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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:

COPY

CASE 15380-15381

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

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

October 1, 2015

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
MICHAEL McMILLAN, 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, Examiner, and Gabriel
Wade, Legal Examiner, on October 1, 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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9 I N D E X

10 CASE NUMBERS 15380-81 CALLED

11 COG OPERATING, LLC, CASE-IN-CHIEF:

12 WITNESS DAVID MICHAEL WALLACE

	Direct	Redirect	Further
13 By Mr. Larson	5, 15		

	EXAMINATION
14 Examiner McMillan	12

15 Examiner Jones	12, 21
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16 WITNESS DEAN C. SNIDOW

	Direct	Redirect	Further
17 By Mr. Larson	22, 29		

	EXAMINATION
18 Examiner Jones	26, 31

19 Examiner McMillan	28
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20 Reporter's Certificate

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Case 15380

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1 (Time noted 8:19 a.m.)

2 EXAMINER JONES: Let's first call the
3 following two cases, case 15380 and case 15381. They are
4 both the application of COG Operating, LLC, for a
5 non-standard oil spacing and proration unit and
6 compulsory pooling in Lea County, New Mexico.

7 Call for appearances.

8 MR. LARSON: Good morning, Mr. Examiner.
9 Gary Larson of the Santa Fe Office of Hinkle, Shanor for
10 the applicant, COG Operating.

11 I have two witnesses.

12 EXAMINER JONES: Any other appearances?

13 (No response.)

14 EXAMINER JONES: Will the witnesses please
15 stand and please state your names.

16 (WHEREUPON, the presenting witnesses
17 were administered the oath.)

18 MR. LARSON: Mr. Examiner, I first call
19 Mr. Wallace. I note I have two sets of exhibits, one
20 for each of the two consolidated cases, just for
21 purposes of the record.

22 DAVID MICHAEL WALLACE
23 having been first duly sworn, was examined and testified
24 as followed:

25 ---oOo---

1 DIRECT EXAMINATION

2 BY MR. LARSON:

3 Q. Good morning, Mr. Wallace. Would you please
4 state your name for the record.

5 A. David Michael Wallace.

6 Q. And where do you reside?

7 A. Midland, Texas.

8 Q. And by whom are you employed and in what
9 capacity?

10 A. COG Operating, LLC. I am a landman in southeast
11 New Mexico.

12 Q. Have you previously testified at a Division
13 hearing?

14 A. I have.

15 Q. And during those hearings, were you qualified as
16 an expert in petroleum land matters?

17 A. I was.

18 Q. Are you familiar with the land matters that
19 pertain to COG's applications in these consolidated
20 cases?

21 A. Yes.

22 MR. LARSON: Mr. Examiner, I move that
23 Mr. Wallace be qualified as an expert in petroleum land
24 matters.

25 EXAMINER JONES: He is so qualified.

1 Q. Mr. Wallace, will you first identify COG
2 Exhibit 1?

3 A. This is the -- this is the C-102 plat for our
4 Resolver Fed Com No. 1H.

5 Q. And is Exhibit 1 a true and correct copy of the
6 C-102 for the Resolver Fed Com No. 1?

7 A. Yes, it is.

8 Q. And does the C-102 identify the project area for
9 the proposed horizontal well?

10 A. Yes, it does. It is the west half, west half of
11 section 12, township 23 south, range 32 east.

12 Q. And what formation is COG targeting with this
13 well?

14 A. The lower Avalon Shale.

15 Q. And what pool will the well produce from?

16 A. It's the Diamond Tell Bone Spring.

17 Q. And will the completed interval of the well
18 comply with the Division setback requirements?

19 A. Yes, it will.

20 Q. Would you next identify the document marked as
21 Exhibit 2.

22 A. This is a land tract map showing the ownership in
23 the project area.

24 Q. Did you prepare this document?

25 A. Yes, I did.

1 Q. And could you identify the ownership within the
2 proposed project area?

3 A. COG Operating owns the west half of the northwest
4 corner of section 12 and ConocoPhillips owns the west
5 half of the southwest quarter.

