

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,
for Compulsory Pooling,
Lea County, New Mexico Case Nos. 22460, 22461, 22462

REPORTER'S TRANSCRIPT OF PROCEEDINGS

THURSDAY, APRIL 7, 2022

EXAMINER HEARING

This matter came on for hearing before the New Mexico Oil Conservation Division, William Brancard, Esq. Hearing Examiner, John Garcia Technical Examiner, on Thursday, April 7, 2022, via Webex Virtual Conferencing Platform hosted by the New Mexico Energy, Minerals and Natural Resources Department

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A P P E A R A N C E S .

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C O N T E N T S

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1 (Time noted 9:16 a.m.)

2 EXAMINER BRANCARD: Well, let's see where we can
3 get here. Let's look at Items 30, 31 and 32 on our
4 docket. These are Cases 22460, 22461, 22462, COG
5 Operating, LLC.

6 Do we have an entry from COG?

7 MR. RANKIN: Good morning, Mr. Examiner. Adam
8 Rankin with Holland & Hart appearing on behalf of the
9 applicant in this case, COG Operating, LLC.

10 EXAMINER BRANCARD: And I have Cimarex Energy.

11 MS. BENNETT: Good morning, Mr. Examiner. Deana
12 Bennett on behalf of Cimarex Energy.

13 Cimarex originally had competing
14 applications with COG, but we've withdrawn those
15 applications and Cimarex does not object to these cases
16 going by affidavit.

17 EXAMINER BRANCARD: Thank you. Yes, I believe
18 there was a motion at some point to get rid of the
19 Prehearing Order which somehow I didn't react to. I don't
20 know if I ever saw it. And so it appears that these are
21 the only three cases left from that Prehearing Order.

22 Is that correct, Mr. Rankin?

23 MR. RANKIN: That is correct, Mr. Examiner. You
24 may see some cases filed down the road that are remnants
25 of the agreement between the parties, but at this point

1 these are the only three cases that are on the docket
2 remaining from that Prehearing Order that are prepared
3 inform go forward today.

4 EXAMINER BRANCARD: All right. Are there any
5 other interested persons for Cases 22460, -461 and -462?

6 Hearing none, Mr. Rankin, you may proceed.

7 MR. RANKIN: Thank you very much Mr. Examiner.

8 In each of these three cases COG is seeking
9 to pool all uncommitted interest owners in three different
10 spacing units, each approximately 640 acres in size.

11 In Case 22460 COG seeks to pool uncommitted
12 interest owners in the Mesa Verde Bone Spring pool in the
13 Bone Spring Formation in a proposed spacing unit comprised
14 of the west half equivalent of Section 5, Township 24
15 South, Range 32 East, and the west half of Section 32,
16 Township 23 South, Range 32 East in Lea County.

17 In that Bone Spring pool there is a depth
18 severance in ownership therefore COG is seeking to pool
19 only the interval from 10,000 feet to the base of the Bone
20 Spring Formation.

21 The proposed spacing unit will be dedicated
22 to the Gin & Tectonic wells 504H, 505H, 506H wells, and
23 the 505H will be a proximity well allowing for the
24 inclusion of the adjoining tracts in that proposed spacing
25 unit.

1 In Case 22461 COG is seeking to pool
2 uncommitted interests in the Wolfcamp Formation. S in
3 this case they will be 40-acres building blocks. We are
4 not in the Purple Sage here.

5 The spacing unit will be comprised of the
6 east half equivalent of the same sections in Lea County.
7 The wells dedicated to the proposed spacing unit are the
8 Gin & Tectonic 701H, 702H, 703H and 704H wells. The 702H
9 will be a proximity well allowing for the inclusion of the
10 adjacent tracts into the proposed spacing unit.

11 Finally, in Case 22462, COG is seeking to
12 pool all uncommitted interests in 640 acres of the
13 Wolfcamp comprised of 40-acre building blocks within the
14 west half equivalent of the same sections. In this case
15 the proposed wells to be dedicated to the spacing unit are
16 the Gin & Tectonic 705H, 706H, 707H and 708H well, and the
17 Gin & Tectonic 707H will be a proximity well allowing for
18 the inclusion of the adjacent tracts.

19 The exhibit packet that was filed on
20 Tuesday contains the Compulsory Pooling checklists for
21 each of the cases identifying the necessary elements of
22 the pooling, the pools, the location of the wells and so
23 forth.

24 Exhibit B is the application that was filed
25 in each of the cases.

1 Exhibit C is the affidavit of COG's land
2 witness Mr. Brian Dart. Mr. Dart has not previously
3 testified before the Division. In his affidavit he
4 reviews his education and work experience and includes as
5 Exhibit C-1 his resume.

