

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 15339

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

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

July 9, 2015

Santa Fe, New Mexico

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

This matter came on for hearing before the  
New Mexico Oil Conservation Division, William V. Jones,  
Chief Examiner and Gabriel Wade, Legal Examiner, on July  
9, 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  
NEW MEXICO CCR 100  
CALIFORNIA CSR 8670  
PAUL BACA COURT REPORTERS  
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Albuquerque, New Mexico 87102

1 A P P E A R A N C E S

2 For the Applicant

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9 I N D E X

10 CASE NUMBER 15339 CALLED  
 11 COG OPERATING, LLC, CASE-IN-CHIEF:  
 12 WITNESS AARON L. MYERS, JD

	Direct	Redirect	Further
12 By Ms. Gerholt	4		
13	EXAMINATION		
14 Examiner Jones	11		

15 WITNESS DREW BERGMAN

	Direct	Redirect	Further
17 By Ms. Gerholt	15		
18	EXAMINATION		
19 Examiner Jones	19		

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2                                Exhibits Offered and Admitted

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1 (Time noted 8:18 am.)

2 EXAMINER JONES: The first case today, let's  
3 call case 15339, Application of COG Operating LLC for a  
4 non-standard spacing and proration unit and compulsory  
5 pooling in Eddy County, New Mexico.

6 Call for appearances.

7 MS. GERHOLT: Gabrielle Gerholt on behalf of  
8 COG Operating LLC. And I have two witnesses with me  
9 this morning.

10 EXAMINER JONES: Any other appearances.

11 (No response.)

12 EXAMINER JONES: Will the witnesses please  
13 stand and will the court reporter please swear in the  
14 witnesses.

15 (Whereupon, the presenting witnesses were  
16 administered the oath.)

17 MS. GERHOLT: May I approach?

18 EXAMINER JONES: Yes.

19 MS. GERHOLT: At this time, I call my first  
20 witness, Aaron Myers.

21 AARON L. MYERS

22 having been first duly sworn, was examined and testified  
23 as follows:

24 DIRECT EXAMINATION

25 BY MS. GERHOLT:

1 Q. Okay. Good morning. Would you please state your  
2 full name for the record and by whom you are employed  
3 and in what capacity?

4 A. My name is Aaron Myers. I'm a senior landman  
5 with COG Operating LLC.

6 Q. And in what capacity do you work for COG?

7 A. Senior landman.

8 Q. Thank you.

9 Have you previously testified before the  
10 Division?

11 A. Yes, I have.

12 Q. And were your credentials as a petroleum landman  
13 accepted and made part of public record?

14 A. Yes, they were.

15 Q. Are you familiar with the application that has  
16 been filed by COG in this case?

17 A. Yes, I am.

18 MS. GERHOLT: Mr. Examiner, at this time I  
19 would tender Aaron Myers as an expert in petroleum land  
20 matters.

21 EXAMINER JONES: He is qualified as an  
22 expert in petroleum land matters.

23 MS. GERHOLT: Thank you.

24 Q. Let me draw your attention to what has been  
25 marked as COG Exhibit No. 1. Could you please identify

1 it and explain what COG seeks under the application?

2 A. It's a NM OCD form C-102, well location and  
3 acreage dedication plat, establishing a 160-acre spacing  
4 unit in the west half of the east half of Section 30;  
5 Township, 23 South; Range, 30 east.

6 Q. And is COG seeking to pool the mineral interests  
7 underlying this non-standard spacing unit?

8 A. Yes.

9 Q. And is that in the Bone Spring formation?

10 A. Yes, it is.

11 Q. And do we seek to dedicate the non-standard  
12 spacing unit to the Ice Dancer 30 Federal Com 2H?

13 A. Yes.

14 Q. Would you please identify the surface hole  
15 location and the bottom hole location for the Examiners?

16 A. Surface hole location is in the southwest of the  
17 southeast quarter of section 30. It is 475 feet from  
18 the south line, 1,890 feet from the east line.

19 The bottom hole location will be in the northwest  
20 of the northeast quarter, 330 feet from the north line  
21 and 2,230 feet from the east line.

22 Q. Could you also please identify which pool is  
23 involved in this application and its pool code?

24 A. The pool is the Forty-Niner Edge Pool and the  
25 pool code is 96526.

1 Q. Okay. Could you also please identify the API  
2 number?

3 A. The API number for the well is 30-015-39473.

4 Q. Okay. And what is the character of the lands in  
5 this non-standard spacing unit?

6 A. Fee lands and federal lands.

7 Q. Okay. And will the completed interval for this  
8 proposed well comply with the setback requirements per  
9 OCD rules?

