

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, INC.                      CASE NO. 16005  
FOR A NONSTANDARD SPACING AND  
PRORATION UNIT AND COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

March 8, 2018

Santa Fe, New Mexico

BEFORE:   MICHAEL McMILLAN, CHIEF EXAMINER  
          DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Michael McMillan, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, March 8, 2018, 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  
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APPEARANCES

FOR APPLICANT COG OPERATING, INC.:

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1 (10:57 a.m.)

2 EXAMINER McMILLAN: COG Operating, LLC for  
3 a nonstandard spacing and proration unit and compulsory  
4 pooling, Eddy County, New Mexico.

5 MR. FELDEWERT: May it please the Examiner,  
6 Michael Feldewert, with the Santa Fe office of Holland &  
7 Hart, appearing on behalf of the Applicant, and we have  
8 two witnesses here today.

9 EXAMINER McMILLAN: Would the witnesses  
10 please be sworn in at this time?

11 Thank you.

12 (Mr. Reker and Ms. Pettijohn sworn.)

13 MR. FELDEWERT: Call our first witness.

14 EXAMINER McMILLAN: Please proceed.

15 ADAM REKER,

16 after having been first duly sworn under oath, was  
17 questioned and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. FELDEWERT:

20 Q. Would you please state your name, identify by  
21 whom you're employed and in what capacity?

22 A. Adam Reker, COG Operating as a landman.

23 Q. And how long have you been a landman with COG?

24 A. Three-and-a-half years.

25 Q. And have your responsibilities during that time

1 included the Permian Basin?

2 A. Yes.

3 Q. Mr. Reker, have you previously testified before  
4 this Division and had your credentials accepted in  
5 petroleum land matters?

6 A. Yes.

7 Q. Are you familiar with the application filed in  
8 this case?

9 A. I am.

10 Q. And the status of the lands in the subject  
11 area?

12 A. Yes.

13 MR. FELDEWERT: I would retender Mr. Reker  
14 as an expert in petroleum land matters.

15 EXAMINER McMILLAN: So qualified.

16 Q. (BY MR. FELDEWERT) Would you please turn to  
17 what's been marked as COG Exhibit Number 1 in that  
18 packet there and first identify this exhibit and explain  
19 what the company seeks under this application?

20 A. This is a map of COG's Red Lake area, which  
21 shows the Collier 22 State Com #43H location and spacing  
22 unit, located within Section 22, Township 17 South,  
23 Range 28 East, Eddy County, New Mexico.

24 Q. And what does the company seek under this  
25 application?

1           A.    It seeks a 160-acre nonstandard proration --  
2    proration and spacing unit comprised of the south half  
3    of the north half, Section 22 of 17 South, Range 28  
4    east, Eddy County, New Mexico.  It's to pool the  
5    non-cost-bearing interests, more specifically the record  
6    title owners as to the San Andres Formation.

7           **Q.    Okay.  So let me stop you right there.  So**  
8    **we're dealing just with non-cost-bearing interests?**

9           A.    Correct.

10          **Q.    Who owns the working interests?**

11          A.    COG owns 100 percent of the working interests.

12          **Q.    And you're just pooling record title owners in**  
13    **the state leases that are involved?**

14          A.    Correct.

15          **Q.    So these are all state lands?**

16          A.    Yes.  State throughout the entire spacing.

17          **Q.    If I turn to what's been marked as COG Exhibit**  
18    **Number 2, is this the well that's reflected in Exhibit**  
19    **Number 1?**

20          A.    Yes.  It's the Collier 22 State Com #43H well.

21          **Q.    And this well has been drilled?**

22          A.    Yes, sir.

23          **Q.    And does this provide the Examiner with the API**  
24    **number for the well and also the pool and then the pool**  
25    **code for the area?**

1 A. Yes. This is API Number 30-015-44044.

2 Q. I'm going to stop you right there. It's in the  
3 exhibit. We don't need to read it.

4 A. Oh, okay.

5 Q. Is this pool governed by Division statewide  
6 rules?

7 A. Yes.

8 Q. And does the completed interval for this well  
9 comply with the setback requirements?

10 A. Yes.

11 Q. If I then turn to what's been marked as COG  
12 Exhibit Number 3, does this identify a group of record  
13 title owners in the state leases that you seek to pool?

14 A. Yes.

15 Q. Now, these are all non-cost-bearing interests.  
16 So what do the percentages reflect here?

17 A. It's a percentage of the record title that  
18 these parties own that we assumed through intestate  
19 succession.