6 Q. So ConocoPhillips is the only interest owner that
7 COG is seeking to pool?

8 A. That's correct.

9 Q. And prior to the filing of its pooling
10 application, did COG propose to ConocoPhillips that it
11 participate in the well?

12 A. Yes, we did.

13 Q. Could you identify the document marked as
14 Exhibit 3?

15 A. This is a well proposal for the Resolver Fed Com
16 No. 1H that was sent on July 31st, 2015, to
17 ConocoPhillips.

18 Q. And it was sent by another landman at COG?

19 A. It was. It was sent by Andrew Wenzel who is a
20 landman --

21 Q. And did Mr. Wenzel enclose an AFE with his
22 letter?

23 A. He did.

24 Q. Would you next identify the document marked as
25 Exhibit No. 4?

1 A. Yes. This is a re-proposal or well proposal for
2 the Resolver Fed Com No. 1H sent August 4, 2015.

3 Q. And what was the purpose of Mr. Wenzel's second
4 letter to ConocoPhillips?

5 A. It was to retract the prior proposal and send out
6 a corrected AFE.

7 Q. The proposal was still good, it was just a change
8 in the numbers on the AFE; is that correct?

9 A. That's correct.

10 Q. And are Exhibits No. 3 and No. 4 true and correct
11 copies of the well proposal letters that Mr. Wenzel sent
12 to ConocoPhillips?

13 A. Yes, they are.

14 Q. And is COG engaged in negotiations with
15 ConocoPhillips since Mr. Wenzel sent the proposal
16 letters?

17 A. Yes. We are negotiating an operating agreement.
18 We are close to finalizing that.

19 Q. So do you think there's a realistic possibility
20 COG will strike a deal with ConocoPhillips?

21 A. Yes.

22 Q. And, in your opinion, has COG made a good faith
23 effort to obtain ConocoPhillips' participation in the
24 Resolver Fed Com No. 1?

25 A. Yes.

1 Q. Would you next identify the exhibit marked as
2 No 5.

3 A. This is the hearing notice that was sent to
4 ConocoPhillips.

5 Q. You are one ahead of me.

6 A. I'm sorry. So Exhibit 5 is the Resolver Fed Com
7 No. 1H AFE; it's the corrected AFE that we sent.

8 Q. Is it a true and correct copy of the corrected
9 AFE that Mr. Wenzel sent to ConocoPhillips?

10 A. It is.

11 Q. And are the well costs identified in the amended
12 AFE that is marked as Exhibit 5 similar to costs
13 incurred by COG for other Lower Avalon Shale horizontal
14 wells?

15 A. They are.

16 Q. Will you next identify the document marked as COG
17 Exhibit 6?

18 A. Yes. This is the hearing notice that was sent to
19 ConocoPhillips.

20 Q. Was the letter sent at your direction?

21 A. It was.

22 Q. And did you identify any offset operators that
23 would be entitled to receive notice of today's hearing?

24 A. Yes. ConocoPhillips and Cimarex Energy
25 Company.

1 Q. Could you identify the document marked as Exhibit
2 No. 7?

3 A. Yes. This is a list of the offset operators.

4 Q. And did you prepare this document?

5 A. I did.

6 Q. Would you next identify the document marked as
7 Exhibit 8?

8 A. It is the hearing notice that was sent to Cimarex
9 Energy Company.

10 Q. And the green card is also attached?

11 A. Yes, sir.

12 Q. And, again, was this letter sent at your
13 direction?

14 A. Yes.

15 Q. And are Exhibits 6 and 8 true and correct copies
16 of the hearing notice letter sent to ConocoPhillips and
17 Cimarex?

18 A. They are.

19 Q. And do you have a recommendation to the Division
20 for the amount COG should be paid for supervision and
21 administrative expenses?

