

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:

APPLICATION OF COG OPERATING, LLC                      CASE NO. 15820  
FOR A NONSTANDARD SPACING AND  
PRORATION UNIT AND COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 14, 2017

Santa Fe, New Mexico

BEFORE:   MICHAEL McMILLAN, CHIEF EXAMINER  
          GABRIEL WADE, LEGAL EXAMINER

This matter came on for hearing before the  
New Mexico Oil Conservation Division, Michael McMillan,  
Chief Examiner and Gabriel Wade, Legal Examiner, on  
Thursday, September 14, 2017, 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, LLP  
 5 110 North Guadalupe, Suite 1  
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 7 (505) 988-4421  
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23	COG Operating, LLC Exhibit Numbers 1 through 7	12
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25

1 (9:08 a.m.)

2 EXAMINER McMILLAN: At this time I'd like  
3 to call Case Number 15820, application of COG Operating,  
4 LLC for a nonstandard spacing and proration unit and  
5 compulsory pooling, Lea County, New Mexico.

6 Call for appearances.

7 MS. KESSLER: Mr. Examiner, Jordan Kessler,  
8 from the Santa Fe office of Holland & Hart, representing  
9 the Applicant.

10 EXAMINER McMILLAN: Any other appearances?  
11 Please proceed.

12 MS. KESSLER: Two witnesses today. And  
13 where shall they sit, Mr. Examiner?

14 EXAMINER McMILLAN: Why don't we have the  
15 witnesses sit to your left.

16 MS. KESSLER: Okay. I'll call my first  
17 witness.

18 (Mr. Bedrick and Ms. Holcomb sworn.)

19 LUKE BEDRICK,  
20 after having been first duly sworn under oath, was  
21 questioned and testified as follows:

22 DIRECT EXAMINATION

23 BY MS. KESSLER:

24 Q. Can you please state your name for the record  
25 and tell the Examiners by whom you're employed and in

1     **what capacity?**

2           A.     My name is Luke Bedrick, and I'm employed by  
3     COG Operating, LLC as a landman.

4           **Q.     Have you previously testified before the**  
5     **Division?**

6           A.     Yes.

7           **Q.     And were your credentials accepted and made a**  
8     **matter of record?**

9           A.     Yes.

10          **Q.     Are you familiar with the application filed in**  
11     **this case?**

12          A.     Yes.

13          **Q.     And are you familiar with the application filed**  
14     **in this case?**

15          A.     Yes.

16          **Q.     Are you familiar with the status of the lands**  
17     **that are the subject of this application?**

18          A.     Yes.

19                   MS. KESSLER:   Mr. Examiner, I tender  
20     Mr. Bedrick as an expert in petroleum land matters.

21                   EXAMINER McMILLAN:   So qualified.

22          **Q.     (BY MS. KESSLER) Mr. Bedrick, please turn to**  
23     **Exhibit 1 and identify both the first and second pages**  
24     **of this exhibit.**

25          A.     This is the Form C-102 for the Boone 16 State

1 Com 3H where we seek to create a nonstandard unit  
2 comprised of the east half of the west half of Section 9  
3 and the east half-west half of Section 16 of Township 21  
4 South, Range 33 East.

5 Q. In Lea County, correct?

6 A. In Lea County, correct.

7 Q. And that would be approximately a 320-acre  
8 spacing unit; is that correct?

9 A. Yes.

10 Q. Do you seek to pool all the uncommitted  
11 interest owners in the Wolfcamp Formation?

12 A. Yes.

13 Q. And looking at page 1 of Exhibit 1, this looks  
14 like a draft C-102; is that correct?

15 A. That's correct.

16 Q. And is the second page of this exhibit the  
17 approved APD for this well?

18 A. Yes, it is.

19 Q. Has it been assigned an API number?

20 A. Yes. The API number is 30-025-43553. The pool  
21 name is a wildcat Wolfcamp. Pool code is 98033.

22 Q. And this would be a wildcat undesignated  
23 Wolfcamp Pool, as identified on the file APD, correct?

24 A. Yes.

25 Q. What is the character of these lands? Are they

1     **state acreage?**

2           A.     State lands.

3           Q.     And is the pool governed by Division statewide  
4     **rules?**

5           A.     Yes.

6           Q.     Is the well at an orthodox location under those  
7     **rules?**

8           A.     Yes.

9           Q.     So 330 feet off the line?

10          A.     Yes.

11          Q.     Are there any depth severances in this pool?

12          A.     No.

13          Q.     And is ownership, in fact, identical throughout  
14     **the Wolfcamp and the Bone throughout the area?**

