

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

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

AMENDED APPLICATION OF COG OPERATING, CASE NO. 15105  
LLC TO AMEND ORDER R-13823 TO  
LIMIT POOLED FORMATION AND TO  
COMPULSORY POOL ADDITIONAL MINERAL  
INTEREST IN THE APPROVED SPACING  
UNIT, LEA COUNTY, NEW MEXICO.

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

March 5, 2015

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER  
MICHAEL McMILLAN, TECHNICAL EXAMINER  
GABRIEL WADE, LEGAL EXAMINER

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This matter came on for hearing before the  
New Mexico Oil Conservation Division, William V. Jones,  
Chief Examiner, Michael McMillan, Technical Examiner,  
and Gabriel Wade, Legal Examiner, on Thursday, March 5,  
2015, 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  
(505) 843-9241

1 APPEARANCES

2 FOR APPLICANT COG OPERATING, LLC:

3 JORDAN L. KESSLER, ESQ.  
 4 HOLLAND & HART  
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 Santa Fe, New Mexico 87501  
 5 (505) 988-4421  
 jlkessler@hollandhart.com  
 6  
 7

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15 EXHIBITS PRESENTED

16 COG Operating, LLC Exhibit  
 Numbers 1 through 3 (Attached)

17

18 Copy of Order of the Division in  
 Case Number 15105, Order number 13823 (Attached)

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1 (9:12 a.m.)

2 EXAMINER JONES: Call Case 15105, reopened,  
3 which is the amended application of COG Operating, LLC  
4 for a nonstandard spacing and proration unit and  
5 compulsory pooling, Lea County, New Mexico.

6 Call for appearances.

7 MS. KESSLER: Jordan Kessler from Holland &  
8 Hart for the Applicant.

9 EXAMINER JONES: Any other appearances?  
10 Okay. No witnesses this morning?

11 MS. KESSLER: No witnesses.

12 Good morning, Mr. Examiners. This case was  
13 originally heard by the Division on March 20th of 2014,  
14 and that case resulted in Order Number 13823, which I've  
15 handed you a copy of. And you'll see, as you look  
16 through that order, that Order Number 13823 is for a  
17 260-acre nonstandard oil spacing and proration unit,  
18 which is identified as the southeast quarter of Section  
19 6 and the east half-east half of Section 7 in Township  
20 19 South, Range 35 East in Lea County.

21 The order pooled all interests in the Bone  
22 Spring Formation and the Scharb-Bone Spring pool, which  
23 is listed as Pool Code 55610, and dedicated the acreage  
24 to the Airstrip Fed Com #1H well. That well was spudded  
25 on June 14th of 2014 and completed on August 11th of

1 2014, and it was drilled in the 3rd Bone Spring Sand.

2 Now, as presented in the application that  
3 was filed with the Division, COG is now requesting that  
4 Order 13823 be revised to include only those uncommitted  
5 mineral interests owners within the 3rd Bone Spring Sand  
6 and also to pool additional mineral interest owners  
7 whose leases do not contain pooling language.

8 I've marked several additional exhibits  
9 that I'm presenting here today by affidavit, and  
10 Exhibit 1 is an affidavit by Jeff Lierly. As you can  
11 see in Exhibit 1, Mr. Lierly is a landman with COG who  
12 has previously testified before the Division and been  
13 qualified as an expert in petroleum land matters. And  
14 they also request that -- COG requests to limit Order  
15 13823 to only those mineral interests in the 3rd Bone  
16 Spring. And in paragraph four, Mr. Lierly identifies  
17 the 3rd Bone Spring Sand as the stratigraphic equivalent  
18 of 10,560 feet to 10,790 feet total vertical depth and  
19 states that this is the interval where the Airstrip Fee  
20 Com #1H was drilled.

21 Exhibit A to this affidavit, which you can  
22 find on page 3 of Exhibit 1 -- sorry; that's a little  
23 bit confusing. This exhibit, Exhibit A, identifies the  
24 mineral interest owners in the 3rd Bone Spring Sand who  
25 have not signed a voluntary agreement and who COG seeks

1 to pool. In addition, COG has identified mineral  
2 interest owners whose agreements do [sic] not contain  
3 pooling provisions, and these parties are listed also on  
4 page 3 of Exhibit A. As you can see in Mr. Lierly's  
5 affidavit, COG has undertaken good-faith efforts to  
6 amend those leases, but not all interest owners have  
7 executed the necessary documents. And several of these  
8 interest owners are also unlocatable, so we published  
9 notice, which I'll show you later.

10 The offset interest owners -- excuse me --  
11 offset operators and lessees were also notified of this  
12 hearing, and that list of offset owners [sic] is  
13 Exhibit B, which is the last page of Exhibit 1.

14 Exhibit 2 is an Affidavit of Notice to all  
15 parties and also includes the letters that my office  
16 sent to both the interests whom COG seeks to pool and  
17 also the offsets.

18 And finally, Exhibit 3 shows notice that  
19 was published, directed by name, to all of the  
20 unlocatable interests in this well.

21 So the spacing unit has been created and  
22 dedicated to the well already. That has not changed.  
23 The only thing that COG is asking for today is an  
24 amendment to the original pooling order to limit the  
25 pool's mineral interests, those listed on Exhibit A.

