

3 IN THE MATTER OF THE HEARING CALLED
4 BY THE OIL CONSERVATION DIVISION FOR
5 THE PURPOSE OF CONSIDERING:

5 APPLICATION OF COG OPERATING, LLC
6 FOR A NONSTANDARD SPACING AND
7 PRORATION UNIT AND COMPULSORY
8 POOLING, LEA COUNTY, NEW MEXICO.

CASE NO. 14886

ORIGINAL

9 REPORTER'S TRANSCRIPT OF PROCEEDINGS

10 EXAMINER HEARING

11
12 BEFORE: DAVID K. BROOKS, Chief Examiner
13 RICHARD EZEANYIM, Technical Examiner

14 October 18, 2012

15 Santa Fe, New Mexico

2012 NOV - 8 A 9:08
RECEIVED OCD

16
17
18 This matter came on for hearing before the
19 New Mexico Oil Conservation Division, David K. Brooks,
20 Chief Examiner, and Richard Ezeanyim, Technical
21 Examiner, on Thursday, October 18, 2012, at the New
22 Mexico Energy, Minerals and Natural Resources
23 Department, 1220 South St. Francis Drive, Porter Hall,
24 Room 102, Santa Fe, New Mexico.

25 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

1 APPEARANCES

2 FOR APPLICANT COG OPERATING, LLC:

3 MICHAEL H. FELDEWERT, ESQ.
 4 HOLLAND & HART
 5 110 North Guadalupe, Suite 1
 6 Santa Fe, New Mexico 87501
 7 (505) 988-4421
 8 mfeldewert@hollandhart.com

9 FOR DEVON ENERGY PRODUCTION COMPANY:

10 JAMES G. BRUCE, ESQ.
 11 Post Office Box 1056
 12 Santa Fe, New Mexico 87504
 13 (505) 982-2043
 14 jamesbruc@aol.com

12	INDEX	PAGE
13	COG Operating, LLC's Case-in-Chief:	
14	Witnesses:	
15	Caleb Hopson:	
16	Direct Examination by Mr. Feldewert	4
17	Cross-Examination by Examiner Brooks	11
18	Ward A. Whiteman:	
19	Direct Examination by Mr. Feldewert	12
20	Hearing Concluded	20
21	Certificate of Court Reporter	21

22 EXHIBITS OFFERED AND ADMITTED

23	COG Exhibit Numbers 1 through 5	11
24	COG Exhibit Numbers 6 through 8	19

1 (8:56 a.m.)

2 EXAMINER BROOKS: You said Case Number 13
3 was to be the next one, Mr. Feldewert, 14886?

4 MR. FELDEWERT: Yes.

5 EXAMINER BROOKS: At this time we'll call
6 Case Number 14886, application of COG Operating, LLC for
7 a nonstandard spacing and proration unit and compulsory
8 pooling, Lea County, New Mexico.

9 MR. FELDEWERT: Mr. Examiner, Michael
10 Feldewert of the Santa Fe office of Holland & Hart
11 appearing for COG Operating, LLC, and we have two
12 witnesses here today.

13 EXAMINER BROOKS: Okay. Let's see.

14 MR. BRUCE: Mr. Examiner --

15 EXAMINER BROOKS: Yes.

16 MR. BRUCE: -- Jim Bruce of Santa Fe
17 representing Devon Energy Production Company.

18 EXAMINER BROOKS: Very good. Do you have
19 witnesses?

20 MR. BRUCE: No, we have no witnesses.

21 EXAMINER BROOKS: The witnesses should be
22 sworn, then, please.

23 (Witnesses sworn.)

24 EXAMINER BROOKS: Call your first witness.

25 MR. FELDEWERT: Mr. Caleb Hopson.

1 CALEB HOPSON,

2 after having been previously sworn under oath, was
3 questioned and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. FELDEWERT:

6 Q. Mr. Hopson, would you please state your name
7 for the record, and then identify by whom you are
8 employed and in what capacity?

9 A. My name is Caleb Hopson, employed by COG
10 Operating, LLC.

11 Q. And have you previously testified before this
12 Division?

13 A. No, sir.

14 Q. Would you then provide the Examiners with your
15 educational background?

16 A. Yes, sir. After graduating high school in
17 2007, I attended Texas Tech University from May 2007,
18 graduated in December 2010 with a Bachelor's Degree in
19 Energy Commerce.

