

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:

ORIGINAL

CASE 15328

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

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

JUNE 25, 2015

Santa Fe, New Mexico

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

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This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, William V. Jones, Examiner, and Gabriel
Wade, Legal Examiner, on June 25, 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: ELLEN H. ALLANIC
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CALIFORNIA CSR 8670
PAUL BACA COURT REPORTERS
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A P P E A R A N C E S

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I N D E X

CASE NUMBER 15328 CALLED

COG OPERATING, LLC, CASE-IN-CHIEF:

WITNESS JOSEPH SCOTT

	Direct	Redirect	Further
By Mr. Feldewert	5		
Examiner McMillan	EXAMINATION 13		
Examiner Jones	14		

WITNESS CANDICE PETTIJOHN

	Direct	Redirect	Further
By Mr. Feldewert	15		
Examiner McMillan	EXAMINATION 19		
Examiner Jones	19		

Reporter's Certificate

PAGE
22

1 E X H I B I T I N D E X
2 Exhibits Offered and Admitted

3		PAGE
4	COG OPERATING LLC EXHIBIT 1	13
5	COG OPERATING LLC EXHIBIT 2	13
6	COG OPERATING LLC EXHIBIT 3	13
7	COG OPERATING LLC EXHIBIT 4	13
8	COG OPERATING LLC EXHIBIT 5	13
9	COG OPERATING LLC EXHIBIT 6	13
10	COG OPERATING LLC EXHIBIT 7	13
11	COG OPERATING LLC EXHIBIT 8	13
12	COG OPERATING LLC EXHIBIT 9	19
13	COG OPERATING LLC EXHIBIT 10	19
14	COG OPERATING LLC EXHIBIT 11	19
15		
16		
17		
18		
19		
20		
21		
22		
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24		
25		

1 (Time noted 11:08 a.m.)

2 EXAMINER McMILLAN: We're doing case 15328
3 and then we are going to do 15329. And then we are
4 going to come back and hit case 15334 at 1:15.

5 So with that in mind, what I would like to
6 do at this point is call case 15328, Applicant COG
7 Operating LLC for a non-standard spacing and
8 proration unit and compulsory pooling, Lea County, New
9 Mexico.

10 Call for appearances.

11 MR. FELDEWERT: May it please the Examiner,
12 Michael Feldewert with the Santa Fe Office of Holland
13 and Hart appearing on behalf of the applicant. And I
14 have two witnesses here.

15 EXAMINER McMILLAN: Any other appearances?

16 (No response.)

17 EXAMINER McMILLAN: Thank you. Witnesses
18 will please be sworn.

19 (Whereupon, the presenting witnesses were
20 administered the oath.)

21 MR. FELDEWERT: May I call my first witness?

22 EXAMINER McMILLAN: Please proceed.

23 JOSEPH SCOTT

24 having been first duly sworn, was examined and testified
25 as followed:

1 EXAMINATION

2 BY MR. FELDEWERT:

3 Q. Please state your name and identify by whom you
4 are employed and in what capacity?

5 A. My name is Joseph Scott, and I am employed by COG
6 Operating LLC and I'm a landman.

7 Q. How long have you been a landman with COG
8 Operating?

9 A. Two years.

10 Q. And have your responsibilities included the,
11 Permian Basin of New Mexico?

12 A. Yes.

13 Q. Mr. Scott, have you previously testified before
14 this division and had your credentials as an expert in
15 petroleum land matters accepted and made a matter of
16 public record?

17 A. Yes.

18 Q. Are you familiar with the application filed in
19 this case?

20 A. Yes.

21 Q. And are you familiar with the status of the lands
22 in the subject area?

23 A. Yes.

24 MR. FELDEWERT: I would once again tender
25 Mr. Scott as an expert witness in petroleum land

1 matters.

2 EXAMINER McMILLAN: So accepted.

3 Q. Mr. Scott, would you turn to what has been marked
4 as COG Exhibit 1. First identify it and then explain
5 what the company seeks under this application?