10 A. Yes, it will.

11 Q. Have you been able to identify the interest  
12 owners in the proposed non-standard spacing unit?

13 A. Yes, we have.

14 Q. If I could now draw your attention to what has  
15 been labeled COG Exhibit 2. Does page 1 of this exhibit  
16 identify COG's proposed non-standard spacing unit?

17 A. Yes, it does.

18 Q. And does page 2 identify the interest owners  
19 within the unit?

20 A. Yes, it does.

21 Q. And has the Ice Dancer 30 Federal Com 2H been  
22 proposed to the interest owners identified in  
23 Exhibit No. 2?

24 A. Yes, it has.

25 Q. Does it also identify the interest owners who are

1 presently uncommitted to the well and whom COG wishes to  
2 pool?

3 A. Yes, it does.

4 Q. And who are those parties?

5 A. It is Worrall and ConocoPhillips Company.

6 Q. Okay. If I can now draw your attention to what  
7 has been labeled COG Exhibit No. 3. Is Exhibit No. 3 a  
8 copy of the well proposal that was sent out to all  
9 interest owners COG seeks to pool?

10 A. Yes, it is.

11 Q. In addition to sending out this letter, what  
12 other efforts has COG undertaken to obtain bond carry  
13 junkets?

14 A. We are currently working to finalize an OA. But  
15 with the spud date being what it is, we are here to pool  
16 everything and working towards finishing the OA with the  
17 other parties.

18 Q. And what is the spud date?

19 A. Actually -- I don't have that off the top of my  
20 head.

21 Q. But it is coming quickly?

22 A. Yes. It will be the next 60 days.

23 Q. So before the end of the summer?

24 A. Uh-huh.

25 Q. Thank you.



1 Does Exhibit 3 also include the authority for  
2 expenditure?

3 A. Yes, it does.

4 Q. And are the costs reflected in the AFE and why it  
5 would cost COG as incurred in drilling similar  
6 horizontal wells in the area?

7 A. Yes, it does.

8 Q. And in addition to this AFE, has COG estimated  
9 the drilling costs and the production costs?

10 A. Yes, they have.

11 Q. And could you please identify what those costs  
12 are, first for drilling?

13 A. Drilling would be \$7,000 and producing rate would  
14 be \$700.

15 Q. Thank you. And are these costs in line with what  
16 COG and other operators in the area charge for similar  
17 wells?

18 A. Yes, they are.

19 Q. Do you ask that these administrative and overhead  
20 costs be incorporated into any order resulting from this  
21 hearing?

22 A. Yes, we would.

23 Q. Does COG also ask that they be adjusted in  
24 accordance with the appropriate accounting procedures?

25 A. Yes.

1 Q. And with respect to the interest owners who  
2 remain uncommitted to this well, do you request that the  
3 Division include the 200 risk penalty?

4 A. Yes, we would.

5 Q. Let's now turn our attention to the formation of  
6 the non-standard unit.

7 Has COG identified the operators or ownership of  
8 loose mineral interests in the 40-acre proposed  
9 non-standard spacing unit?

10 A. Yes.

11 Q. And was that part of the application?

12 A. Yes, it was.

13 Q. And are those affected operators owners on  
14 Exhibit 4?

15 A. Yes, they are.

16 Q. Okay. And did the owners of those leased mineral  
17 interests receive notice of this hearing?

18 A. Yes, they did.

19 Q. If I can now draw your attention to Exhibit 5.  
20 Is this an affidavit signed by me with attached copies  
21 of the letters sent to pool parties of the offsetting  
22 interests?

23 A. Yes, it is.

24 Q. Were any cards returned?

25 A. Yes, they were.

1 Q. So all cards were returned?

2 A. Yes.

3 Q. And were all parties located?

4 A. Yes.

5 Q. Has COG brought a geologist here today to testify  
6 about a non-standard unit?

7 A. Yes, we have.

8 Q. And were Exhibits 1 through 5 prepared by you or  
9 compiled under your direction and supervision?

10 A. Yes, they were.

11 MS. GERHOLT: At this time, I would request  
12 Exhibits 1 through 5 be moved into evidence.

13 EXAMINER JONES: Exhibits 1 through 5 are  
14 admitted.

15 (WHEREUPON, COG OPERATING LLC EXHIBITS 1  
16 THROUGH 5 WERE OFFERED AND ADMITTED.)