15          A.     Yes.

16          Q.     Is Exhibit 2 an ownership outline showing  
17     **ownership by tract in the proposed nonstandard spacing**  
18     **unit?**

19          A.     Yes.

20          Q.     What interest do you seek to pool?

21          A.     We seek to pool the owners highlighted in  
22     **yellow.**

23          Q.     Okay. And those are uncommitted working  
24     **interest owners, correct?**

25          A.     Yes.

1           Q.    Do you also seek to pool for unmarketable  
2   title?

3           A.    Yes.

4           Q.    Those interest owners that I see are called out  
5   in a separate box marked "Unmarketable Title Owners,"  
6   correct?

7           A.    Yes.

8           Q.    But they're not highlighted in yellow?

9           A.    Correct.

10          Q.    But you do seek to pool them?

11          A.    Yes.

12          Q.    Why are you pooling for unmarketable title?

13          A.    Our title attorney identified an assignment  
14   that was missing early in the chain of title, and so  
15   there is a gap in the chain of title.  And these parties  
16   own interests subsequent to that assignment.

17          Q.    Okay.  Have you -- have you recently received a  
18   document that -- that you believe clears title and meets  
19   the title requirements for your title opinion?

20          A.    Yes, I do.  I was going to submit it to our  
21   title attorney for verification and clear that gap in  
22   chain of title.

23          Q.    But that has been very recently received?

24          A.    Yes.  It was this week.

25          Q.    So you will submit that to the title attorney,

1     and they will notify you subsequently if title has been  
2     cleared?

3           A.     Correct.

4           Q.     In the event that it is cleared, will you  
5     notify the Division that those unmarketable title  
6     interest owners are no longer subject to pooling?

7           A.     Yes, we will.

8           Q.     Is Exhibit 3 a copy of the well-proposal letter  
9     that you sent to the working interest owners for the  
10    subject well?

11          A.     Yes.

12          Q.     And what date was that letter sent?

13          A.     On May 4th, 2017.

14          Q.     Did it include, on page 4, an AFE?

15          A.     Yes.

16          Q.     Are the costs of the AFE consistent with what  
17    other operators in the area charge for similar wells?

18          A.     Yes.

19          Q.     What additional efforts did you undertake to  
20    reach an agreement with the uncommitted interest owners?

21          A.     We proposed a joint operating agreement, also  
22    proposed term assessments. We've had telephone  
23    conversations and email correspondence.

24          Q.     For some of those working interest owners, are  
25    you in the process of negotiating a term assignment?



1           A.    Yes, we are.

2           Q.    And, once again, if you do reach a voluntary  
3 agreement with those working interest owners, you will  
4 notify the Division, correct?

5           A.    Yes, we will.

6           Q.    But that's not all of the working interest  
7 owners, correct?

8           A.    Correct.

9           Q.    Did you also send a letter outlining the title  
10 requirements for the interest owners identified as  
11 having unmarketable title?

12          A.    Yes, we did.

13          Q.    Is that included as Exhibit 4?

14          A.    Yes.

15          Q.    I see that there are two letters. Does this  
16 represent letters that you sent to various interest  
17 owners outlining different title requirements?

18          A.    Yes.

19          Q.    And it tells them how to cure title --  
20 unmarketable title issues, correct?

21          A.    Correct.

22          Q.    Have you estimated overhead and administrative  
23 costs for drilling and producing this well?

24          A.    Yes, we have, \$7,000 while drilling, \$700 for  
25 operating.

1           Q.    And are those in line with what COG and other  
2 operators in the area charge for similar wells?

3           A.    Yes.

4           Q.    Do you ask that those costs be incorporated  
5 into any order resulting from this hearing?

6           A.    Yes.

7           Q.    And that they be adjusted in accordance with  
8 the COPAS accounting procedures?

9           A.    Yes.

10          Q.    For the uncommitted working interest owners, do  
11 you request that the Division impose a 200 percent risk  
12 penalty?

13          A.    Yes.

14          Q.    And did you identify the offset operators or  
15 lessees of record in the 40-acre tract surrounding this  
16 nonstandard unit?

17          A.    Yes.

18          Q.    Are those offset operators or lessees  
19 identified in Exhibit 5?

20          A.    Yes, they are.

21          Q.    And is Exhibit 6 an affidavit prepared by my  
22 office with attached letters providing a letter to the  
23 parties that you seek to pool and the offset operators  
24 of record of this hearing?

