by the Division essentially
7 approved the development plan that you see depicted
8 here, one of which involved the 5H, which is a well that
9 has been drilled. The 8H was drilled sometime ago
10 before a lot of the rules went into effect. And then
11 there are three other additional wells involved as
12 stand-ups, and then the 1H was a lay-down in the north
13 half-north half.

14 The approval of that -- that case was
15 controversial. The order was appealed by the parties in
16 the north half-north half of the area, but they have now
17 been able to reach a resolution on the development of
18 this acreage, and essentially it's going to involve the
19 drilling of some additional stand-up wells that will
20 penetrate all of the 40-acre tracts in the north
21 half-north half of the section. So that has been --
22 that development plan has been agreed upon by all
23 parties to the appeal, but it will require amendments to
24 the existing order and essentially keep the approvals
25 for the existing 5H well, and then there would no longer

1 be the need for the approvals granted for the 6H well
2 that you see on here or the 1H well that you see in the
3 north half-north half.

4 If we get this remanded down to the
5 Division level, an amendment can be made to the order
6 that would accomplish the settlement that was reached by
7 the parties.

8 So we're here today to request that the
9 Commission remand this case back to the Division so that
10 the parties can then work with the Division in issuing a
11 revised order that will accomplish the settlement that
12 was reached by the parties.

13 CHAIRPERSON BAILEY: Are there other
14 appearances?

15 MR. BRUCE: Madam Chair, Jim Bruce on
16 behalf of Yates Brothers, Sugarberry and Katy Pipeline.

17 MR. PADILLA: Madam Chair, Ernest L.
18 Padilla for EOG Resources. We have just been looking at
19 this case. We have not participated, and whatever Yates
20 Brothers and COG agree to would be fine with us.

21 MS. CHAPPELLE: Good morning, Chairman and
22 Commissioners.

23 Germaine Chappelle representing Inland
24 Title and OXY, Occidental Permian. And we support the
25 settlement in this and the remand.

1 CHAIRPERSON BAILEY: Mr. Bruce,
2 Mr. Padilla, do you agree with the remand and the
3 settlement?

4 MR. PADILLA: Yes, Madam Chair.

5 MR. BRUCE: Yes, Madam Chair.

6 CHAIRPERSON BAILEY: This is not an
7 evidentiary hearing at all then. So do we have a motion
8 for continuance that we need to deal with?

9 MR. BRUCE: I did withdraw that motion for
10 continuance, Madam Chair, due to the settlement. And I
11 think Mr. Feldewert and Ms. Chappelle and Ms. Munds-Dry
12 and I worked what seemed like nonstop for two weeks to
13 take care of this, so please don't ask us what we did,
14 but we did it (laughter).

15 CHAIRPERSON BAILEY: So, Mr. Brancard, do
16 we just vote on remanding it back to the Examiner?

17 MR. BRANCARD: I guess we'll take
18 Mr. Feldewert's presentation as a motion for a remand
19 and treat it as that.

20 MR. FELDEWERT: Yes. We would formally
21 request that the Commission remand the case down to the
22 Division for the entry of an amended order consistent
23 with the parties' settlement.

24 MR. BRANCARD: I guess perhaps the way to
25 do this is -- we can do a very simple order remanding,

1 but perhaps it would be best that the parties attach to
2 that a very simple stipulation that says whatever you
3 want to say -- we've reached some sort of agreement
4 about it, and we would like to present this to the
5 Hearing Examiners -- rather than the Commission trying
6 to characterize what you've agreed to. I don't know
7 that you need to provide any details --

8 MR. FELDEWERT: Right.

9 MR. BRANCARD: -- other than you have a
10 framework that you want to present to the Division
11 Hearing Examiner and attach that stipulation as part of
12 the order for the Commission.

13 MR. FELDEWERT: We can do that, certainly.

14 CHAIRPERSON BAILEY: Then in that case --

15 MR. BRANCARD: Is there a motion before us?

16 CHAIRPERSON BAILEY: Commissioners, do you
17 have any issues --

18 COMMISSIONER BALCH: I don't have any
19 issue.

20 COMMISSIONER WARNELL: No issues.

21 CHAIRPERSON BAILEY: Okay. Well, then we
22 ask for a draft order to be due before our next meeting,
23 which is August 17th.

24 MR. BRANCARD: Is there a need to do this
25 quickly?

1 MR. FELDEWERT: I would -- we would -- if
2 at all possible, we'd like to expedite the process so we
3 can get back down to the Division so we can get an
4 order -- an amended order issued.

5 MR. BRANCARD: Okay. Well, I guess I would
6 suggest, then, that you vote on the motion for remand
7 now and then the Chairman be given the authority to sign
8 the order. I don't see these orders as being very
9 complicated.

10 COMMISSIONER BALCH: I make the motion for
11 remand with Chairman Bailey having authorization to
12 sign.

13 COMMISSIONER WARNELL: Second that motion.

14 CHAIRPERSON BAILEY: All those in favor say
15 aye.

16 (Ayes are unanimous.)

17 CHAIRPERSON BAILEY: We can expedite it
18 that way.

19 MR. FELDEWERT: Thank you very much.

20 CHAIRPERSON BAILEY: Is there any other
21 case or anything to be presented before the Commission
22 today?

23 MR. FELDEWERT: Not from me, Madam Chair.

24 CHAIRPERSON BAILEY: Then do I hear a
25 motion for us to adjourn?

1 COMMISSIONER BALCH: I'll make a motion to
2 adjourn.

3 COMMISSIONER WARNELL: Second that motion.

4 CHAIRPERSON BAILEY: All those in favor?

5 (Ayes are unanimous.)

6 CHAIRPERSON BAILEY: We are adjourned.

7 Thank you very much.

8 (Case Numbers 15035 and 15044 conclude,
9 9:12 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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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.

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MARY C. HANKINS, CCR, RPR
Paul Baca Court Reporters, Inc.
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