6 A. This is our approved C-102. We seek to create
7 a 200-acre non-standard spacing unit, to create a
8 spacing and proration unit of the south half, south half
9 of section nine and the southwest, southwest of section
10 ten, Township 17 South, Range 32 East, Lea County, New
11 Mexico, in order to pool the uncommitted mineral
12 interest owners as to the Yeso Formation. Said
13 non-standard spacing unit will be dedicated to the
14 Branex-COG Fed Com 18H.

15 Q. Now with this particular application, are there
16 any depth severance issues in the Yeso Formation?

17 A. There's not.

18 Q. And does this exhibit provide the Examiner with
19 the API number for the proposed well?

20 A. Yes, it does.

21 Q. Also for the -- does it also provide the Examiner
22 with the pool and the pool code?

23 A. Yes, it does.

24 Q. Is this particular pool -- is it subject to the
25 Division's statewide rules?

1 A. Yes, it is.

2 Q. And will a completed interval for the well comply
3 with the setback requirements?

4 A. Yes, it will. It will be 330 from the lease
5 line.

6 Q. What is nature of the acreage that's involved in
7 your non-standard spacing unit?

8 A. They're all federal lands.

9 Q. And then if I turn to what has been marked as COG
10 Exhibit 2, is this a lease tract map that identifies the
11 company's interest in the uncommitted interest owners in
12 the proposed spacing unit?

13 A. Yes.

14 Q. And does it identify the interest first by tract
15 and then by the total interest in the spacing unit, at
16 least for cost-bearing interest?

17 A. Yes.

18 Q. And, again, we have three groups here. We have
19 the working interest owner; and who is that?

20 A. The worker interest owners are COG and Occidental
21 Permian Limited Partnership.

22 Q. And you seek to pool Occidental?

23 A. Yes, I do.

24 Q. Then the remaining owners, are they
25 non-cost-bearing interests?

1 A. Yes.

2 Q. And we have here listed two record title owners?

3 A. Yes.

4 Q. And then we have a group of overriding royalty
5 interest owners?

6 A. Yes.

7 Q. And, again, are those overriding royalty interest
8 owners interest owners whose instrument does not
9 authorize communitization?

10 A. That's correct.

11 Q. Or does not expressly authorize communitization?

12 A. Yes.

13 Q. Now looking at the working interest owner that
14 you seek to pool here, Occidental Permian, is COG
15 Exhibit 3, is this the well proposal letter that was
16 sent to Occidental for this well?

17 A. Yes.

18 Q. Did you include an AFE?

19 A. Yes.

20 Q. Are the costs reflected on this AFE consistent
21 with what the company has incurred for drilling similar
22 horizontal wells?

23 A. Yes.

24 Q. Halfway down through the first page of this
25 exhibit, do you identify the requested overhead and

1 administrative cost?

2 A. Yes. \$7,000 for drilling and \$700 for producing.

3 Q. And are these rates consistent with what other
4 operators are charging for similar wells?

5 A. Yes.

6 Q. In addition to sending this well proposal letter,
7 what other efforts did the company undertake to reach an
8 agreement with Occidental Permian on this particular
9 well?

10 A. We sent the proposal with an operating agreement.
11 I have been in contact with the landman at Occidental,
12 and they have expressed interest in divesting their
13 interest to us. And we are currently in negotiation at
14 this time.

15 Q. Okay. We will now turn to the non-cost-bearing
16 interest owners. We have a group of record title owners
17 and then we have a group of overriding royalty interest,
18 correct?

19 A. Yes.

20 Q. Are there some of these interests that you were
21 unable to locate?

22 A. Yes.

23 Q. What efforts were undertaken to locate them?

24 A. We used our internal databases online, search
25 engines. I have contacted a broker to check the records

1 and use his database systems as well.

2 Q. If I then turn to what has been marked as COG
3 Exhibit 4, is this a notice of publication that was
4 directed by name to the unlocatable non-cost-bearing
5 interests?