22 A. Yes. \$7,000 a month for drilling and \$700 a
23 month for producing.

24 Q. And are these amounts consistent with and similar
25 to those charged by COG for other Lower Avalon Shale

1 horizontal wells?

2 A. Yes.

3 Q. And do you recommend that the rates for
4 supervision and administrative expenses be adjusted
5 periodically pursuant to the Copas accounting
6 procedures?

7 A. I do.

8 Q. Is COG also requesting a 200 percent charge for
9 the risk of drilling and completing the well?

10 A. Yes.

11 Q. And, in your opinion, will the granting of COG's
12 application serve the interest of conservation and the
13 prevention of waste?

14 A. Yes.

15 Q. And is timing an issue with regard to COG's
16 request for a pooling order?

17 A. Yes. We have a lease expiration of November
18 30th.

19 Q. And given this lease expiration issue, do you
20 have a request with regard to the Division's
21 consideration of the application?

22 A. Yes. We would like to request an expedited
23 order, if possible.

24 MR. LARSON: Mr. Examiner, I move the
25 admission of COG's Exhibits 1 through 8 in case 15380.

1 EXAMINER JONES: Exhibits 1 through 8 in
2 case 15380 are admitted.

3 (COG OPERATING, LLC, EXHIBITS 1 through 8
4 WERE OFFERED AND ADMITTED.)

5 MR. LARSON: And, Mr. Examiner, before I
6 move on to case 15381, are there any questions you might
7 have?

8 EXAMINATION BY EXAMINER McMILLAN

9 EXAMINER McMILLAN: Are there any depth
10 severances?

11 THE WITNESS: No, there's not.

12 EXAMINER McMILLAN: So you're testing the
13 entire Bone Spring interval?

14 THE WITNESS: It's the same entire Bone
15 Spring interval.

16 EXAMINER McMILLAN: What's the API number?

17 THE WITNESS: The No. 1H is 3002542169.

18 EXAMINER McMILLAN: Go ahead.

19 EXAMINER JONES: Counselor.

20 EXAMINER WADE: I do not have any questions.

21 EXAMINATION BY EXAMINER JONES

22 EXAMINER JONES: Are this portions of two
23 separate federal leases?

24 THE WITNESS: They are.

25 EXAMINER JONES: Are they both -- is one

1 contained in the northwest quarter?

2 THE WITNESS: The northwest quarter is our
3 entire lease, and then the southwest corner is Conoco's
4 lease.

5 EXAMINER JONES: Which one is expiring?

6 THE WITNESS: It's ours in the northwest
7 quarter.

8 EXAMINER JONES: Okay. The short-term
9 agreements you get for the feds for had a Com agreement,
10 would that require drilling to be started or would it
11 require the well --

12 THE WITNESS: Well, we are in the process of
13 spudding the No. 2H, which I will testify to, and,
14 yes -- so we have plans to spud the well, a well on the
15 acreage.

16 EXAMINER JONES: That one is going to be --
17 is that one going to be within the northwest quarter
18 where it spuds?

19 THE WITNESS: Yes. It's going to be the
20 east half of the west half with service holes in the
21 northeast and northwest.

22 EXAMINER JONES: So that will be the first
23 one you spud, and it will be done before November 30th.

24 THE WITNESS: Yes.

25 EXAMINER JONES: The notice to

1 ConocoPhillips, was that the same place that you -- you
2 mailed the communications to Eastern, to -- and the
3 notice went to the same place -- is that correct? -- for
4 the hearing for the offset, because they are an offset
5 acreage?

6 THE WITNESS: Yes, that's correct.

7 EXAMINER JONES: Are they reluctant to sign
8 the JOA or are they reluctant to sign the AFE?

9 THE WITNESS: Both.

10 EXAMINER JONES: Both.

11 THE WITNESS: They said that they want to
12 participate, they will not hold up the well. But we are
13 also working on a JB with them that I didn't mention.

