

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. 20418
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

May 2, 2019

Santa Fe, New Mexico

BEFORE: SCOTT DAWSON, CHIEF EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Scott Dawson,
Chief Examiner, and David K. Brooks, Legal Examiner, on
Thursday, May 2, 2019, 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
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APPEARANCES

FOR APPLICANT COG OPERATING, LLC:

KAITLYN A. LUCK, ESQ.
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EXHIBITS OFFERED AND ADMITTED

COG Operating, LLC Exhibit Numbers 1, 2 and 3	9
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1 (9:02 a.m.)

2 EXAMINER DAWSON: Going to the next case,
3 20418, which is again COG Operating, LLC for compulsory
4 pooling, Eddy County, New Mexico.

5 Please call for appearances.

6 MS. LUCK: Kaitlyn Luck with the Santa Fe
7 office of Holland & Hart.

8 EXAMINER DAWSON: Any other appearances?
9 Hearing none, when you're ready, Ms. Luck.
10 Thank you.

11 MS. LUCK: Thank you, Mr. Hearing Examiner.

12 In Case Number 20418, COG seeks an order
13 pooling all uncommitted interests in the Bone Spring
14 Formation, the Hay Hollow; Bone Spring pool, 30215,
15 underlying a 223.73-acre standard horizontal spacing
16 unit comprised of the east half of the east half of
17 Section 28 and the northeast quarter of the northeast
18 quarter and Lot 4 of Section 33, Township 26 South,
19 Range 28 East, Eddy County, New Mexico.

20 Exhibit 1 in your packet is the affidavit
21 of Buck Underwood. He works for COG Operating, LLC as a
22 landman. He has not previously testified before the Oil
23 Conservation Division as an expert witness.

24 Mr. Underwood graduated from the University
25 of Texas with a B.A. in finance in 2008 and from the

1 University of Oklahoma with an MBA in energy in 2017.

2 Since 2017, he's worked as a senior landman
3 with COG in the Permian Basin, and prior to joining COG,
4 he worked for three other years as a petroleum landman.
5 He seeks to have his credentials accepted by the
6 Division as an expert petroleum landman.

7 Mr. Underwood is familiar with the
8 application filed in this case and the status of the
9 lands in question. None of the parties proposed to be
10 pooled in this case has indicated opposition, and he did
11 not expect any opposition at hearing.

12 This horizontal spacing unit will be
13 dedicated to the proposed Graham Nash State Com 5H well
14 to be drilled from a surface-hole location in Lot 4 of
15 Section 33 to a bottom-hole location in Unit A of
16 Section 28. The completed interval for this well will
17 remain in the standard setback as required by the
18 statewide rules for oil wells.

19 Exhibit 1A contains a Form C-102 for the
20 proposed well.

21 Exhibit 1B identifies the tracts of land
22 comprising the proposed spacing and proration unit in
23 the case, and it also identifies the interest owners by
24 tract and ultimately by spacing unit. COG is seeking to
25 pool the interest owners identified in the exhibit. You

1 will see that there are both working interest owners and
2 overriding royalty interest owners that COG seeks to
3 pool. All interest owners were locatable by COG.

4 And Exhibit 1C is a sample well-proposal
5 letter, along with an AFE that was provided to the
6 working interest owners that COG seeks to pool. The
7 costs reflected in the AFE are consistent with what
8 other operators have incurred for drilling similar
9 horizontal wells in the area. In his opinion, COG has
10 made good-faith efforts to reach agreement with the
11 parties it seeks to pool. There are no depth severances
12 that exist within this proposed spacing and proration
13 unit, and there are no unleased mineral interests in the
14 subject acreage. COG has estimated the overhead and
15 administrative costs for drilling and producing the
16 proposed wells as \$7,000 per month while drilling and
17 \$700 per while producing, and it's consistent what other
18 operators in the area are charging.

19 Mr. Underwood provided our office with a
20 list of names to be provided notice of the hearing, and
21 those are reflected in Exhibit 3, which I'll present
22 later on.