6 A. Yes.

7 Q. Are there also some estates that are involved
8 here, Mr. Scott?

9 A. Yes.

10 Q. And are they listed on the last page of
11 Exhibit 2?

12 A. Yes.

13 Q. And did we notice that those particular estates
14 were not named in this particular affidavit of
15 publication?

16 A. Yes.

17 Q. And have we now published new notice to correct
18 this particular omission?

19 A. Yes.

20 Q. And will the timeframe have run on that new
21 notice two weeks from now?

22 A. Yes.

23 Q. Okay. What efforts were undertaken to obtain
24 joinder of the interest owners that you were able to
25 locate?

1 A. We sent them a ratification of our
2 communitization agreement that we will be sending to the
3 BLM for approval.

4 Q. Okay. If I turn to what has been marked as COG
5 Exhibit 5, is this an example of the letter that was
6 sent to the overriding royalty interest owners seeking
7 their concurrence in the communitization?

8 A. Yes.

9 Q. And is COG Exhibit 6 an example of the letter
10 that was sent to the record title owners also seeking
11 their concurrence in the communitization --

12 A. Yes.

13 Q. And the remaining parties that are listed on COG
14 Exhibit 2, those are the parties that did not return
15 these ratifications?

16 A. That is correct.

17 Q. Now you mention that the company seeks to drill a
18 mile and a quarter lateral that extends into section ten
19 from section nine?

20 A. Yes.

21 Q. If I turn to what has been marked as COG
22 Exhibit 7, does this help explain the reason for
23 drilling a mile and a quarter lateral in this
24 circumstance?

25 A. Yes. There's vertical development. We're

1 drilling horizontally. This will help us develop all
2 lands without stranding any acreage.

3 Q. And why don't you explain the colors.

4 A. The yellow indicates COG's acreage. The red
5 indicates Paddock, and the blue indicates Blinebry, in
6 which we've hit all zones vertically in these wells.

7 Q. And if I look at this particular map, the
8 northwest quarter of the southwest quarter is developed
9 by vertical wells?

10 A. Yes.

11 Q. And this particular extension will then develop
12 the southwest quarter of the southwest quarter of
13 section ten?

14 A. Yes.

15 Q. And how does the company expect to develop the
16 east half of the west half of section ten?

17 A. In a stand-up horizontal orientation.

18 Q. Okay. And in preparation for this hearing, did
19 the company identify the lease mineral owners in 40-acre
20 tracts surrounding your proposed non-standard spacing
21 unit?

22 A. Yes.

23 Q. And did the company include these interest owners
24 in the notice of this hearing?

25 A. Yes.

1 Q. If I turn to what has been marked as COG
2 Exhibit 8, is this an affidavit prepared by my office
3 with attached letters providing notice of this hearing
4 to the affected parties?

5 A. Yes.

6 Q. And were COG Exhibits 1 through 7 prepared by you
7 compiled under your direction and supervision?

8 A. Yes.

9 MR. FELDEWERT: Mr. Examiner, I would move
10 the admission into evidence of COG Exhibits 1 through 8,
11 which includes my affidavit.

12 EXAMINER McMILLAN: Exhibit 1, Exhibit 2,
13 Exhibit 3, Exhibit 4, Exhibit 5, Exhibit 6, Exhibit 7,
14 and Exhibit 8 may now be accepted as part of the
15 record.

16 (Whereupon, COG OPERATING LLC'S EXHIBITS 1
17 through 8 were offered and admitted.)

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

20 EXAMINATION BY EXAMINER McMILLAN

21 EXAMINER McMILLAN: What's the status of
22 this well?

23 THE WITNESS: It has not been drilled.

24 EXAMINER McMILLAN: Why are the AFEs
25 different?

1 THE WITNESS: The Sneed well is deeper than
2 this Brandex well. This is a Paddock well and ours is a
3 Blinebry Well. The Paddock is a shallow formation in
4 the Blinebry.

5 EXAMINER McMILLAN: Okay.. Go ahead.

6 EXAMINATION BY MR. JONES

7 EXAMINER JONES: It's Mr. Scott -- is that
8 correct?

9 THE WITNESS: Yes, sir.

10 EXAMINER JONES: Your surface location of
11 the well is -- is in section ten, correct?

12 THE WITNESS: Let me verify that from the
13 APD. The surface hole location is in section 9, 330 --
14 330 from the south line and 330 from the west line.

15 EXAMINER JONES: And section ten is your
16 bottom hole location, but you're only going 990 from the
17 west line; is that correct?

