

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

APPLICATION OF COG OPERATING, LLC,
FOR APPROVAL OF A UNIT AGREEMENT,
LEA COUNTY, NEW MEXICO

Case 14619

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Technical Examiner
DAVID K. BROOKS, Legal Examiner

April 14, 2011

Santa Fe, New Mexico

This matter came on for hearing before the
New Mexico Oil Conservation Division, RICHARD EZEANYIM,
Technical Examiner, and DAVID K. BROOKS, Legal Examiner,
on Thursday, April 14, 2011, at the New Mexico Energy,
Minerals and Natural Resources Department, 1220 South St.
Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91
Paul Baca Professional Court Reporters
500 Fourth Street, N.W., Suite 105
Albuquerque, NM 87103 505-843-9241

A P P E A R A N C E S

FOR THE APPLICANT:

HOLLAND & HART, LLP
 OCEAN MUNDS-DRY, ESQ.
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 Santa Fe, New Mexico 87501
 (505)988-4421

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1 EXAMINER EZEANYIM: At this point I call
2 Case Number 14619. This is the application of COG
3 Operating, LLC, for approval of a Unit Agreement, Lea
4 County, New Mexico. Call for appearances.

5 MS. MUNDS-DRY: Good afternoon,
6 Mr. Examiners. My name is Ocean Munds-Dry, with the law
7 firm of Holland & Hart, LLP, here representing COG
8 Operating, LLC. I'm presenting this case by affidavit.

9 EXAMINER EZEANYIM: You may proceed.

10 MS. MUNDS-DRY: Thank you. I've handed
11 you what's been marked as COG Exhibit Number 1, which is
12 the affidavit of Keaton Waters, who is the petroleum
13 geologist in charge of this project to form the Corazon
14 State Exploratory Unit, which is proposed to be comprised
15 of 2,555 acres of State of New Mexico lands in Lea
16 County, New Mexico.

17 The initial unit well is proposed to be
18 drilled at a standard well location 330 feet from the
19 north line and 330 feet from the west line of Section 4,
20 Township 21 South, Range 33 East, to an approximate depth
21 of 11,600 feet to test all formations from the surface to
22 the base of the Bone Spring Formation.

23 Attachment A to the affidavit is the standard
24 state fee Unit Agreement. Attachment B to the affidavit
25 is Exhibit A to the Unit Agreement, which shows you the

1 plat outlining the sections to be included -- the tracts
2 to be included in the proposed unit. As I mentioned
3 previously, it's all state lands.

4 Attachment C to the affidavit gives you the
5 schedules of ownership. It shows you the working
6 interest ownership. 100 percent of the unit is -- of the
7 working interest is committed to the unit, and 100
8 percent of the royalty is committed to the unit.

9 Attachment D to the affidavit is the
10 preliminary approval from the Commissioner of Public
11 Lands.

12 Attachment E to the affidavit is a structure
13 map showing the regional dip across the proposed unit
14 with no major structures inhibiting the proposed unit
15 area.

16 And Attachment F is a cross-section, a
17 north/south structural cross-section, which displays the
18 north/south dip across the unit area.

19 The primary target is the Third Bone Spring
20 Sand. Concho is also looking at the First Bone Spring
21 Sand Formation within the Bone Spring.

22 Exhibit Number 2 to this case is the AFE for
23 the well. As Mr. Waters also testified in his affidavit,
24 the estimated costs of the well are 2.5 million for
25 dryhole costs and 7.3 for a completed well.

1 With that, Mr. Ezeanyim, I'd ask that Exhibit
2 1, its attachments, and Exhibit 2 be admitted into
3 evidence.

4 EXAMINER EZEANYIM: Exhibit 1 with all
5 attachments and Exhibit 2 will be admitted.

6 (Exhibits 1 and 2 were admitted.)

7 MS. MUNDS-DRY: We'd ask that this matter
8 be taken under advisement. Thank you.

9 EXAMINER EZEANYIM: Thank you. Do you
10 have any questions?

11 EXAMINER BROOKS: No questions.

12 EXAMINER EZEANYIM: 100 percent of the
13 royalty interest. How many of the working interest?

14 MS. MUNDS-DRY: 100 percent

15 EXAMINER EZEANYIM: Both 100 percent?

16 MS. MUNDS-DRY: Um-hum.

17 EXAMINER BROOKS: Makes it easy.

18 MS. MUNDS-DRY: Makes it a lot easier.

19 EXAMINER EZEANYIM: Anything further?

20 MS. MUNDS-DRY: Nothing further.

21 EXAMINER EZEANYIM: Case Number 14619 will
22 be taken under advisement. And this concludes the
23 hearing.

24 I do hereby certify that the foregoing is
25 a complete record of the proceedings in
the Examiner hearing of Case No. 14619
heard by me on 4/18/11.


Examiner

Oil Conservation Division

PAUL BACA PROFESSIONAL COURT REPORTERS

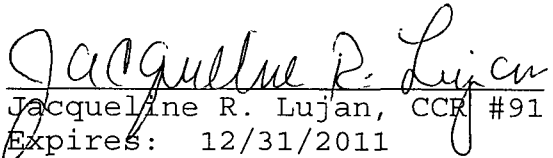
REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on April 14, 2011, proceedings in the
above captioned case were taken before me and that I did
report in stenographic shorthand the proceedings set
forth herein, and the foregoing pages are a true and
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by
nor related to nor contracted with any of the parties or
attorneys in this case and that I have no interest
whatsoever in the final disposition of this case in any
court.

WITNESS MY HAND this 26th day of April, 2011.


Jacqueline R. Lujan, CCR #91
Expires: 12/31/2011