25          A.    Yes.

1           Q.    And was one of the unmarketable title interest  
2 owners that you seek to pool unlocatable?

3           A.    Yes.

4           Q.    Can you please describe the efforts that you  
5 took to locate an address for that party?

6           A.    Yes. We did Internet searches, as well as  
7 phone-record searches and also the address in public  
8 records.

9           Q.    And that entity is called Meriwether Resources,  
10 Inc.; is that correct?

11          A.    That's correct.

12          Q.    And you looked at county records, as well as --  
13 in the county where the well is located, as well as  
14 performed Internet searches and telephone directory  
15 record searches?

16          A.    Yes.

17          Q.    Were you able to locate a different address for  
18 that interest owner?

19          A.    Yes. We found a second address.

20          Q.    And that was also returned?

21          A.    That was also returned.

22          Q.    In your opinion, did you make a diligent effort  
23 to find an address for Meriwether Resources?

24          A.    Yes.

25          Q.    And did you publish notice directly to them?

1           A.     Yes.

2           Q.     Is that included as Exhibit 7?

3           A.     Yes, it is.

4           Q.     Were Exhibits 1 through 5 prepared by you or  
5     compiled under your direction and supervision?

6           A.     Yes, they were.

7                     MS. KESSLER:  Mr. Examiner, I move  
8     admission of Exhibits 1 through 7, which includes my  
9     notice affidavits.

10                    EXAMINER McMILLAN:  Exhibits 1 through 7  
11    may now be accepted as part of the record.

12                    (COG Operating, LLC Exhibit Numbers 1  
13                    through 7 are offered and admitted into  
14                    evidence.)

15                    CROSS-EXAMINATION

16    BY EXAMINER McMILLAN:

17           Q.     What's the status of the well?

18           A.     The status of the well is scheduled to spud  
19    early October.

20           Q.     And the project area is the east half-west half  
21    of 9 and the east half-west half of 16?

22           A.     Correct.

23           Q.     Okay.

24

25

1 CROSS-EXAMINATION

2 BY EXAMINER WADE:

3 Q. Who did you publish notice against? It looks  
4 like it's mostly the unmarketable title owners, but then  
5 Chevron is in there.

6 MS. KESSLER: Unmarketable title and the  
7 parties to be pooled.

8 EXAMINER WADE: So it's not everybody?

9 MS. KESSLER: Just not offsets.

10 EXAMINER WADE: That's it.

11 EXAMINER McMILLAN: Thank you.

12 MS. KESSLER: I'll call my next witness.

13 EXAMINER McMILLAN: Please proceed.

14 ALLISON HOLCOMB,

15 after having been previously sworn under oath, was  
16 questioned and testified as follows:

17 DIRECT EXAMINATION

18 BY MS. KESSLER:

19 Q. Please state your name for the record and tell  
20 the Examiners by whom you're employed and in what  
21 capacity.

22 A. My name is Allison Holcomb. I'm employed by  
23 COG Operating, and I'm a geologist for the Northern  
24 Delaware Basin Team.

25 Q. And have you previously testified before the

1     **Division?**

2           A.     Yes, I have.

3           **Q.     Were your credentials as an expert in petroleum**  
4     **geology accepted and made a matter of record?**

5           A.     Yes.

6           **Q.     Are you familiar with the application that's**  
7     **been filed in this case?**

8           A.     Yes.

9           **Q.     And have you conducted a study of the lands**  
10    **that are the subject of this application?**

11          A.     Yes.

12                   MS. KESSLER:  Mr. Examiner, I would tender  
13    Ms. Holcomb as an expert in geology.

14                   EXAMINER McMILLAN:  So qualified.

15          **Q.     (BY MS. KESSLER) Ms. Holcomb, please turn to**  
16    **Exhibit 8 and identify this exhibit and walk us through**  
17    **it.**

18          A.     This is a Wolfcamp subsea structure map.  
19    Concho acreage is shown in yellow, and the proposed  
20    horizontal location is shown in purple with the surface  
21    hole being a circle and the bottom hole being a square.  
22    The target formation is the Wolfcamp, and it's going to  
23    be located in Sections 16 and 9 of 21 South, 33 East.  
24    The Wolfcamp structure map contour interval is 100 feet,  
25    and it is dipping to the south.  Based on the structure,

1     you can see that there are no faults and no pinch-outs  
2     or geologic impediments over the well.