23 Exhibits 1A through 1C were prepared by
24 Mr. Underwood or were compiled with his direction and
25 supervision, and we would ask that he be accepted as an

1 expert petroleum landman in this case.

2 EXAMINER DAWSON: I will accept
3 Mr. Underwood as a professional petroleum landman at
4 this point, but I had a couple of questions on this.

5 MS. LUCK: Okay.

6 EXAMINER DAWSON: In looking at your C-102
7 and you're asking for a 223.73 acre, and in his
8 affidavit, he's talking about the east half-east half of
9 28 and the northeast-northeast of 33, but in looking at
10 the C-102, it looks like it's the east half of the
11 northeast of Section 33. Is that correct? I'm kind of
12 confused because his affidavit says
13 "northeast-northeast." So if you add up the 160 acres
14 in Section 33 and you add up the northeast-northeast,
15 that's only 40. That's 200 acres, and he's asking for
16 223 acres. I believe that should be the east half-east
17 half of 28 and the east half of the northeast of Section
18 33. Is that correct, or do you know, or can you check
19 with him?

20 MS. LUCK: I can check with him and provide
21 a clarification.

22 EXAMINER DAWSON: Maybe have him fix this
23 affidavit that he wrote, if necessary? I think it's
24 necessary. But you might ask him to check it and
25 provide another affidavit that's corrected -- that's

1 correct.

2 MS. LUCK: I will do that, Mr. Hearing
3 Examiner.

4 EXAMINER DAWSON: Okay. Okay. That's all.

5 MS. LUCK: Okay. And turning to Exhibit 2
6 is the affidavit of Mr. Travis Sparks. He's the
7 geologist for COG in this case. He's previously
8 testified before the Division as an expert witness, and
9 his credentials have been accepted as a matter of
10 record.

11 Mr. Sparks is familiar with the application
12 filed by COG in this case, and he's conducted a geologic
13 study of the targeted 2nd Bone Spring Sand within the
14 Bone Spring Formation underlying the subject acreage.
15 In this case COG is targeting the 2nd Bone Spring Shale
16 within the Bone Spring Formation with its Graham Nash 5H
17 well.

18 Exhibit 2A is a project locator map showing
19 COG's acreage in yellow. The path of the proposed
20 wellbore for the Graham Nash State Com is depicted by a
21 dashed orange line on this first exhibit, and existing
22 wells in the area are depicted by solid orange lines
23 with orange dots.

24 Exhibit 2B is a subsea structure map that
25 was prepared for the top of the 2nd Bone Spring Shale

1 and is representative of the targeted interval within
2 the Bone Spring Formation. The proposed well is
3 depicted by a dashed orange line similar to the previous
4 exhibit, and the producing wells are represented by
5 solid orange lines. The structure map shows the
6 formation is gently dipping to the southeast in the
7 area, and Mr. Sparks did not observe any faulting,
8 pinch-outs or other geologic impediments to the
9 development of the 2nd Bone Spring Shale with a
10 horizontal well in this area.

11 Exhibit 2C overlays the cross-section line
12 in red depicting three wells penetrating the Bone Spring
13 Formation that he used to construct the stratigraphic
14 cross section from A to A prime. He considers these
15 wells to be representative of the geology in the area.

16 Exhibit 2D is a cross section using the
17 representative wells depicted on Exhibit 2C. Each well
18 in the cross section contains gamma ray, resistivity and
19 porosity logs. The proposed target intervals and the
20 2nd Bone Spring Shale are labeled and depicted as the
21 lateral interval on the exhibit. The cross section
22 demonstrates that the targeted intervals extend across
23 the proposed spacing and proration unit. In his
24 opinion, the orientation -- the stand-up orientation of
25 the proposed wells is the preferred orientation for well

1 development in the area and is appropriate to
2 efficiently and effectively drain the subject acreage.
3 Based on his geologic study, the Bone Spring Formation
4 underlying the subject area, including the targeted 2nd
5 Bone Spring Shale, is suitable for development, and the
6 acreage comprising of the proposed spacing and proration
7 units will contribute more or less equally to production
8 from the wellbores.

