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

ORIGINAL

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

APPLICATION OF COG OPERATING, LLC CASE NO. 15149
FOR A NONSTANDARD SPACING AND
PRORATION UNIT AND COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING
May 29, 2014
Santa Fe, New Mexico

BEFORE: PHILLIP GOETZE, CHIEF EXAMINER

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This matter came on for hearing before the
New Mexico Oil Conservation Division, Phillip Goetze,
Chief Examiner, on Thursday, May 29, 2014, at the New
Mexico Energy, Minerals and Natural Resources
Department, Wendell Chino Building, 1220 South St.
Francis Drive, Porter Hall, Room 102, Santa Fe,
New Mexico.

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:

ADAM G. RANKIN, ESQ.
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EXHIBITS OFFERED AND ADMITTED

COG Operating, LLC Exhibit Numbers 1 through 3	8
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1 (1:40 p.m.)

2 EXAMINER GOETZE: Let's resume Docket
3 Number 17-14. We will bypass Case 15112, and we will
4 determine its status later.

5 And we will proceed on to Case 15149,
6 application of COG Operating, LLC for a nonstandard
7 spacing unit and compulsory pooling, Eddy County,
8 New Mexico.

9 Call for appearances.

10 MR. RANKIN: Mr. Examiner, Adam Rankin,
11 Holland & Hart, on behalf of COG Operating. I have one
12 witness in this case.

13 EXAMINER GOETZE: Very good.

14 Would the witness please stand, state your
15 name and be sworn in?

16 MR. SCOTT: Joseph Scott.

17 JOSEPH SCOTT,

18 after having been first duly sworn under oath, was
19 questioned and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. RANKIN:

22 Q. For the record, please state your name.

23 A. Joseph Scott.

24 Q. And by whom are you employed?

25 A. Concho.

1 Q. In what capacity?

2 A. I'm a landman.

3 Q. Have you previously testified before the
4 Division?

5 A. Yes.

6 Q. Have you previously had your credentials as an
7 expert in petroleum land matters made a matter of record
8 and accepted by the Division?

9 A. Yes.

10 MR. RANKIN: Mr. Examiner, I would tender
11 Mr. Scott as an expert in petroleum land matters.

12 EXAMINER GOETZE: He is so qualified.

13 Q. (BY MR. RANKIN) Mr. Scott, would you briefly
14 explain what it is that COG is seeking with this
15 application today?

16 A. We have an order for this -- for the Bradley 8
17 Fee 3H. We received a supplemental title opinion, and
18 it identified two new parties. Those parties, we have
19 leased those, but the heirs or -- we have the heirs or
20 devisees leased. However, out of an abundance of
21 caution, we want to force pool two parties here -- and
22 it's on the second page of the first exhibit -- Artesia
23 Oil & Gas, LLC -- or excuse me. It's a nonparticipating
24 royalty interest created by Artesia Oil & Gas, LLC and
25 also the heirs or devisees of Lynette M. Fry.

1 Q. And just to step back a little bit and step
2 through this, you indicated that Concho, or COG, already
3 has an order in place pooling the estate for the Yeso
4 Formation; is that correct?

5 A. That's correct.

6 Q. And is that Order R-13626?

7 A. Yes.

8 Q. And as a consequence of -- and subsequent to
9 receiving that order, did COG request and was it granted
10 an extension to drill?

11 A. Yes. We had an extension to drill for that
12 order, for drilling purposes, yes.

13 Q. And in the interim, you said that there was a
14 subsequent supplemental title opinion?

15 A. Yes, there is.

16 Q. And that title opinion identified two
17 additional interests; is that right?

18 A. Yes.

19 Q. And those are, just to be clear, the heirs and
20 devisees of Lynette M. Fry?

21 A. Yes.

22 Q. And Artesia Oil & Gas, LLC?

23 A. It's W. L. Lile and Mary F. Lile, which is a
24 nonparticipating royalty interest owner created by a
25 mineral owner. We have pooling language in the lease.