18 THE WITNESS: Yes. We can drill a well that
19 is -- two horizontal wells within the same formation:
20 So in this case, this is the 18H -- let me see the
21 bottom hole location.

22 An engineer would have to answer why we are
23 not extending it any further. I can't answer that
24 question.

25 EXAMINER JONES: That's fine.

1 MR. FELDEWERT: Mr. Examiner, that will be
2 330 off of that quarter, quarter.

3 EXAMINER JONES: Thank you.

4 EXAMINER McMILLAN: Thank you. I have no
5 further questions at this time.

6 MR. FELDEWERT: Call the next witness?

7 EXAMINER McMILLAN: Please.

8 CANDICE PETTIJOHN

9 having been first duly sworn, was examined and testified
10 as followed:

11 EXAMINATION

12 BY MR. FELDEWERT:

13 Q. Please state your name and identify by whom you
14 are employed and in what capacity.

15 A. Candice Pettijohn. I am a geologist at COG
16 Operating.

17 Q. And you previously testified before this Division
18 as an expert in petroleum geology actually today,
19 correct?

20 A. Yes.

21 Q. And had your credentials as an expert accepted
22 and made a matter of public record?

23 A. Yes.

24 Q. Are you familiar with the application that is
25 filed in this particular case?

1 A. Yes.

2 Q. And have you conducted a study of the lands that
3 are the subject of this hearing?

4 A. Yes.

5 MR. FELDEWERT: I would re-tender
6 Ms. Pettijohn as an expert witness in petroleum geology.

7 EXAMINER McMILLAN: So accepted.

8 Q. Now this particular well has a different target
9 interval?

10 A. Yes.

11 Q. What is the target interval?

12 A. This is a Paddock well.

13 Q. Have you prepared structure maps and a cross
14 section of this formation?

15 A. Yes.

16 Q. If you turn to what has been marked as COG
17 Exhibit 9, could you please explain to us what this
18 shows?

19 A. This is the Yeso structure map based off the top
20 of the Paddock Formation. The contour interval is 100
21 feet. COG acreage in yellow. The subject well in blue
22 with its spacing outline, its spacing unit outline in
23 blue as well. The structure map indicates there are no
24 geologic impediments to drilling horizontal wells.

25 Q. Have you also then prepared a cross section for

1 the Examiners here today?

2 A. Yes.

3 Q. I turn to what has been marked as COG Exhibit No.
4 10; does this identify the wells that were utilized in
5 your cross section? -

6 A. Yes.

7 Q. And it also shows the location of the proposed
8 well, correct?

9 A. Yes, in blue.

10 Q. In your opinion are the wells that you have
11 chosen representative of the area in question?

12 A. Yes.

13 Q. If I then turn to what has been marked as COG
14 Exhibit No. 11, is this the cross section that
15 corresponds with the A to A Prime shown on Exhibit 10?

16 A. Yes.

17 Q. And what do you observe -- can you explain to us
18 the various colors and lines here?

19 A. Starting from the top, in yellow, you have the
20 San Andres Formation. Beneath that in lighter yellow is
21 Glorieta. Beneath that in green is the Paddock
22 Formation, which is the formation targeted in this well.
23 And beneath that is the Blinbry. And that bottom in
24 yellow is the Tubb.

25 Q. And what do you observe with respect to the

1 thickness and the continuity of the proposed landing
2 zone?

3 A. The thickness does not change and there are no
4 major structural changes as well.

5 Q. And in your opinion, is this an area that can be
6 efficiently and economically developed by horizontal
7 wells?

8 A. Yes.

9 Q. And will the proposed non-standard spacing unit
10 on average contribute more or less equally to the
11 production from the well?

12 A. Yes.

13 Q. Finally, in your expert opinion, is the granting
14 of this application in the best interest of conservation
15 and the prevention of waste and the protection of
16 correlative rights?

17 A. Yes.

18 Q. Were COG Exhibits 9 through 11 prepared by you or
19 compiled under your direction and supervision?

20 A. Yes.

21 MR. FELDEWERT: Mr. Examiner, I will move
22 the admission into evidence of COG Exhibits 9 through
23 11.

24 EXAMINER McMILLAN: Exhibit 9, Exhibit 10,
25 and Exhibit 11 may now be accepted as part of the

1 record.