14 EXAMINER JONES: Okay. I noticed the costs
15 came down quite a bit between the two AFEs.

16 Is that to keep -- are they keeping on
17 dropping? In other words, you wait till next year and
18 maybe you will drill this well for half the price?

19 THE WITNESS: Actually, the cost differences
20 is because of the pilot hole change.

21 EXAMINER JONES: Oh, okay.

22 And the pool is Cottontail, Bone Spring.

23 THE WITNESS: That's correct.

24 EXAMINER JONES: It is based on 40s, just
25 statewide rules?

1 THE WITNESS: That's correct.

2 EXAMINER JONES: I don't have any more
3 questions for case 15380.

4 MR. LARSON: Mr. Wallace, we will now move
5 on to COG's proposed Resolver Fed Com No. 2H well, which
6 is the subject of case 15381.

7 DAVID MICHAEL WALLACE
8 having been first duly sworn, was examined and testified
9 as followed:

10 DIRECT EXAMINATION

11 BY MR. LARSON:

12 Q. Could you identify the document marked as
13 Exhibit 1 in case 18381.

14 A. It is the C-102 Resolver Federal Com No. 2H.

15 Q. And does the C-102 identify the project area for
16 the proposed well?

17 A. It does. It's going to be the east half of the
18 west half of section 12.

19 Q. And is COG also targeting the Lower Avalon Shale
20 with the Resolver Federal Com No. 2H?

21 A. That is correct.

22 Q. And what pool will the well produce from?

23 A. It will be the Diamond Tell Bone Spring.

24 Q. And will the completed interval of the well
25 comply with the Division's setback requirements?

1 A. Yes.

2 Q. Would you identify the document marked as COG
3 Exhibit 2.

4 A. This is the land tract map, as before, showing
5 the leases for the project area.

6 Q. And can you identify the ownership within the
7 project area?

8 A. Yes. The east half of the northwest quarter is
9 COG Operating LLC owned lease. Tract 1 and Tract 2 will
10 be the east half of the southwest quarter owned by
11 ConocoPhillips.

12 Q. And are we dealing with two different federal
13 leases in this project area?

14 A. Yes, we are.

15 Q. And could you identify where the leases are?

16 A. Tract 1 will be the first lease and tract 2 will
17 be the subsequent lease.

18 Q. Would you next identify the document marked as
19 Exhibit 3.

20 A. Yes. This is the July 31, 2015, well proposal
21 for the Resolver Federal Com No. 2H.

22 Q. And this letter was sent by landman Andrew Wenzel
23 of COG?

24 A. Yes.

25 Q. And did Mr. Wenzel enclose an AFE with his

1 letter?

2 A. Yes.

3 Q. And would you next identify the document marked
4 as Exhibit 4.

5 A. This is the subsequent well proposal dated
6 August 4, 2015, for the Resolver Federal Com No. 2H.

7 Q. And what was the purpose of Mr. Wenzel's second
8 letter?

9 A. It was to send the corrected AFE for this well
10 proposal.

11 Q. And are Exhibits Nos. 3 and 4 true and correct
12 copies of the well proposal letters that Mr. Wenzel sent
13 to ConocoPhillips?

14 A. They are.

15 Q. And is COG engaged in negotiations with
16 ConocoPhillips since Mr. Wenzel sent his well proposal
17 letters?

18 A. Yes.

19 Q. Again, do you think there's a realistic
20 possibility that COG and ConocoPhillips will strike a
21 deal?

22 A. Yes, I do.

23 Q. And, in your opinion, has COG made a good faith
24 effort to obtain ConocoPhillips' participation in the
25 Resolver Federal Com No. 2H?