17 MS. GERHOLT: I have no further questions of  
18 this witness.

19 EXAMINATION BY MR. JONES

20 EXAMINER JONES: Mr. Myers, M-y-e-r-s?

21 THE WITNESS: Yes, sir.

22 EXAMINER JONES: The surface hole location,  
23 do you know why it was picked so far up -- so far north?

24 THE WITNESS: There are some existing  
25 vertical well bores in that section. Originally we had

1     platted it and had a C-102 ready. Then we had to kind  
2     of change it, just to make sure we weren't going to  
3     interfere with any of those vertical well bores.

4             So surface hole location was made. The  
5     bottom hole location was moved just to make sure we were  
6     not going to interfere with any of those.

7             EXAMINER JONES: So it's getting crowded out  
8     there in the oil field, I take it.

9             THE WITNESS: Yes.

10            EXAMINER JONES: Why didn't you just move  
11     into the next section to the south and start your well?

12            THE WITNESS: I think we were going to have  
13     the same types of issues there. Geology and engineering  
14     are usually the ones that handle digging locations and  
15     doing all that stuff. So they kind of identified  
16     section 30 as where they wanted to be. So that's where  
17     we went in and platted everything.

18            EXAMINER JONES: Okay. You got a really  
19     nice exhibit here showing the ownership to this well.  
20     It doesn't show who owns the lands to the south, whether  
21     it's state lands or federal lands or -- but if you did  
22     start to the south, you'd get more well bore, and, you'd  
23     think, more production out of your well.

24            THE WITNESS: Uh-huh.

25            EXAMINER JONES: And this is all federal; is

1     that correct?

2                   THE WITNESS:   It is federal and fee.

3                   EXAMINER JONES:  You mentioned fee, but I  
4     pulled up our records and it doesn't show any fee.

5                   Where is the fee acreage there?

6                   THE WITNESS:  I thought there was fee  
7     acreage in there.  I might have it confused with a  
8     different well.  I am actually looking at it and it is  
9     all federal.

10                  EXAMINER JONES:  Sometimes maybe our records  
11     may not be exactly right.  When it says "federal," it  
12     could be maybe not totally federal.  And spud date soon;  
13     you need a quick turnaround, I take it?

14                  THE WITNESS:  Uh-huh.

15                  EXAMINER JONES:  Plans for surrounding  
16     development, do you guys own -- this is Concho.  Do you  
17     guys own the surrounding lands and are you going to  
18     develop them the same way, north, south wells?

19                  THE WITNESS:  Yeah.  Typical we do north,  
20     south orientation on most of the well bores, unless  
21     geology tells us we should do it east, west.  But that's  
22     more of a geology question than it is a land question.

23                  EXAMINER JONES:  Do you have any idea about  
24     tracts that have owners that you didn't want to deal  
25     with around this area with a lot of stranded acreage

1 issues?

2 MS. GERHOLT: I'm sorry to interrupt,  
3 Mr. Examiner, but it may be useful to know that this is  
4 in the potash area and therefore we have certain  
5 restraints placed upon us because of that.

6 EXAMINER JONES: Okay. So drilling --

7 MS. GERHOLT: Just limited locations.

8 EXAMINER JONES: Yeah. It does show that A  
9 and B definitely are potash. And the section to the  
10 south has potash issues also.

11 MS. GERHOLT: Exactly.

12 EXAMINER JONES: Okay. That helps.

13 So what I see in the well file is exactly  
14 what she said as far as the locations for the wells. We  
15 are encouraged to put the legal -- the locations that  
16 you give for surface hole location and bottom hole  
17 locations in our hearing orders.

18 So that is why -- and I understand when you  
19 make the application, you just say, Surface in unit 0  
20 and bottom hole in unit B, but you had the testimony  
21 here about it, so that is fine.

22 MS. GERHOLT: (Nodding.)

23 EXAMINER WADE: I have no questions.

24 EXAMINER JONES: Thanks, Mr. Myers.

25 THE WITNESS: Uh-huh.

1 MS. GERHOLT: At this time, I would request  
2 Drew Bergman, the geologist, take the stand.

3 DREW BERGMAN  
4 having been first duly sworn, was examined and  
5 questioned as follows:

6 DIRECT EXAMINATION

7 BY MS. GERHOLT:

8 Q. Good morning. Would you please state your name,  
9 for whom you work, and in what capacity.

10 A. My name is Drew Bergman. I'm a geologist for COG  
11 Operating, LLC.

12 Q. Have you previously testified before the  
13 Division?

14 A. Yes, I have.

15 Q. And were your credentials as a petroleum  
16 geologist accepted and made part of public record?

17 A. Yes, they were.

18 Q. And are you familiar with the application that  
19 has been filed by COG in this case?

20 A. Yes, I am.

21 Q. And have you conducted a geologic study of the  
22 area?

23 A. Yes, I have.

24 MS. GERHOLT: Mr. Examiner, at this time I  
25 would request that the Division recognize Drew Bergman

1 as an expert in geology matters.

