

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, No. 14855
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO

TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

June 25, 2012

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 Monday, June 25, 2012, at the New
Mexico Energy, Minerals, and Natural Resources
Department, 1220 South St. Francis Drive, Room 102,
Santa Fe, New Mexico.

REPORTED BY: PAUL BACA, CCR #112
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1 A P P E A R A N C E S

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10

11 I N D E X

12 WITNESS: PAGE:

13 KATIE MOHEB

14 Examination by Mr. Hall 4

15 CERTIFICATE OF COURT REPORTER 16

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18 EXHIBIT: DESCRIPTION

19 1-6 Ms. Moheb's Exhibits 14

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1 CHAIRMAN BROOKS: Are there any other
2 requests from counsel as to the order in which we
3 handle various matters, or shall we proceed within
4 the order set on the docket?

5 MR. RANKIN: Mr. Examiner, I believe that
6 the next -- we have already requested that the
7 Cimarex cases be moved to the back. Is that
8 correct?

9 CHAIRMAN BROOKS: Well, if we proceeded in
10 accordance with the docket, then we would have three
11 Mack cases and one, two, three, four, five -- four
12 Cimarex cases, and then we would come to your COG
13 cases.

14 Then Scott has got Case Number 14855.
15 Scott, that's your case, right? Is that -- from the
16 way that is set here, it was continued from June 7.
17 Is that going to be heard today or --

18 MR. HALL: Yes.

19 CHAIRMAN BROOKS: Okay. So that's not a
20 continuation to supplement the record.

21 MR. HALL: No.

22 CHAIRMAN BROOKS: Okay.

23 MR. BRUCE: Mr. Examiner, I'm here for the
24 duration, so let's get the COG cases out of the way.

25 CHAIRMAN BROOKS: Okay. Well, so Scott

1 doesn't have to stay here any longer than necessary,
2 then I am going to go ahead and call case number --
3 assuming all the witnesses are present -- I'm going
4 to go ahead and call Case Number 14855, application
5 of COG Operating, LLC, for compulsory pooling, Eddy
6 County, New Mexico.

7 MR. HALL: Mr. Examiner, Scott Hall,
8 Montgomery & Andrews Law Firm, Santa Fe, on behalf
9 of the applicant, COG Operating, LLC.

10 And we have one witness this afternoon --

11 CHAIRMAN BROOKS: Very good.

12 MR. BRUCE: Mr. Examiner, Jim Bruce, of
13 Santa Fe, representing Apache Corporation and
14 Chisos, Limited.

15 I have no witnesses.

16 CHAIRMAN BROOKS: Very good. And the
17 witness -- the record will reflect the witness was
18 previously sworn.

19 You may proceed, Mr. Hall.

20 KATIE MOHEB,
21 after having been first duly sworn under oath,
22 was questioned and testified as follows:

23 EXAMINATION

24 BY MR. HALL:

25 Q. For the record, state your name.

1 A. My name is Katayoun Mohebkhosravi. But
2 for the record, and for simplicity's sake, I will go
3 by Katie Moheb.

4 MR. HALL: Mr. Examiner, I would note that
5 earlier today Ms. Mohebkhosravi's credentials as an
6 expert petroleum landman were established in Case
7 Number 14866. And if it's agreeable with you, I'll
8 just proceed to questioning her.

9 CHAIRMAN BROOKS: She is so qualified.

10 Q. (By Mr. Hall) If you would, Ms. Moheb,
11 would you explain what COG is requesting in this
12 case?

13 A. Well, in this case we are requesting
14 forced pooling of the minerals.

15 And as I say on Exhibit 1, the southwest
16 quarter of the northeast quarter of Section 16 in
17 Township 17 south, Range 31 east. And this is in a
18 standard 40-acre unit.

19 Q. Okay. And what depths are you seeking to
20 pool?

21 A. On all depths below 4,000 feet, but it's
22 in the Yeso formation.

23 Q. Okay. What is the name of the well?

24 A. It's the Burkett 16 State Number 1.

25 Q. All right. Will it be drilled at a

1 standard location?

2 A. Yes, it will be. At 1650, 1650.

3 Q. And it's a vertical well?

4 A. That's correct.

5 Q. Let's look at the exhibits you prepared
6 for this case.

7 What is Exhibit 1?

8 A. Exhibit 1, as I mentioned before,
9 highlights -- as you can see with the red arrow and
10 the red box -- the 40-acre unit that we are looking
11 to force pool. And it also shows the surrounding
12 Yeso wells.

13 Q. Does Exhibit 1 help us understand why this
14 well hasn't been included in the horizontal drilling
15 project?

16 A. Yes. Well, I would say so. Because as
17 you can see in this map, the other surrounding
18 40-acre units have already been developed except for
19 those just north of it, which we plan on developing
20 with the Burkett 16 -- State 15 and 16, which are
21 both going to be horizontals.