1 A. Yes.

2 Q. Would you next identify the document marked as
3 Exhibit 5.

4 A. This is the corrected AFE that was sent out for
5 the Resolver Federal Com No. 2H.

6 Q. This AFE went up in the bottom-line number,
7 didn't it?

8 A. Yes, it did.

9 Q. And that was because of the pilot hole?

10 A. That is correct.

11 Q. Is Exhibit 5 a true and correct copy of amended
12 AFE that Mr. Wenzel sent to ConocoPhillips?

13 A. Yes, it is.

14 Q. And are the identified well costs of the amended
15 AFE similar to costs incurred by COG for other Lower
16 Avalon Shale horizontal wells?

17 A. Yes, they are.

18 Q. Would you identify the document identified as
19 Exhibit 6.

20 A. This is the hearing notice that was sent to
21 ConocoPhillips.

22 Q. And was this letter sent by your direction?

23 A. Yes, it was.

24 Q. And was this letter sent to the same
25 ConocoPhillips office that the well proposal letters

1 were sent to?

2 A. Yes.

3 Q. And did you identify any offset operators who
4 would be entitled to receive notice of the hearing
5 today?

6 A. I did. ConocoPhillips and Cimarex Energy
7 Company.

8 Q. Would you identify the document marked as
9 Exhibit 7.

10 A. It is a list of the offset operators.

11 Q. And did you prepare this document?

12 A. I did.

13 Q. Would you next identify the document marked as
14 Exhibit No. 8.

15 A. This is a copy of the notice that was sent to
16 Cimarex Energy Company.

17 Q. And the green card is also attached?

18 A. That is correct.

19 Q. Again, was this letter sent at your direction?

20 A. It was.

21 Q. Are Exhibits No. 6 and 8 true and correct copies
22 of the hearing notice letters sent to ConocoPhillips and
23 Cimarex?

24 A. They are.

25 Q. And for the Resolver Federal Com No. 2H, do you

1 have a recommendation for the amounts COG should be paid
2 for supervision and administrative expenses?

3 A. Yes. \$7,000 a month for drilling and \$700 a
4 month for producing.

5 Q. And are those amounts consistent with and similar
6 to those charged by COG for other Lower Avalon Shale
7 horizontal wells?

8 A. Yes, they are.

9 Q. And you also recommend that the rates for
10 supervision and administrative expenses be adjusted
11 periodically pursuant to the Copas accounting procedure?

12 A. Yes, I do.

13 Q. Is COG requesting a 200 percent charge for the
14 risk of drilling and completing the Resolver Federal
15 Com No. 2H well?

16 A. Yes.

17 Q. In your opinion, will the granting of COG's
18 application serve the interests of conservation and the
19 prevention of waste?

20 A. Yes.

21 Q. Is COG facing a lease expiration issue with
22 regard to the Resolver Federal Com No. 2H well?

23 A. Yes. This is the same lease and has the same
24 expiration of November 30th.

25 Q. And this well is on COG's drilling schedule to be

1 spud?

2 A. Yes. Approximately October 20th.

3 Q. Consequently, do you have a request with regard
4 to the timing of the Division's consideration of the
5 pooling application?

6 A. Yes. Again, we would possibly like an expedited
7 order.

8 Q. For purposes of the record, Mr. Wallace, do you
9 have the API number for the Resolver Federal Com No. 2H?

10 A. I do. It's 30-025-42170.

11 MR. LARSON: Mr. Examiner, I move the
12 admission of COG Exhibits 1 through 8 in case 15381.

13 EXAMINER JONES: Exhibits 1 through 8 in
14 15381 are admitted.

15 (COG OPERATING, LLC, EXHIBITS 1 through 8
16 WERE OFFERED AND ADMITTED.)

17 MR. LARSON: And I pass the witness.

18 EXAMINER WADE: I don't have any questions.

19 EXAMINATION BY EXAMINER JONES

20 EXAMINER JONES: Who holds the base leases
21 here? Do you guys hold them, too, or are you just a
22 working interest owner?