20 Q. Why do you need to pool these record title  
21 owners? What happened here?

22 A. So COG owns 100 percent of the operating  
23 rights. The operating rights were, for whatever reason  
24 in the records, severed from record title, so COG had  
25 the right to go out and go ahead and drill the well,

1 which we have. For the purposes of satisfying the  
2 requirements for the State of New Mexico -- or the SLO's  
3 com agreement, the operator, as well as the record title  
4 owners have to execute the com agreement.

5 Having made attempts to get these people to  
6 call us back and email us back and everything else,  
7 they've been completely unresponsive, so in some talks  
8 with the State Land Office, we have decided to go  
9 through these proceedings to get them on board.

10 Q. Did you send com agreements to these interest  
11 owners?

12 A. Yes.

13 Q. I'm sorry. Record title owners?

14 A. Yes.

15 Q. And have you reached out by telephone?

16 A. Yes.

17 Q. Emails?

18 A. Yes.

19 Q. Can't get them to send an executed document  
20 back?

21 A. Correct.

22 Q. And so we're here to pool. So that's why we're  
23 creating a nonstandard spacing and proration unit for  
24 purposes of pooling these non-cost-bearing record title  
25 owners?

1 A. Correct.

2 Q. Got it.

3 Okay. And since we're creating a  
4 nonstandard spacing and proration unit for purposes of  
5 this pooling, as part of this case, did the company  
6 identify the leased mineral interest owners in the  
7 40-acre tract surrounding the proposed unit?

8 A. Yes, we did.

9 Q. And included them in notice of this hearing?

10 A. Yes, we did.

11 Q. If I turn to what's been marked as -- I got out  
12 of order here a little bit -- COG Exhibit Number 7 --

13 A. Okay.

14 Q. -- sorry about that -- is this an affidavit  
15 prepared by my office with the attached letter providing  
16 notice of this hearing to the record title owners?

17 A. Yes.

18 Q. And then also the offset owners?

19 A. Correct.

20 Q. And it appears that we've gotten green cards  
21 back from some but haven't from others. As a result, if  
22 I turn to what's been marked as COG Exhibit Number 8, is  
23 this an Affidavit of Publication in the Eddy County  
24 records directed by name to these record title owners?

25 A. Yes.

1 MR. FELDEWERT: Mr. Examiner, I would move  
2 into evidence COG Exhibits 1 through 3 and then 7 and 8,  
3 which comprise the notice affidavits.

4 EXAMINER McMILLAN: Okay. Exhibits 1, 2,  
5 3, 7 and 8 may now be accepted as part of the record.

6 (COG Operating, Inc. Exhibit Numbers 1, 2,  
7 3, 7 and 8 are offered and admitted into  
8 evidence.)

9 MR. FELDEWERT: And that concludes my  
10 examination of this witness.

11 EXAMINER McMILLAN: Go ahead.

12 EXAMINER BROOKS: No questions.

13 EXAMINER McMILLAN: Thank you.

14 MR. FELDEWERT: Call our next witness.

15 EXAMINER McMILLAN: Please proceed.

16 CANDICE PETTIJOHN,  
17 after having been previously sworn under oath, was  
18 questioned and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. FELDEWERT:

21 Q. Would you please state your name, identify by  
22 whom you're employed and in what capacity?

23 A. My name is Candice Pettijohn. I'm a geologist  
24 at COG.

25 Q. How long have you been a geologist with COG?

1           A.     Three-and-a-half years.

2           Q.     Have your responsibilities included the Permian  
3 Basin?

4           A.     Yes.

5           Q.     And you have, Ms. Pettijohn, also previously  
6 testified before the Division as an expert in petroleum  
7 geology?

8           A.     Yes.

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

11          A.     Yes.

12          Q.     And have you conducted a geologic study of the  
13 lands that are the subject of this hearing?

14          A.     Yes.

15                   MR. FELDEWERT: I would retender  
16 Ms. Pettijohn as an expert witness in petroleum geology.

17                   EXAMINER McMILLAN: So qualified.

18          Q.     (BY MR. FELDEWERT) This well that's at issue  
19 here has already been drilled, Ms. Pettijohn. What  
20 formation has it been drilled in?