9 In his opinion, the granting of COG's
10 application will be in the best interest of
11 conservation, the prevention of waste and the protection
12 of correlative rights.

13 And then finally turning to Exhibit 3, it's
14 an afterward reflecting that notice was provided to both
15 the working interest owners and the overriding royalty
16 interest owners in this case and reflects that notice
17 was delivered to those parties.

18 At this time COG would move admission of
19 Exhibits 1 through 3 in this case and ask that the case
20 be taken under advisement.

21 EXAMINER DAWSON: At this time Exhibits 1
22 through 3 will be admitted to the case.

23 (COG Operating, LLC Exhibit Numbers 1, 2
24 and 3 are offered and admitted into
25 evidence.)

1 EXAMINER DAWSON: David, do you have any
2 questions?

3 EXAMINER BROOKS: My copy, it appears
4 that -- if I'm not misinterpreting something, it looks
5 like we have two copies of the C-102 for the #5H well;
6 is that correct?

7 MS. LUCK: That's correct. And I apologize
8 that there was a duplicate there.

9 EXAMINER BROOKS: Well, that's okay. I
10 just want to be sure --

11 MS. LUCK: That's correct. There is only
12 one well in this case.

13 EXAMINER BROOKS: I just wanted to be sure
14 there wasn't another well that should be in there.

15 So there is only one well, and this unit is
16 only being dedicated to one well?

17 MS. LUCK: That's correct, the Graham Nash
18 State Com 5H well.

19 EXAMINER BROOKS: And there are no
20 overrides?

21 MS. LUCK: There are overrides.

22 EXAMINER BROOKS: They're listed on
23 Exhibit B?

24 MS. LUCK: Yes, they are.

25 EXAMINER BROOKS: I didn't look.

1 MS. LUCK: And I apologize. I think that I
2 misspoke. There are only working interest owners in
3 this case, and they were provided notice, and that's
4 reflected on my Exhibit 3.

5 EXAMINER BROOKS: Okay. The working
6 interest owners underlying the -- or that are in yellow
7 with the notation "No Information Received," are those
8 unlocatable?

9 MS. LUCK: Those are the parties that were
10 nonresponsive. It's my understanding that
11 Mr. Underwood made good-faith efforts to obtain an
12 agreement with those parties, and those are the parties
13 that we don't have an agreement reached with. That's
14 why they're highlighted.

15 EXAMINER BROOKS: Were they noticed of the
16 application and the hearing?

17 MS. LUCK: That's correct.

18 EXAMINER BROOKS: And there is nobody you
19 weren't able to contact for notice?

20 MS. LUCK: That's correct.

21 EXAMINER BROOKS: Thank you.

22 EXAMINER DAWSON: Did you talk about depth
23 severances?

24 MS. LUCK: I'm not sure I mentioned it, but
25 there are no depth severances in this acreage.

1 EXAMINER DAWSON: There are no depth
2 severances.

3 No unlocatable interests?

4 MS. LUCK: No unlocatable interests.

5 EXAMINER DAWSON: And backing up where I
6 was talking about Mr. Underwood and him preparing
7 another affidavit, I started looking at this affidavit a
8 little closer. Sometimes we don't have this stuff in
9 front of us when we come to hearing. But I started
10 looking at it closer, and he did include Lot 4, which
11 would equal the 223.73-acre standard horizontal spacing
12 unit. So he is correct, when I look at it. But usually
13 Lot 4 is not over in the southeast of the northeast. So
14 this looks fine. His affidavit is fine, so no need for
15 him to correct it.

16 MS. LUCK: Thank you for that,
17 Mr. Examiner.

18 EXAMINER DAWSON: Okay. Is that it?

19 MS. LUCK: That's all for this case, if
20 there are no further questions.

21 EXAMINER DAWSON: Okay. All right. So at
22 this time, Case Number 20418 will be taken under
23 advisement.

24 MS. LUCK: Thank you.

25 (Case Number 20418 concludes, 9:15 a.m.)

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 21st day of May 2019.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2019
Paul Baca Professional Court Reporters

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