23 THE WITNESS: We acquired our lease. If I
24 remember correctly, I think this lease was from Three
25 Rivers. I would have to go back and check.

1 EXAMINER JONES: So you got an assignment.

2 THE WITNESS: Yes.

3 EXAMINER JONES: And does Conoco hold their
4 lease -- are they the lessees of record?

5 THE WITNESS: I am not sure if they're the
6 lessee of record. I do know that they own it
7 100 percent.

8 EXAMINER JONES: I don't have any more
9 questions. Thank you very much.

10 THE WITNESS: All right. I appreciate it.

11 MR. LARSON: That is all I have for
12 Mr. Wallace.

13 DEAN C. SNIDOW

14 having been first duly sworn, was examined and testified
15 as followed:

16 DIRECT EXAMINATION

17 BY MR. LARSON:

18 Q. Good morning, Mr. Snidow. Would you state your
19 full name for the record.

20 A. Dean Christian Snidow.

21 Q. Where do you reside?

22 A. Midland, Texas.

23 Q. And by whom are you employed and in what
24 capacity?

25 A. Employed by COG Operating, LLC, as a geologist.

1 Q. And what is the focus of your responsibilities as
2 a landman at COG?

3 A. As a geologist?

4 Q. As a geologist.

5 A. Delaware Basin of southeastern New Mexico.

6 Q. Are you familiar with the geological aspects of
7 COG's applications in these consolidated cases?

8 A. I am.

9 Q. And have you previously testified in a Division
10 hearing?

11 A. I have not.

12 Q. This is your first one?

13 A. Yes, sir.

14 Q. Could you summarize for the Examiner your
15 educational background and your professional experience
16 in the oil and gas business.

17 A. I have a bachelor of science in geosciences from
18 Virginia Tech. I have a master of science in geological
19 sciences from Ball State University.

20 I have approximately five-and-a-half years of oil
21 and gas experience, first with Apache Corporation and
22 then Reliance Energy and for the last year-and-a-half
23 with COG Operating.

24 MR. LARSON: Mr. Examiner, I move for
25 Mr. Snidow's qualification as an expert in petroleum

1 geology for purposes of today's hearing.

2 EXAMINER JONES: He is so qualified.

3 Q. Were you involved in COG's evaluation of the
4 prospects for the Resolver Federal Com No. 1H well?

5 A. I was.

6 Q. And does COG have experience with Lower Avalon
7 Shale horizontal wells in the area?

8 A. Yes, we do.

9 Q. And where are those wells located?

10 A. Approximately five to six miles south of the
11 Resolver lease.

12 Q. And have those wells been productive?

13 A. They have.

14 Q. And what was your assessment of the prospects for
15 the Resolver Federal Com No. 1H?

16 A. That this lease would be an ideal candidate to
17 develop horizontal Lower Avalon Shale potential.

18 Q. And could you identify the document marked as COG
19 Exhibit No. 9 in case 15380?

20 A. This is a structure map of the Lower Avalon
21 Shale.

22 Q. And did you prepare this document?

23 A. I did.

24 Q. And what role did your structure map have in your
25 geological analysis of the prospects for the well?

1 A. This map illustrates that we sit -- that this
2 lease sits in a similar structural setting to productive
3 Lower Avalon Shale horizontal wells.

4 Q. Have you noted any geological impediments in the
5 area?

6 A. There are no geologic impediments.

7 Q. Next I ask you to identify the document marked as
8 Exhibit 10 in case 15380.

9 A. This is a structural cross section in the area
10 from southwest to northeast.

11 Q. Did you prepare this document?

12 A. I did.

13 Q. And what other wells in the area did you look at
14 in preparing your cross section?

15 A. The three wells on this cross section are the
16 Strata Production Company Cuervo Federal WD No. 1,
17 Cimarex Energy April APZ State No. 1, and the Lime Rock
18 Resources Prong Horn AHO Federal No. 1.