6 We ask at this time that Mr. Dart be
7 accepted as an expert witness in petroleum land matters,
8 unless there are any objections.

9 EXAMINER BRANCARD: Any objections? Hearing
10 none, Mr. Dart is accepted as an expert.

11 MR. RANKIN: Thank you very much.

12 Mr. Dart reviews the proposed wells in the
13 proposed spacing units in each of the three cases. His
14 Exhibits C-2 is a draft Form C-102s for each of the
15 proposed wells in each case.

16 Exhibit C-3 identifies the tracts of land
17 comprising each of the spacing units, as well as the
18 ownership interest by tract, and on a unit-wide basis
19 identifying those interests they seek to pool.

20 C-3 also -- I'm sorry. Yeah, it does
21 identify all of the interest owners.

22 C-4 is a summary of the Chronology of
23 Contacts through which COG has endeavored to reach
24 agreement with each of the parties.

25 And C-5 is a letter that was provided by

1 Cimarex in support of this case and COG being designated
2 operator of these proposed spacing units.

3 C-6 is a sample of the Well Proposal
4 Letters that were sent to each of the owners along with
5 the AFEs for the cost of each well. COG seeks overhead
6 and administrative costs for drilling and producing these
7 wells of \$8,000 per month while drilling and \$800 while
8 producing.

9 Let's see. Exhibit D is the affidavit of
10 COG's petroleum geologist in these cases, Mr. Joseph
11 Dishron. He has not previously testified, therefore he
12 reviews his education and work experience as a petroleum
13 geologist, and also attaches to his affidavit his resume.

14 At this time, Mr. Examiner, we would ask
15 that Mr. Dishron be accepted as an expert in petrogeology
16 before the Division.

17 EXAMINER BRANCARD: Any objection?

18 Hearing none, so accepted as an expert.

19 MR. RANKIN: Thank you. Mr. Dishron reviews his
20 geology analysis and review in each of these cases and the
21 exhibits he's attached reviewing his geologic analysis.
22 His exhibits identify the proposed TVD for each of these
23 wells, as well as the location of the completed intervals.
24 He includes Structure Maps identifying the target
25 intervals as well as a Cross Section Map identifying the

1 wells he's used that are representative of the area to
2 construct a Cross Section. The cross sections in each
3 case identify the target intervals within -- in the first
4 case for the Bone Spring, and for the second two cases for
5 the Wolfcamp.

6 Mr. Dishron confirms that he does not
7 identify any impediments, faulting or pinchouts that would
8 prevent drilling horizontal wells in these cases, and
9 recommends their approval.

10 Exhibit E is a copy of the affidavit
11 prepared by our office identifying the Notice Letters that
12 we sent out to each of the parties identified to us by COG,
13 followed by a postal report showing the status of each of
14 the mailings that went out by Certified Mail to all the
15 parties in these cases, followed by an Affidavit of
16 Publication reflecting that Notice was also given by
17 publication, identifying each of the parties by name.

18 With that, Mr. Examiner, if there are no
19 questions I would ask that Exhibits A through F be
20 accepted into the record and that these cases be taken
21 under advisement.

22 EXAMINER BRANCARD: Thank you. Ms. Bennett,
23 questions?

24 MS. BENNETT: No questions. Thank you.

25 EXAMINER BRANCARD: Mr. Garcia, any questions.

1 EXAMINER GARCIA: Yes, I have a few questions.

2 On Exhibit D, all the log packets, do you
3 know the elevation in the area for these wells? Sorry.
4 Your logs are based off subsea TVD, so I guess I'm curious
5 is the depth severance log based off subsurface TVD or is
6 it based off area elevation, because I found that awkward
7 until I realized what the header was.

8 MR. RANKIN: You know, Mr. Garcia, I'm just
9 looking at the C-102s which do provide elevation, so I
10 would have to confer with Mr. Dishron to make the
11 calculations if we are going to confirm.

12 But -- so I don't know the answer to that
13 question. I would be terrified of hazarding a guess.

14 EXAMINER GARCIA: I forget. Are your landman or
15 geologist on the call?

16 MR. RANKIN: Not to my knowledge, Mr. Garcia.

17 EXAMINER GARCIA: I guess my clarifying question
18 is: Is the 10,000 depth severance based off area
19 elevation, what it sounds like, but I would just like
20 clarity on that because if it's going off your subsurface
21 like your logs are, that puts it in the Wolfcamp. That's
22 why I'm curious.

23 MR. RANKIN: I will ask that question and
24 clarify either through email, or if it's appropriate,
25 supplemental filing.