2 EXAMINER JONES: He is qualified as an  
3 expert in petroleum geology.

4 Q. Let's begin with Exhibit 6. In beginning with  
5 the legend, please identify what this exhibit is and  
6 walk us through it.

7 A. So this is a structure map on the base of the  
8 Third Bone Spring Sand. The contours are the black  
9 lines and they are labeled values. The purple dashed  
10 line is our well in question, and then our acreage is in  
11 yellow.

12 Q. And does this structure map show a gentle dip?

13 A. Yes, from the west to the east into the basin.

14 Q. If I can now draw your attention to what has been  
15 labeled Exhibit No. 7. And, again, beginning with the  
16 legend, could you please identify what this exhibit is  
17 and walk us through it.

18 A. So this is a cross section from A to A Prime as  
19 shown on the previous exhibit. The top of the Third  
20 Bone Spring is in purple and the base of the Third Bone  
21 Spring Sand is in red. And the logs on these are  
22 porosity resistivity logs.

23 Q. And the wells that were chosen for the  
24 stratigraphic cross section, do you believe those to be  
25 representative of the area that is the subject of our



1 non-standard spacing unit?

2 A. Yes.

3 Q. What conclusions have you drawn from your  
4 geologic study of this area?

5 A. That the formation is continuous and there are no  
6 geologic hazards.

7 Q. Do you anticipate each quarter, quarter to  
8 contribute equally to the well?

9 A. Yes, I do.

10 Q. Is a horizontal well the best way to efficiently  
11 and effectively drill a non-standard unit?

12 A. Yes, it is.

13 Q. I can now draw your attention to what has been  
14 marked as Exhibit 8. Could you please identify this  
15 exhibit?

16 A. This is a profile of the well bore. The section  
17 lines are in dark blue. The setbacks are in dashed blue  
18 lines. The well bore is in red, and labels accordingly.

19 Q. And does the well bore show that the completed  
20 interval is within the required setbacks?

21 A. Yes.

22 Q. And will the completed interval of this well  
23 comply with all setback requirements?

24 A. Yes, it will.

25 Q. Would you please explain why COG wants to drill

1     this well from south to north?

2           A.   It would be perpendicular to the regional max  
3     stress.

4                   EXAMINER JONES:   Sorry.   Can you say that  
5     one more time?

6                   THE WITNESS:   Perpendicular to the regional  
7     max horizontal stress.

8                   EXAMINER JONES:   Okay.

9           Q.   And how does that relate to other wells in the  
10    area?

11          A.   Most are north, south or stand-up.

12          Q.   And in your opinion, would the granting of COG's  
13    application be in the best interest of conservation and  
14    the prevention of waste and for the protection of  
15    correlative rights?

16          A.   Yes.

17          Q.   Were Exhibits 6 through 8 prepared by you or  
18    compiled under your direction or supervision?

19          A.   Yes, they were.

20                   MS. GERHOLT:   At this time I request that  
21    Exhibits 6 through 8 be moved into evidence.

22                   EXAMINER JONES:   Exhibits 6 through 8 are  
23    admitted.

24                   (WHEREUPON, COG OPERATING LLC EXHIBITS 6  
25    THROUGH 8 WERE OFFERED AND ADMITTED.)

1 EXAMINATION BY EXAMINER JONES

2 EXAMINER JONES: So we got a little bit of  
3 dip to the east; is that correct?

4 THE WITNESS: Yes, sir.

5 EXAMINER JONES: And why did you pick the  
6 Third Bone Spring in here? Is this the target in the  
7 general area?

8 THE WITNESS: So there's an offset well.  
9 It's shown in the northeast by that long purple lateral.  
10 That was a good well.

11 EXAMINER JONES: So the northeast, the  
12 little line that goes from unit B down to unit --

13 THE WITNESS: So that's in section 16 to 21.

14 EXAMINER JONES: I see, the big purple line.  
15 That is a mile and a half well. And that one was  
16 attempted in the Third Bone Spring?