19 Q. And what role did your cross section have your
20 analysis of the prospects for the Resolver Federal Com
21 No. 1H?

22 A. These vertical wells illustrate the log
23 characteristics that we expect to anticipate in drilling
24 the Resolver Federal Com No. 1H.

25 Q. And in your opinion will the proposed horizontal

1 well be productive along the entire length of the
2 completed lateral?

3 A. It will, yes.

4 Q. And in your opinion will the granting of COG's
5 application serve the interests of conservation and the
6 prevention of the waste?

7 A. Yes.

8 MR. LARSON: Mr. Examiner, I move the
9 admission of Exhibits 9 and 10 in case 15380.

10 EXAMINER JONES: Exhibits 9 and 10 are
11 admitted in case 15380.

12 MR. LARSON: And, again, I make Mr. Snidow
13 available for questions before I move on to the next
14 case.

15 EXAMINATION BY EXAMINER JONES

16 EXAMINER JONES: The structure map, is that
17 dipping -- your strike and your depth, let me guess,
18 your strike is northeast to southwest; is that correct?

19 THE WITNESS: Yes.

20 EXAMINER JONES: And is dipping to the
21 southeast?

22 THE WITNESS: Southeast, yes.

23 EXAMINER JONES: And this cross section,
24 what did you hang that on?

25 THE WITNESS: It's actually a structural

1 cross section.

2 EXAMINER JONES: So you are just kind of
3 showing the three controls you had?

4 THE WITNESS: Yes.

5 EXAMINER JONES: Is that the only controls
6 you had or is there a bunch of control out here?

7 THE WITNESS: These are the three wells I
8 thought best exemplified the shale that we were
9 targeting. There are other vertical wells in the area
10 that penetrated, but there are also many vertical wells
11 that are too shallow and did not penetrate the Lower
12 Avalon.

13 EXAMINER JONES: A bunch of Delaware wells
14 out there?

15 THE WITNESS: Yes.

16 EXAMINER JONES: So you call it an Avalon
17 Shale, is it really a shale or is it -- what do you
18 get -- geologists have these weird terms for --

19 THE WITNESS: In simplistic terms, yes, it
20 is a shale.

21 EXAMINER JONES: That's for me and Counselor
22 Wade here. We do have a geologist on staff here.

23 So, basically, it's a resource play. It's
24 a --

25 THE WITNESS: Carbonate-rich mudstone, yes,

1 sir.

2 EXAMINER JONES: Oh, mudstone. Okay.

3 And is this the -- that Bone Spring pool
4 will go all the way down, so you are going to have
5 further targets in the future, besides just --

6 THE WITNESS: That is under evaluation.

7 EXAMINER JONES: Okay. This is the best
8 one, though?

9 THE WITNESS: Correct.

10 EXAMINER JONES: Okay. Thanks a lot.

11 EXAMINATION BY EXAMINER McMILLAN

12 EXAMINER McMILLAN: My question is, the
13 wells in section 1, are they producing at the same
14 strata; are they likewise in section 11 and in section
15 14?

16 THE WITNESS: In sections 1 and 11, no.
17 Those wells are landed in the -- most of them are landed
18 in the Second Bone Spring Sand, as I recall.

19 Section 14 are Lower Avalon Shale wells,
20 yes.

21 EXAMINER McMILLAN: Are the wells in section
22 14 better than 11, ultimate recovery?

23 THE WITNESS: I don't know the answer to
24 that question.

25 EXAMINER McMILLAN: Okay. Just curious.

1 EXAMINER JONES: Thank you.

2 MR. LARSON: Okay. We'll move on to case
3 15381.

4 DEAN C. SNIDOW

5 having been first duly sworn, was examined and testified
6 as followed:

7 DIRECT EXAMINATION

8 BY MR. LARSON:

9 Q. Moving on to the Resolver Federal Com No. 2H
10 horizontal well, which is the subject of case 15381,
11 were you involved in COG's evaluation of the prospects
12 for the No. 2H?