22 Q. And those -- that 120-acre project area,
23 to the north there, has previously been the subject
24 of a compulsory pooling procedure?

25 A. Yes, it has.

1 Q. And did that project area share title in
2 common with the lands we're pooling today?

3 A. Yes. The title is exactly the same as it
4 is here in this 40-acre unit.

5 Q. What's the primary objective for your
6 vertical well in this case?

7 A. Well, we plan on having four completion
8 stages, three of which that are going to be in the
9 Blinebry, and one of which is going to be in the
10 Paddock.

11 Q. Okay. Let's turn to Exhibit Number 2.
12 Would you explain this to the Hearing Examiner?

13 A. Yes. This just shows the ownership in the
14 Burkett. Well, this actually -- this is for the
15 Number 1, but it also shares the exact same
16 ownership as the Burkett 16 and 15, which we've
17 already heard before.

18 Q. All right. And which of these interest
19 owners do you seek to force pool today?

20 A. Only Cross Border Resources.

21 Q. The other interest owners have voluntarily
22 participated in the well?

23 A. Yes, this is true.

24 Q. What's the quantum of the Cross Border's
25 interest?

1 A. It is 6.25 percent.

2 Q. All right. And is COG seeking the
3 imposition with the 200 percent risk penalty against
4 this interest?

5 A. Yes, we are.

6 Q. COG also seeks to be designated as
7 operator for the well?

8 A. Yes.

9 Q. Let's talk about your efforts to obtain
10 the voluntary participation of the other interest
11 owners in this well.

12 A. Yes.

13 Q. If you could tell that story, starting
14 with your title. Okay?

15 A. Okay. Well, we initially had an ownership
16 report written by our brokers, and then we had a
17 title opinion rendered by our attorneys. And in
18 that title opinion our attorney, Kim Hammond,
19 pointed out that there was a break in the chain of
20 title, which meant that record title interest
21 actually was held by Total.

22 So what we did at this point was, because
23 we knew that there was a title defect, we contacted
24 Chisos, Apache, and Cross Border Resources, in an
25 effort to see if they had any documents that would

1 cure this defect and in fact, you know, maybe this
2 was a mistake.

3 Once we were in contact with them we
4 couldn't really find any documents. And at that
5 point, since Total was -- held record interest, we
6 force pooled Total. And we also communicated with
7 Total and effectively got -- successfully
8 communicated with them -- Sherry, from Total.

9 And after that point, once we forced
10 pooled Total, I know the other companies -- Total,
11 Chisos, Apache, and Cross Border Resources -- all
12 worked on a corrective assignment to cure this
13 defect.

14 Q. All right. And as owner of the interest
15 of the record at the time the application was filed,
16 and when you began your efforts to obtain the
17 voluntary participation?

18 A. Yes. Total -- this is before any of this
19 really got started.

20 Q. All right.

21 A. During the point that we were setting up
22 the force pooling there was a lot of discussion
23 between the companies, and they didn't even know
24 what kind of corrective assignment that needed to be
25 made, and it was difficult to get into contact with

1 Total, to see -- because they were the ones who
2 really had to create this document, because it was
3 coming from them.

4 Q. And as a precaution, did you make your
5 first well proposal to Total as interest owner of
6 record?

7 A. Yes, we did.

8 Q. Is that reflected by Exhibit Number 3?

9 A. Yes. In Exhibit Number 3 you'll see that
10 on March 26 we sent out our initial proposal to
11 Total for the Burkett State 1.

12 Q. And during this time, did you continue to
13 communicate with the other parties, Cross Border
14 included?

15 A. Yes.

16 Q. All right. Let's look at Exhibit Number
17 4. If you would identify that and explain that to
18 us.

19 A. Well, in Exhibit Number 4, as you will see
20 it's dated on June 5. During this time we have been
21 working -- after our initial proposal we were
22 catching up with the other three interest owners.
23 Well, I suppose you could call it four, with Total.
24 But -- while they were working on the assignment.

25 And at this point, the corrective

1 assignment wasn't recorded until the end of May.
2 And this one, this well proposal, went out on
3 June 5, after the corrective assignment had been
4 recorded and Cross Border Resources, Chisos, and
5 Apache had record title. And at this point we could
6 contact them.

7 Q. Is it your opinion, as a landman, that
8 until the correction assignment was executed and
9 delivered among the parties that the other interest
10 owners were not in a position to deliver their
11 interest to your well?