2 (WHEREUPON, COG OPERATING LLC'S EXHIBITS 9
3 through 11 were offered and admitted.)

4 MR. FELDEWERT: That concludes my
5 examination of this witness.

6 EXAMINATION BY EXAMINER McMILLAN

7 EXAMINER McMILLAN: The only question I got
8 is your penetration point, is that going to be standard?

9 THE WITNESS: My penetration point?

10 EXAMINER McMILLAN: The landing point.

11 THE WITNESS: The landing depth?

12 EXAMINER McMILLAN: Yes.

13 THE WITNESS: "Standard"?

14 EXAMINER McMILLAN: From the setbacks.

15 MR. FELDEWERT: I believe the landman
16 testified that the completed interval for this well will
17 comply with the setback requirement.

18 EXAMINATION BY EXAMINER JONES

19 EXAMINER JONES: So the surface hole
20 location, will it be in section ten or section nine?

21 THE WITNESS: The surface hole is in section
22 nine and the bottom hole is in ten.

23 EXAMINER JONES: Okay. On Exhibit 9, really
24 you put the circle at the bottom hole location; is that
25 correct?

1 THE WITNESS: Yes.

2 EXAMINER JONES: That means it's 990 feet
3 into section ten, so you decided to stop there. That
4 will be your last -- your first fracturing point or the
5 end of the well bore.

6 So you are drilling from a high to a low --
7 is that correct? -- 200 feet maybe or --

8 THE WITNESS: Yes, the Paddock dips from
9 west to east, so it's shallower in the west than in the
10 east.

11 EXAMINER JONES: So your fluids should flow
12 up into your well?

13 THE WITNESS: Well, this well will be
14 drilled at 90 degrees, though, if that is what you are
15 asking.

16 EXAMINER JONES: It is not going to follow
17 the formation at all; they are just going to land it at
18 90 and go with it?

19 THE WITNESS: Yeah. Since this is a mile
20 and a quarter, we can't drill upwards at 89 degrees.

21 EXAMINER JONES: So are you going to get
22 records of this while it is drilling? Are you going to
23 monitor it?

24 THE WITNESS: Yes, this is my well.

25 EXAMINER JONES: So you get -- so they get

1 the information in the office and you just keep track of
2 it?

3 THE WITNESS: Yes.

4 EXAMINER JONES: You got mud loggers on
5 location?

6 THE WITNESS: Yup.

7 EXAMINER JONES: Do you have all the
8 information like geograph information and mud logging
9 live, it comes in live to you?

10 THE WITNESS: Yes, that is correct.

11 EXAMINER JONES: Times sure have changed.

12 EXAMINER McMILLAN: With that in mind, do
13 you have anything?

14 EXAMINER WADE: No.

15 EXAMINER McMILLAN: Case No. 15328 will be
16 continued to --

17 MR. FELDEWERT: To July the 9th.

18 EXAMINER McMILLAN: To July the 9th.

19 MR. FELDEWERT: Thank you.

20 EXAMINER McMILLAN: Thank you very much.

21

22 (Time noted 11:28 a.m.)

23

24

25

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

PAUL BACA PROFESSIONAL COURT REPORTERS
500 FOURTH STREET NW - SUITE 105, ALBUQUERQUE, NM 87102

1 STATE OF NEW MEXICO)
 2) ss.
 3 COUNTY OF BERNALILLO)
 4
 5
 6

7 REPORTER'S CERTIFICATE

8
 9 I, ELLEN H. ALLANIC, New Mexico Reporter CCR
 10 No. 100, DO HEREBY CERTIFY that on Thursday, June 25,
 11 2015, the proceedings in the above-captioned matter were
 12 taken before me, that I did report in stenographic
 13 shorthand the proceedings set forth herein, and the
 14 foregoing pages are a true and correct transcription to
 15 the best of my ability and control.

16
 17 I FURTHER CERTIFY that I am neither employed by
 18 nor related to nor contracted with (unless excepted by
 19 the rules) any of the parties or attorneys in this case,
 20 and that I have no interest whatsoever in the final
 21 disposition of this case in any court.

22
 23
 24
 25


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