13 A. I was.

14 Q. And what was your assessment of those prospects?

15 A. That this Resolver lease was an ideal candidate
16 to test a Lower Avalon Shale horizontal well.

17 Q. I next ask you to identify the document marked as
18 COG Exhibit 9 in case 15381.

19 A. It is a structural cross section of the Lower
20 Avalon Shale.

21 Q. Did you prepare this document?

22 A. I did.

23 Q. And what role did the structure map have in your
24 geological analysis?

25 A. That we sit in a similar -- the Resolver lease

1 sits in a similar structural position to existing
2 productive Lower Avalon Shale wells.

3 Q. And, again, have you noted any geological impacts
4 in this proposed project area?

5 A. No geological impediments.

6 Q. I next ask you to identify the document marked as
7 COG Exhibit 10 in case 15381.

8 A. This is a structural cross section from southwest
9 to northeast in the area.

10 Q. Did you also prepare this document?

11 A. I did.

12 Q. And what wells did you look at in preparing this
13 cross section?

14 A. The Strata Production Company Cuervo Federal WD
15 No. 1, Cimarex Energy April APZ State No. 1, and the
16 Lime Rock Resources Prong Horn AHO Federal No. 1.

17 Q. Why did you pick these three offset wells to look
18 at?

19 A. Because these three vertical wells showed the log
20 characteristics that we anticipate to -- expect to
21 anticipate when drilling the Resolver Federal Com No.
22 2H.

23 Q. And what role did your cross section have in your
24 analysis for the prospects of the well?

25 A. That this would be an ideal place to drill a

1 Lower Avalon Shale well based on these vertical offsets.

2 Q. In your opinion, will the proposed Resolver
3 Federal Com No. 2H well be productive along the entire
4 length of the completed lateral?

5 A. It will.

6 Q. In your opinion, will the granting of COG's
7 application serve the interests of conservation and the
8 preservation -- the prevention of waste?

9 A. Yes.

10 Q. We don't want to preserve waste. We want to
11 prevent it.

12 MR. LARSON: Mr. Examiner, I move the
13 admission of Exhibits 9 and 10 in case 15381.

14 EXAMINER JONES: Exhibits 9 and 10 in case
15 15381 are admitted.

16 (COG OPERATING, LLC, EXHIBITS 9 through 10
17 WERE OFFERED AND ADMITTED.)

18 MR. LARSON: And I pass the witness.

19 EXAMINATION BY EXAMINER JONES

20 EXAMINER JONES: How did you come up with
21 this well name? Everything else is named "Horn" out
22 here.

23 THE WITNESS: Actually, this well name, the
24 geologist that worked the area prior to me had already
25 kind of picked the Resolver name, so...

1 EXAMINER JONES: Okay. The same testimony
2 you gave in the other case would apply as far as the
3 questions we asked; is that correct?

4 THE WITNESS: Yes, sir.

5 EXAMINER JONES: Thank you.

6 MR. LARSON: I have nothing further,
7 Mr. Examiner. I ask that both cases be taken under
8 advisement.

9 EXAMINER JONES: Okay. Let's take case
10 15380 and case 15381 under advisement.

11 Thank you, Mr. Larson.

12 MR. LARSON: Thank you.

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(Time noted 8:49 a.m.)

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21

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

22

_____, Examiner
Oil Conservation Division

23

24

25

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

REPORTER'S CERTIFICATE

7
 8 I, ELLEN H. ALLANIC, New Mexico Reporter CCR
 9 No. 100, DO HEREBY CERTIFY that on Thursday, October 1,
 10 2015, the proceedings in the above-captioned matter were
 11 taken before me, that I did report in stenographic
 12 shorthand the proceedings set forth herein, and the
 13 foregoing pages are a true and correct transcription to
 14 the best of my ability and control.

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

20 

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