21          A.     San Andres.

22          Q.     And have you prepared a structure map of the  
23 cross section of this formation?

24          A.     Yes.

25          Q.     If I turn to what's been marked as COG Exhibit

1     **Number 4, is this a structure map that you have created?**

2           A.     Yes.

3           **Q.     Okay. First off, does it, likewise, identify**  
4 **the spacing unit and the proposed well?**

5           A.     Yes. The spacing unit in yellow. The proposed  
6 well in red.

7           **Q.     What are all the other dots on here?**

8           A.     Those are existing drilled wells.

9           **Q.     Okay. And are these wells drilled in the San**  
10 **Andres Formation?**

11          A.     Some of them, yes. These are various  
12 formations.

13          **Q.     Various formations. Okay.**

14          A.     (Indicating.)

15          **Q.     Are there any horizontal wells drilled in the**  
16 **San Andres Formation?**

17          A.     No.

18          **Q.     This is -- this is the first one that was**  
19 **drilled?**

20          A.     The first one drilled, and it's part of the  
21 shelf [sic].

22          **Q.     Okay. And what do you observe with respect to**  
23 **the structure in this particular area?**

24          A.     It's consistent structure over the section  
25 demonstrating no faulting, no pinch-outs, no geological

1 impediments to horizontal drilling.

2 Q. And with respect to this particular well, were  
3 there any drilling problems encountered?

4 A. No.

5 Q. Have you created a structural cross section for  
6 this area?

7 A. Yes.

8 Q. If I turn to what's been marked as COG Exhibit  
9 Number 5, does this identify the wells that you unitized  
10 for your cross section?

11 A. Yes.

12 Q. Why did you choose these particular wells?

13 A. They're the closest wells to the spacing unit  
14 that had digital logs through the zone of interest.

15 Q. And in your opinion, are these representative  
16 of the area?

17 A. Yes.

18 Q. If I then turn to what's been marked as COG  
19 Exhibit Number 7, is this the structural cross section  
20 that corresponds with the wells shown on Exhibit Number  
21 6?

22 A. Yes.

23 Q. And first off, for the record, identify -- can  
24 you testify as to how you identified the formations and  
25 what is shown on this exhibit?

1           A.    In peach is the San Andres Formation, and below  
2   that in yellow is the Glorieta.  This shows consistent  
3   thickness in both formations across this area.  The logs  
4   indicate consistent lithology and porosity, and in blue  
5   is indicated the landing zone for this well.

6           Q.    Okay.  So that's where the well has actually  
7   been drilled?

8           A.    Yes.

9           Q.    Is the San Andres Formation in this area  
10   suitable for development by horizontal wells?

11          A.    Yes.

12          Q.    And is the orientation of the well appropriate  
13   for this area?

14          A.    Yes.

15          Q.    Do you see any difference at this point between  
16   lay-down or stand-up?

17          A.    We haven't drilled a stand-up yet, so no.

18          Q.    Do you expect that each quarter-quarter section  
19   of the proposed nonstandard spacing and proration unit  
20   to contribute more or less equally to the production  
21   from the well?

22          A.    Yes.

23          Q.    And in your opinion, Ms. Pettijohn, is the  
24   granting of this application in the best interest of  
25   conservation, in the prevention of waste and the

1 protection of correlative rights?

2 A. Yes.

3 Q. Were COG Exhibits 4, 5, 6 and 7 -- I'm sorry --  
4 4, 5 and 6 prepared by you or compiled under your  
5 direction and supervision?

6 A. Yes.

7 MR. FELDEWERT: Mr. Examiner, I would move  
8 into evidence COG Exhibits 4, 5 and 6.

9 EXAMINER McMILLAN: Exhibits 4 through 6  
10 may now be accepted as part of the record.

11 (COG Operating, Inc. Exhibit Numbers 4, 5  
12 and 6 are offered and admitted into  
13 evidence.)

14 MR. FELDEWERT: That concludes my  
15 examination of this witness.

16 CROSS-EXAMINATION

17 BY EXAMINER McMILLAN:

18 Q. I've got a question for you. Looking at 6,  
19 when they drilled the well, did you see any portions of  
20 the lateral that were not drained, or did you actually  
21 take a look? I'm always curious about this, the  
22 differential porosity.

23 A. Not drained? None of them should have been  
24 drained yet or depleted because there are no existing  
25 wells in the San Andres in this spacing unit. That's

1 why they drilled a well here in the San Andres. There  
2 are wells in the spacing unit, but none of them in the  
3 San Andres.

4 Q. Oh, okay. They're deeper?

5 A. Yeah. They're either shallower or deeper.

6 Q. Oh, okay.

7 I don't have any questions.

8 EXAMINER BROOKS: Nor do I.

9 MR. FELDEWERT: That concludes our  
10 presentation, and we ask the case be taken under  
11 advisement.

12 EXAMINER McMILLAN: Case Number 16005 shall  
13 be taken under advisement.

14 Thank you very much.

15 (Case Number 16005 concludes, 11:08 a.m.)

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1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

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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 DATED THIS 26th day of March 2018.

21

22

23 MARY C. HANKINS, CCR, RPR  
24 Certified Court Reporter  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2018  
Paul Baca Professional Court Reporters

25