3           **Q.     And you've identified the structure as being**  
4     **fairly consistent across these two sections?**

5           A.     Yes.

6           **Q.     Is Exhibit 9 a similar map with a line of**  
7     **section drawn on it?**

8           A.     Yes. This is a cross-section map showing my  
9     cross section, A to A prime, and the three wells that  
10    I've chosen are representative of the area.

11          **Q.     So these are vertical Wolfcamp wells, is that**  
12    **correct, or wells that penetrate the Wolfcamp in the**  
13    **area?**

14          A.     Correct. These are pilot holes or deep gas  
15    wells that I've used.

16          **Q.     Is Exhibit 10 a cross section of the logs that**  
17    **depict A to A prime?**

18          A.     Yes. This is a stratigraphic cross section.  
19    My datum is the top of the Wolfcamp. The logs that I'm  
20    showing -- on the left, there is a gamma ray log, and on  
21    the right, there is a density neutron porosity. I've  
22    indicated the lateral target in the green bracket, and I  
23    wanted to show that the formation is continuous across  
24    the area, uniform thickness over the well.

25          **Q.     No major thickening or thinning?**

1           A.     Correct.

2           Q.     Based on your study of this area, have you  
3     identified any geologic impediments developing the  
4     acreage using two-mile horizontal wells?

5           A.     No.

6           Q.     And in your opinion, can the area be  
7     efficiently and effectively developed by horizontal  
8     wells?

9           A.     Yes.

10          Q.     Do you believe that each of the tracts in the  
11     nonstandard unit will contribute more or less equally to  
12     the production of the well?

13          A.     Yes.

14          Q.     In your opinion, will granting COG's  
15     application be in the best interest of conservation, for  
16     the prevention of waste and the protection of  
17     correlative rights?

18          A.     Yes.

19          Q.     Were Exhibits 8 through 10 prepared by you or  
20     compiled under your direction and supervision?

21          A.     Yes, they were.

22                   MS. KESSLER:  Mr. Examiner, I would move  
23     admission of Exhibits 8 through 10.

24                   EXAMINER McMILLAN:  Exhibits 8 through 10  
25     may now be accepted as part of the record.



1 (COG Operating, LLC Exhibit Numbers 8  
2 through 10 are offered and admitted into  
3 evidence.)

4 CROSS-EXAMINATION

5 BY EXAMINER McMILLAN:

6 Q. A quick look at the log here, it appears that  
7 the target interval is at the 2H, and then it slightly  
8 worsens as you go to the Comanche State, or do you think  
9 it's just having to do with the log where the wells are  
10 situated?

11 A. Can you be more specific about --

12 Q. I mean, it looks -- it looks like the 2H has a  
13 lot of porosity in the target interval, and then it kind  
14 of looks like it kind of degrades as you go to the Asher  
15 and the 4H.

16 A. So if you look at the red porosity curve, which  
17 is the density porosity, the centerline is 10 percent.  
18 And as you can see, relative to that 10 percent line, as  
19 you move north or more towards the lateral, that density  
20 porosity actually increases in the target interval.

21 Q. Oh, okay. That's fine.

22 A. Yeah.

23 Q. I don't have any more questions. Thank you  
24 very much.

25 MS. KESSLER: Thank you.

1 THE WITNESS: Thank you very much.

2 EXAMINER McMILLAN: Case Number 15820 shall  
3 be taken under advisement.

4 Thank you very much.

5 (Case Number 15820 concludes, 9:24 a.m.)

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1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court  
6 Reporter, New Mexico Certified Court Reporter No. 20,  
7 and Registered Professional Reporter, do hereby certify  
8 that I reported the foregoing proceedings in  
9 stenographic shorthand and that the foregoing pages are  
10 a true and correct transcript of those proceedings that  
11 were reduced to printed form by me to the best of my  
12 ability.

13 I FURTHER CERTIFY that the Reporter's  
14 Record of the proceedings truly and accurately reflects  
15 the exhibits, if any, offered by the respective parties.

16 I FURTHER CERTIFY that I am neither  
17 employed by nor related to any of the parties or  
18 attorneys in this case and that I have no interest in  
19 the final disposition of this case.

20

21

22 MARY C. HANKINS, CCR, RPR  
23 Certified Court Reporter  
24 New Mexico CCR No. 20  
25 Date of CCR Expiration: 12/31/2017  
Paul Baca Professional Court Reporters

25