1 However, our attorneys have advised us, out of an
2 abundance of caution, go ahead and include them in the
3 order.

4 Q. So I misunderstood that. I understand now.
5 Okay.

6 Are there any other uncommitted interests
7 other than the two you identified?

8 A. No, there is not.

9 Q. And are these interests you are seeking to
10 pool, will they be royalty interests?

11 A. Yes, they are.

12 Q. Now, were the -- and you stated that you've
13 already gotten some of these interests leased; is that
14 correct?

15 A. Yes. The parties who we feel are the heirs or
16 devisees of Lynette Fry, we have leased all of them.
17 W. L. Lile and Mary F. Lile, we're pooling them until
18 they ratify our unit designation. Right now we don't
19 have a good address for them. We're actively looking.
20 And once we have them ratify the designation, then we
21 will put them back on pay status as if there was no
22 issue.

23 Q. So with respect to this application, COG
24 provided notice to all individuals that it could
25 identify; is that correct?

1 A. Yes.

2 Q. And is that the notice provision included in
3 Exhibit Number 2?

4 A. Yes.

5 Q. And that includes an affidavit from your
6 attorney indicating notice was provided, along with a
7 list of individuals who received those, and a copy of
8 the sample letter that was sent?

9 A. Yes.

10 Q. Along with the green cards indicating that they
11 were sent by certified mail?

12 A. Yes.

13 Q. Now, you indicated that you were not able to
14 locate all the heirs and devisees of the interests; is
15 that right?

16 A. The heirs and devisees of Lynette Fry, we have,
17 and we have taken leases from them. The participating
18 royalty interests, we are having trouble locating them
19 to ratify the unit of designation agreeing to pooling
20 the interest.

21 Q. So those were noticed through a notice of
22 publication in the newspaper; is that right?

23 A. Yes.

24 Q. And that's Exhibit Number 3?

25 A. Yes.

1 Q. Is that a copy of the Affidavit of Publication
2 indicating that those parties were identified and
3 noticed?

4 A. Yes.

5 Q. Mr. Scott, were Exhibits 1 through 2 prepared
6 by you or under your supervision or direction?

7 A. Yes.

8 MR. RANKIN: Mr. Examiner, I would move to
9 admit Exhibits 1, 2 and 3 -- excuse me -- into the
10 record.

11 EXAMINER GOETZE: Exhibits 1, 2 and 3 are
12 so entered.

13 (COG Operating, Inc. Exhibit Numbers 1
14 through 3 were offered and admitted into
15 evidence.)

16 MR. RANKIN: I have no further questions of
17 the witness and pass the witness.

18 EXAMINER GOETZE: Very good.

19 So this will be a general group question.
20 So we have an existing order still in effect with an
21 extension on it?

22 MR. RANKIN: Correct.

23 EXAMINER GOETZE: And we are going to use
24 the same geology and the same everything, except for the
25 fact we had to do renotification?

1 MR. RANKIN: That's correct. And for the
2 record, I guess we would ask that the Hearing Examiner
3 recognize, by administrative notice, the facts and
4 evidence in record supporting Order Number R --

5 EXAMINER GOETZE: 13626.

6 MR. RANKIN: -- 13626.

7 EXAMINER GOETZE: So we have no changes in
8 overhead; we have no changes in any of the other
9 particulars?

10 MR. RANKIN: No.

11 EXAMINER GOETZE: Very good. That will
12 save me a lot of confusion later.

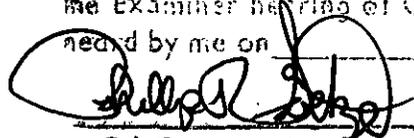
13 So with that, I have no more questions for
14 you.

15 And with that, I take Case 15149, and we
16 will go ahead and put that under advisement.

17 (Case Number 15149 concludes, 1:48 p.m.)

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I hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____
heard by me on _____

 , Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

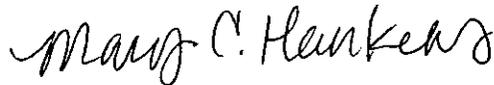
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CERTIFICATE OF COURT REPORTER

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
Paul Baca Court Reporters, Inc.
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2014