1 EXAMINER JONES: So you're not asking for  
2 any nomenclature type change to the pool itself?

3 MS. KESSLER: No, we are not.

4 EXAMINER JONES: So it will still be a Bone  
5 Spring unit exactly as -- like the C-102 is approved,  
6 but you just want a clause saying parties in this unit  
7 not owning interests within these depths are excluded  
8 from the pooling?

9 MS. KESSLER: That's exactly what we seek,  
10 yes.

11 EXAMINER JONES: So are you asking for the  
12 previous record to be incorporated in this case or --  
13 you've done the re-noticing to everybody?

14 MS. KESSLER: We have re-noticed everybody,  
15 but we would also ask that the record be incorporated.

16 EXAMINER JONES: Legally, is that okay?

17 EXAMINER WADE: To incorporate the record?

18 EXAMINER JONES: To put a clause to exclude  
19 other people within the unit from being pooled but  
20 only -- only pool those people owning -- owning  
21 interests and, I guess, unsigned interests.

22 MS. KESSLER: That's correct, uncommitted  
23 interests.

24 EXAMINER WADE: In what you're calling the  
25 3rd Bone Spring Sand?

1 MS. KESSLER: That's correct.

2 EXAMINER JONES: Just on those depths.

3 MS. KESSLER: In the stratigraphic interval  
4 that we've identified.

5 EXAMINER JONES: And that depth is defined  
6 in a certain well, and it has a measured depth and it's  
7 defined in the well that was drilled; is that correct?

8 MS. KESSLER: That's correct, Mr. Examiner.

9 EXAMINER JONES: That should be a true  
10 depth -- a true vertical depth.

11 MS. KESSLER: This is a true vertical  
12 depth, as reflected in paragraph four of Exhibit --

13 EXAMINER JONES: Okay. So it says "total  
14 vertical depth," but really you mean true; is that  
15 correct?

16 MS. KESSLER: Yes.

17 EXAMINER JONES: True meaning, is that  
18 correct, going straight down --

19 MS. KESSLER: Correct.

20 EXAMINER JONES: Okay. You say the well  
21 has been drilled and completed?

22 MS. KESSLER: (Indicating.)

23 EXAMINER JONES: So would you envision a  
24 complete new compulsory pooling order excluding costs  
25 and COPAS, or would you -- just a -- just quick

1 amendment to the one --

2 MS. KESSLER: I believe that an amendment  
3 would suffice in this particular case. We're just  
4 seeking to pool these specific interests.

5 EXAMINER JONES: Okay. But stating that  
6 these interests that are on Exhibit --

7 MS. KESSLER: Exhibit A.

8 EXAMINER JONES: -- Exhibit A would be  
9 pooled?

10 MS. KESSLER: And we would also be happy to  
11 either propose language or an order, if that would be  
12 helpful, too, Mr. Examiner.

13 EXAMINER WADE: Yeah. I think that would  
14 be helpful.

15 And I think I'm going to have to, you know,  
16 research the question, because I think what the problem  
17 is it looks like you're seeking to pool just this --

18 MS. KESSLER: Okay. We have precedent,  
19 Mr. Examiner, showing this has been done previously in  
20 Case Number 15052, which resulted in Order Number  
21 R-13771, which I would be happy to provide you a copy  
22 of.

23 EXAMINER WADE: Yes, please.

24 MS. KESSLER: This was a Mewbourne case.

25 EXAMINER McMILLAN: So why didn't you

1 include the entire Bone Spring interval and not just the  
2 3rd Bone Spring? Why are you including the 3rd Bone  
3 Spring and not the entire interval?

4 MS. KESSLER: There are some depth-severed  
5 issues in this particular unit that we are seeking to  
6 clean up, and so in order to do that, these -- all of  
7 these -- the first section of Exhibit A was previously  
8 pooled under the initial order. We're essentially  
9 seeking to release a number of people from the pooling  
10 order by only including these people that are listed.

11 And then the second part of what we're  
12 seeking is to add some individuals who did not have the  
13 appropriate pooling language on the order.

14 EXAMINER JONES: Yeah. I think the statute  
15 allows us to compulsory pool a spacing unit --  
16 unassigned interests in a spacing units as a spacing  
17 unit, and this appears to be a subset within that unit.  
18 So it's -- it's obviously a legal question, but it  
19 sounds reasonable.

20 Okay. Anything else in this case?

21 MS. KESSLER: Nothing. Thank you,  
22 Mr. Examiner.

23 EXAMINER JONES: With that, we'll take Case  
24 15105, reopened, under advisement.

25 That being the last case on the docket,

1 this docket is closed.

2 (Case Number 15105 concludes, 9:24 a.m.)

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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. \_\_\_\_\_,  
heard by me on \_\_\_\_\_.

\_\_\_\_\_, Examiner  
Oil Conservation Division

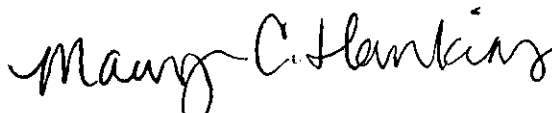
1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO  
3

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  
22 Paul Baca Court Reporters, Inc.  
23 New Mexico CCR No. 20  
24 Date of CCR Expiration: 12/31/2015  
25