20 Q. And then once you graduated in -- was it
21 December of 2010?

22 A. December of 2010.

23 Q. What has been your work history since December
24 of 2010?

25 A. After graduating from Texas Tech University, I

1 started working with COG Operating, LLC effective
2 January 31, 2011.

3 Q. In what capacity?

4 A. As a landman working the Delaware Basin assets,
5 primarily southeastern New Mexico.

6 Q. And have you held that position since January
7 of 2011?

8 A. Yes, sir.

9 Q. Are you, Mr. Hopson, a member of any
10 professional organizations?

11 A. Yes, sir. I'm a member of the AAPL, the
12 American Association of Professional Landmen; the PBLA,
13 the NMLA, and I've been a student member of the AAPL for
14 my time at Texas Tech. I'm now an active member in the
15 AAPL. And the PBLA and the NMLA, I've been a member of
16 those associations going on two years.

17 Q. And are you familiar with the application that
18 has been filed in this particular case?

19 A. Yes, sir.

20 Q. And have you studied and become familiar with
21 the status of the lands in the subject area?

22 A. Yes, sir.

23 MR. FELDEWERT: Mr. Examiner, I would
24 tender Mr. Hopson as an expert witness in petroleum land
25 management.

1 EXAMINER BROOKS: So qualified.

2 Q. (BY MR. FELDEWERT) Mr. Hopson, would you turn
3 to what's been marked as COG Exhibit Number 1?

4 A. Yes, sir.

5 Q. And would you identify this for the Examiner,
6 and then explain what the company seeks under this
7 application?

8 A. Excuse me. I believe I have the wrong exhibit.

9 Q. There you go (indicating). Okay.

10 A. Okay. This is Section 6 of Township 19 South,
11 32 East, Lea County, New Mexico. We are seeking to
12 create a 160-acre nonstandard spacing unit, as well as
13 applying for a compulsory pooling order governing the
14 north half-north half of Section 6, Township 19 South,
15 32 East in Lea County, New Mexico.

16 We're proposing to drill our Haas 6 Fed Com
17 1H well in the north half-north half of that section,
18 with the surface hole location in Unit A and the bottom
19 hole location in Unit D. This will be a Bone Spring
20 Formation well.

21 Q. What pool is involved with this application?

22 A. The pool is the Lusk-Bone Spring North pool.

23 Q. And what's the status of the lands in the north
24 half of Section 6?

25 A. They are all federal leased acreage.

1 Q. Now, we then turn to what's been marked as COG
2 Exhibit Number 2. Does this exhibit, Mr. Hopson,
3 provide an ownership breakdown of the north half of the
4 north half of Section 6?

5 A. Yes, sir.

6 Q. And the first page of this exhibit identifies
7 the federal leases that are involved, correct?

8 A. Yes, sir.

9 Q. If we then turn to the second page of this
10 exhibit, this provides the ownership breakdown by tract,
11 and then at the bottom of this exhibit, it provides
12 ownership breakdown for this north half-north half
13 proposed unit?

14 A. That is correct.

15 Q. How many of the interest owners on the bottom
16 part of page 2 remain uncommitted to this well?

17 A. That would be all except three.

18 Q. And who are the three that are committed?

19 A. The three committed is COG Operating, LLC;
20 Concho Oil & Gas, LLC; and SES Investments, Limited.

21 Q. Has SES Investments, Limited signed a joint
22 operating agreement with Concho?

23 A. They have.

24 Q. Then turn to what's been marked as COG Exhibit
25 Number 3. Is this the well proposal letter that was

1 sent by the company for these working interest owners?

2 A. That is correct.

3 Q. And it contains an AFE for the project; does it
4 not?

5 A. Yes, sir.

6 Q. Now, you mentioned that the company has
7 acquired -- or signed a JOA with SES Investments,
8 Limited. What additional efforts has the company
9 undertaken to obtain voluntary joinders of the remaining
10 interest owners of this proposed unit?

11 A. COG Operating, LLC flew down to Oklahoma City
12 last month to visit with Devon Energy to discuss well
13 orientation. The meeting was successful. We determined
14 what orientation was best, drilling lay-downs going east
15 to west. They had no objection to that matter.

16 Since that meeting, I've contacted the
17 majority of the working interest partners in this well
18 and informed them that Devon and COG had settled their
19 differences; however, COG would move forward with this
20 hearing to apply for a nonstandard spacing unit and
21 compulsory pooling order. Every partner I have talked
22 to has no objection as to that process, and they asked
23 that I would inform them of the outcome after this
24 hearing.