12 A. No. No, because they didn't have record
13 interest.

14 Q. Okay. In your opinion, has COG made a
15 good faith effort to secure the voluntary
16 participation of the other interest owners in this
17 case?

18 A. Yes, I would say so.

19 Q. Would you explain, for the benefit of the
20 Examiners, COG's practice for establishing a
21 drilling schedule?

22 A. Well, we have actually -- our -- they have
23 added the Burkett a couple of times to the drilling
24 schedule. But many times, just because they're
25 anxious to drill and -- you know, we drill quickly.

1 But it is our practice to wait until we've actually
2 received a pooling order and we have a pooling order
3 in hand before we actually put it on the schedule.

4 So the Burkett has not been on the
5 drilling schedule until then.

6 Q. Okay. You have obligations under a number
7 of contracts for drilling rigs?

8 A. Exactly. Yes.

9 Q. More than one?

10 A. Yes.

11 Q. How many?

12 A. Well, I believe -- I couldn't tell you how
13 many. Quite a few. We add and remove some
14 sometimes.

15 Q. All right. Let's look at Exhibit 5, the
16 AFE. If you could discuss the dry hole and
17 completed well costs reflected on it.

18 A. Well, we have our dry hole cost at
19 684,000. And then the total costs are 1,695,000.

20 Q. Okay. To your knowledge, are those costs
21 in line with what's being charged by other operators
22 in the area for similar wells?

23 A. Yes.

24 Q. Okay. What do you estimate the
25 administrative overhead for drilling and producing

1 the well to be?

2 A. Well drilling, it should be 6,000. And
3 600 for well producing.

4 Q. Okay. Are these costs, too, in line with
5 what other operators are charging?

6 A. Yes, they are.

7 Q. Are you recommending that these rates be
8 incorporated in the order that results from this
9 hearing?

10 A. Yes, I am.

11 Q. Do you ask the division to enter an order
12 that provides for the adjustment of the overhead
13 rates in accordance with the current bulletin?

14 A. Yes.

15 Q. Were Exhibits 1 through 5 prepared by you
16 or at your direction?

17 A. Yes.

18 MR. HALL: I move the admission of
19 Exhibits 1 through 5, and that concludes our direct
20 of the witness.

21 And let me tender into the record,
22 Mr. Examiner, our notice affidavit, Exhibit 6.

23 CHAIRMAN BROOKS: I see you have a return
24 receipt from Cross Border.

25 MR. HALL: Yes.

1 CHAIRMAN BROOKS: Okay. Did you pass the
2 witness?

3 MR. HALL: Yes. That concludes our
4 direct.

5 CHAIRMAN BROOKS: Okay. Which exhibits
6 now are you tendering, 1 through 6?

7 MR. HALL: Yes, sir.

8 CHAIRMAN BROOKS: Exhibits 1 through 6 are
9 admitted.

10 CHAIRMAN BROOKS: Forgive my curiosity.
11 What's the linguistic origin of your name?

12 THE WITNESS: It's Persian.

13 CHAIRMAN BROOKS: I don't know anything
14 about that language.

15 I believe all my questions were covered in
16 the testimony.

17 So, Mr. Ezeanyim, do you have any
18 questions?

19 I'm sorry. Mr. Bruce, do you have any
20 questions of the witness?

21 MR. BRUCE: Absolutely no questions.

22 CHAIRMAN BROOKS: Very good.

23 Mr. Ezeanyim?

24 CHIEF ENGINEER EZEANYIM: No questions.

25 The only question I think I have: Is this well

1 drilled yet?

2 THE WITNESS: No.

3 CHIEF ENGINEER EZEANYIM: Okay. So you
4 don't have any API number that you might incorporate
5 into the rule?

6 THE WITNESS: I do have an API number for
7 you. It's permitted, but it's not --

8 CHIEF ENGINEER EZEANYIM: It's important
9 that we put the API number.

10 I always look for the number when I write
11 the orders, if they're not in the file.

12 THE WITNESS: It's 3001540013.

13 CHAIRMAN BROOKS: Okay. Thank you.

14 I have nothing further.

15 Anybody else?

16 MR. HALL: Nothing further, Mr. Examiner.

17 CHAIRMAN BROOKS: Very good.

18 MR. BRUCE: Nothing, Mr. Examiner.

19 CHAIRMAN BROOKS: Very good.

20 Case Number 14855 will be taken under
21 advisement.

22 (Proceedings concluded.)

23

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25

I hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14855
heard by me on June 25, 2012

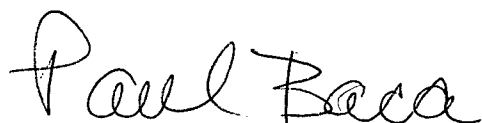
David K. Brooks Examiner

Oil Conservation Division

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