1 EXAMINER GARCIA: Probably supplemental would be
2 shorter.

3 Those are all my questions.

4 EXAMINER BRANCARD: Thank you.

5 Well, Mr. Rankin you're first up today, and
6 I thought, uhm, I'd have a general discussion with the
7 lawyers about Notice affidavits.

8 In going through today's submittals I would
9 put them in the categories of the good, the bad and the
10 ugly. Don't worry, you only get a bad.

11 So my concern is that you very nicely
12 summarized the Notice in a few sentences for us during the
13 hearing. It would be good if your affidavit did that. In
14 other words, an affidavit should have what the facts are,
15 not just -- I mean to basically say the Holland and Hart
16 affidavits are: We did Notice, see attachments. Okay.

17 I mean, the Notice should say: We sent
18 letters out on X date, we provided publication on Y date.
19 See exhibit whatever, et cetera.

20 Later on we will see a good example from an
21 attorney that you can follow, but that's sort of what I
22 would prefer.

23 Like, for instance, in following your
24 affidavit there are two sets of letters that went out.
25 There's no explanation. I guess you were sort of sending

1 them out for one hearing and then for another hearing?

2 But they have different dates, and...

3 So anyway.

4 And also when you do these postal reports,
5 if you could clarify what -- you know, is this a document
6 from the postal service that you're getting, and is it as
7 of a certain date? I think that would be helpful, because
8 there is a lot of, you know, delivery en route stuff in
9 these submittals. It would be good to know when you got
10 this information.

11 So, anyway, that's -- since you have a lot
12 of cases, that's for future reference. We have been
13 accepting this stuff for a while so we will continue to
14 accept it today, but in the future that's what we would
15 line to see in Notice Affidavits, a little more of a road
16 map as to what exactly was done and when it was done,
17 because otherwise those of us here at OCD are going blind
18 reading these little legal notices trying to figure out
19 who-all got notice and when.

20 This is not a very complicated set of
21 Notices in this case, but still.

22 Thank you.

23 Are there any other questions or concerns,
24 then, on Cases 22460, -461, -462?

25 Hearing none, what we have, I believe, Mr.

1 Garcia, is you need clarification on what the depth
2 severance is based on. That seems pretty critical. But
3 that just may be lack of information in the application.
4 Is that correct?

5 EXAMINER GARCIA: Yeah, just what TVD is the
6 depth severance based on? Is it SSTVD or TVD.

7 EXAMINER BRANCARD: Did you get that, Mr.
8 Rankin?

9 MR. RANKIN: I sure did.

10 EXAMINER BRANCARD: I hope you understand all of
11 those acronyms.

12 MR. RANKIN: I do.

13 EXAMINER BRANCARD: So with that we will accept
14 the exhibits into the record for these cases and we
15 will -- Mr. Garcia, how critical is this information?
16 Shall we continue the case or just leave the record open?

17 EXAMINER GARCIA: So I guess this is that
18 general question I always have, is I don't mind leaving
19 the record open if they come in within reasonable time.
20 It's when I'm waiting for months for information I would
21 probably prefer to continue.

22 So guess I would ask Adam: How fast do you
23 think you can turn this in?

24 MR. RANKIN: Well, I'm hoping for later today,
25 so I don't think it will be months.

1 EXAMINER GARCIA: Sometimes I ask for
2 information and, you know, I wait for a few months, and
3 then you guys reach out to me after (inaudible), but I'm
4 waiting on information.

5 So I'm okay with taking under advisement
6 with the record left open if we can have some reasonable
7 turnaround.

8 EXAMINER BRANCARD: Okay. Mr. Rankin, we are
9 taking you on your word; otherwise, you will get the nasty
10 emails that Mr. Garcia sends out saying: I want the
11 information in seven days or I dismiss the case.

12 MR. RANKIN: We will do everything to avoid
13 that.

14 EXAMINER BRANCARD: All right. Thank you.

15 So Cases 22460, -461, -462 will be taken
16 under advisement, the record left open for that
17 clarification of the depth severance information.

18 Thank you very much.

19 (Time noted 9:39 a.m.)

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1 STATE OF NEW MEXICO).
2 : ss
3 COUNTY OF TAOS)
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5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico Reporter
7 CCR No. 122, DO HEREBY CERTIFY that on Thursday, April 7,
8 2022, the proceedings in the above-captioned matter were
9 taken before me; that I did report in stenographic
10 shorthand the proceedings set forth herein, and the
11 foregoing pages are a true and correct transcription to
12 the best of my ability and control.

13 I FURTHER CERTIFY that I am neither employed by
14 nor related to nor contracted with (unless excepted by the
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16 that I have no interest whatsoever in the final
17 disposition of this case in any court.

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