25 Q. Now, if we can then turn to the third and

1 fourth pages of COG Exhibit Number 3, that contains the
2 AFE that was sent to the working interest owners; is
3 that correct?

4 A. That is correct.

5 Q. Are the costs that are reflected on the last
6 page of Exhibit Number 3 consistent with what COG has
7 incurred concerning similar wells to this formation?

8 A. Yes, sir.

9 Q. And has the company made an estimate of
10 overhead and administrative costs while drilling this
11 well to the Bone Springs Formation and while producing,
12 if it is successful?

13 A. We have.

14 Q. And what are those costs?

15 A. The overhead cost for the drilling is \$6,500.
16 The overhead cost for producing is \$650.

17 Q. Are these costs consistent with what COG and
18 other operators in this area would charge for similar
19 wells in the Bone Spring Formation?

20 A. Yes, sir.

21 Q. And does the company request that these figures
22 be incorporated in any order and that they be adjusted
23 in accordance with the COPAS accounting procedures?

24 A. We do.

25 Q. Turning now to the nonstandard unit, has the

1 company brought a geologist to provide technical
2 testimony supporting this nonstandard unit?

3 A. We have.

4 Q. Has the company identified the leased mineral
5 owners in the 40-acre tracts surrounding the proposed
6 nonstandard unit?

7 A. Yes, sir.

8 Q. And did the company include these known leased
9 mineral owners in the notice of this hearing?

10 A. Yes, sir.

11 Q. If you can turn, then, to what's been marked as
12 COG Exhibit Number 4. Is this an affidavit with
13 attached letters providing notice of this hearing to the
14 following parties?

15 A. Yes, sir.

16 Q. Turn, then, to Exhibit Number 5. Is this an
17 Affidavit of Publication for this hearing?

18 A. Yes, sir.

19 Q. Now, were you able to obtain addresses for all
20 of the affected parties at the time this application was
21 filed?

22 A. No, sir, I was not.

23 Q. And were there three owners in the offsetting
24 tracts that you were unable to locate?

25 A. Yes, sir.

1 Q. And have those three owners been notified by
2 name in the notice of publication that has been marked
3 as Exhibit Number 5?

4 A. Yes, sir.

5 Q. Mr. Hopson, were Exhibits 1 through 5 prepared
6 by you or compiled under your direction or supervision?

7 A. Yes, sir.

8 MR. FELDEWERT: Mr. Examiner, I'd move for
9 admission into evidence of COG Exhibits 1 through 5.

10 EXAMINER BROOKS: 1 through 5 are admitted.
11 (COG Exhibit Numbers 1 through 5 were
12 offered and admitted into evidence.)

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

15 EXAMINER BROOKS: Mr. Bruce?

16 MR. BRUCE: I have no questions.

17 CROSS-EXAMINATION

18 BY EXAMINER BROOKS:

19 Q. Okay. This is to be pooled only in the
20 Lusk-Bone Spring -- North Lusk-Bone Spring pool?

21 A. That is correct.

22 Q. I see you say "Bone Spring Lime" here. This is
23 a carbonate formation that you're targeting and not any
24 of the Bone Springs Sands that we're usually accustomed
25 to seeing?

1 A. I would ask that my geologist speak to that
2 matter.

3 Q. Of course. That's a geologic question.

4 EXAMINER BROOKS: I have nothing further.

5 EXAMINER EZEANYIM: I have no questions.

6 MR. FELDEWERT: Call our next witness.

7 WARD A. WHITEMAN,

8 after having been previously sworn under oath, was
9 questioned and testified as follows:

10 DIRECT EXAMINATION

11 BY MR. FELDEWERT:

12 Q. As one of the new people, would you please
13 state your full name for the record, by whom you're
14 employed and in what capacity?

15 A. Yes. My name is Ward Whiteman. I'm a
16 geologist with COG Operating, LLC, in Midland, Texas.

17 Q. Mr. Whiteman, since you have not previously
18 testified before the Division, would you provide the
19 Examiners with your educational background?

20 A. Sure. After graduating high school, I went to
21 the Colorado School of Mines. I graduated with a
22 Bachelor of Science in Geological Engineering in 1990.
23 I went back to Colorado School of Mines and got a
24 master's in geology, Master of Science in Geology, in
25 1993.