17 THE WITNESS: Yes, sir.

18 EXAMINER JONES: Why did they drill that one  
19 in the Third Bone Spring?

20 THE WITNESS: I guess they thought it was a  
21 good area to do it in.

22 EXAMINER JONES: Okay. Do you have plans  
23 for the rest of the Bone Spring in this area?

24 THE WITNESS: Not at the current time.

25 EXAMINER JONES: So you have some stress

1 data that shows east, west stress direction? I am not  
2 asking to present it, but you mentioned that earlier.

3 THE WITNESS: It shows northwest to  
4 southeast.

5 EXAMINER JONES: So generally if you drilled  
6 southwest to northeast, you'd be perfect as far as  
7 your --

8 THE WITNESS: If you had the acreage that  
9 would allow it, yes, sir.

10 EXAMINER JONES: So your land is constraining  
11 you a little bit here?

12 THE WITNESS: Yes, sir.

13 EXAMINER JONES: But you are actually  
14 drilling a tiny bit up dip, it looks like. So your  
15 surface hole location, everything will drain down  
16 towards your well, so you can pump it, I guess?

17 THE WITNESS: Yes, sir.

18 EXAMINER JONES: And this was the control  
19 you had, this was these three wells?

20 THE WITNESS: Yes, it is some of the better  
21 control.

22 EXAMINER JONES: So you didn't have any deep  
23 Pennsylvanian wells or --

24 THE WITNESS: No, sir.

25 EXAMINER JONES: So you basically got the

1 top of the Wolfcamp shown and you got the top of the  
2 Third Bone Spring, it looks like; is that correct?

3 THE WITNESS: Yes, sir.

4 EXAMINER JONES: It looks like there's some  
5 movement to drill some pilot holes out that are going  
6 down to the Wolfcamp and then back up and drill the Bone  
7 Spring or gather data for the Wolfcamp?

8 THE WITNESS: Uh-huh.

9 EXAMINER JONES: You don't want to do that  
10 here -- or are you in a hurry to drill this well?

11 THE WITNESS: Yes, we are.

12 EXAMINER JONES: Just because of lease  
13 issues or --

14 THE WITNESS: APD expiration.

15 EXAMINER JONES: It's a federal APD --  
16 right? -- so if you get an extension on that, it will be  
17 another two years?

18 THE WITNESS: I'm not in the regulatory  
19 department; and I don't know if we can extend it or not.

20 EXAMINER JONES: Maybe you already got one  
21 extension.

22 MS. GERHOLT: Mr. Examiner, we already had  
23 one extension on this.

24 EXAMINER JONES: That explains it.

25 Your AFE, did you look at the AFE for the

1 costs of it?

2 THE WITNESS: I have not.

3 EXAMINER JONES: Are you going to be sitting  
4 on the well or not entering the progress of the well?

5 THE WITNESS: I would just be monitoring  
6 where we're landing and making sure we're in zone.  
7 That's all my job entails.

8 EXAMINER JONES: So you're happy with your  
9 crew out there, the mud loggers or the -- when will you  
10 put them on location?

11 THE WITNESS: They will come on after a  
12 surface casing.

13 EXAMINER JONES: Okay. So they'll be on, but  
14 there is an intermediate through the salt, isn't there?

15 THE WITNESS: Uh-huh.

16 EXAMINER JONES: So you've got a two-man crew  
17 on for the whole --

18 THE WITNESS: Yes, sir.

19 EXAMINER JONES: Almost the whole life of  
20 the well?

21 THE WITNESS: (Nodding.)

22 EXAMINER JONES: I don't have any more  
23 questions. Do you have any, Gabe?

24 MR. WADE: I don't have any questions.

25 EXAMINER JONES: Thanks for coming up.

1 MS. GERHOLT: At this time, Mr. Examiner,  
2 COG would ask for this case to be taken under  
3 advisement.

4 EXAMINER JONES: That sounds like a  
5 reasonable request. Let's take case 15339 under  
6 advisement.

7 Thank you, Ms. Gerholt.

8 MS. GERHOLT: Thank you, Mr. Jones.

9

10 (Time noted 8:37 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 ) 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, July 9,  
 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  
 18 I FURTHER CERTIFY that I am neither employed by  
 19 nor related to nor contracted with (unless excepted by  
 20 the rules) any of the parties or attorneys in this case,  
 21 and that I have no interest whatsoever in the final  
 22 disposition of this case in any court.  
 23  
 24  
 25



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