1 Q. Would you then outline your work history since
2 1993, when you obtained your master's in geology?

3 A. Sure. Upon graduation, I went to work for
4 Meridian Oil, which became Burlington Resources. I
5 spent ten years -- first ten years there working various
6 basins in the Rocky Mountains. In 2003, I moved over to
7 Mid-Continent Group, started working the Anadarko Basin.

8 And in 2006, of course, Burlington was
9 acquired by ConocoPhillips. And in 2009, I left
10 ConocoPhillips and went to work for COG Operating. I
11 work the Permian Basin properties and have spent the
12 last year and a half working primarily the Delaware
13 Basin.

14 Q. And are you a member, Mr. Whiteman, of any
15 professional organizations?

16 A. Yes. I'm a member of the American Association
17 of Petroleum Geologists, AAPG. I've been a member there
18 for over 20 years. I'm also a member of the Rocky
19 Mountain Association of Geologists, RMAG, for over ten
20 years. And then the West Texas Geological Society,
21 WTGS, I've been a member there over two years.

22 Q. And have you had the opportunity to testify as
23 an expert before any other state regulatory agencies in
24 the oil and gas field?

25 A. Yes, I have. In my time working with

1 Mid-Continent, Anadarko Basin, I've testified in front
2 of the Oklahoma Corporation Commission.

3 Q. As an expert in petroleum geology?

4 A. Yes.

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

7 A. Yes, I am.

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

10 A. Yes, I have.

11 MR. FELDEWERT: Mr. Examiner, I would
12 tender Mr. Whiteman as an expert witness in petroleum
13 geology.

14 EXAMINER BROOKS: He is so qualified.

15 Q. (BY MR. FELDEWERT) If you would, Mr. Whiteman,
16 turn to what's been marked as COG Exhibit Number 1.
17 Identify that and walk the Examiner through that
18 exhibit, please.

19 A. Sure. This is a map in the area of interest
20 right on the edge of the Lea-Eddy County line, Section
21 6. There you can see the north half of the north half
22 area of interest in 19 South, 32 East, and constructed
23 this map on top of the Bone Spring Lime, which is the
24 top of the Bone Spring Formation. It's a good marker to
25 contour and a good marker to pick. So we picked that,

1 contoured that, and that's what's reflected on this map.
2 The contour interval is 100 feet, and you can see you
3 have kind of a gentle uniform dip, updip to the
4 northwest, a downdip to the southeast. The orientation
5 of the Haas 6 Fed Com #1H is in the northeast-
6 northeast -- and we're drilling back towards the west,
7 so we're drilling slightly updip.

8 Q. Your intervals here are what, about 100-foot?

9 A. 100-foot, yes.

10 Q. And in back of this is also the Lime Structure
11 Map simply because you hung it on the Lime Subsea?

12 A. Yeah, very top of the Bone Spring.

13 Q. Then turn to what's been marked as COG Exhibit
14 Number 6, please. Would you identify this exhibit, and
15 walk the Examiners through it, please?

16 A. Okay. Same geographic area in the area of the
17 Haas. What I did here was take the available well
18 control that we had in the area, and we looked at the
19 logs, calculated an estimated net pay for the 2nd Bone
20 Spring Sand interval, which is our primary target, and
21 calculated that. You can see the values underneath each
22 wellbore where we had data to do so.

23 Q. Is that reflected in orange?

24 A. Those are the orange numbers below the well
25 symbols, yes. Thank you.

1 The contours then reflect what we expect to
2 see in terms of net pay in this area, specifically the
3 north part of Section 6.

4 Q. Why did you focus on the 2nd Bone Spring Sand?

5 A. The 2nd Bone Spring Sand is our primary target,
6 the Haas Fed Com #1H.

7 Q. Now, the wells that you have chosen on here, do
8 you believe -- for your cross section, do you believe
9 they are representative of production from the wells in
10 the area?

11 A. Yeah. They're a representative section of the
12 2nd Bone Spring, yes.

13 Q. Any more with this exhibit?

14 A. Just make a note of the line of section on this
15 exhibit is the wells to be shown in the next exhibit.

16 Q. That's the A to A prime.

17 We then turn to -- actually, leave this
18 where it is, and go to the next exhibit, which is a
19 larger map --

20 A. Correct.

21 Q. -- marked as COG Exhibit Number 7. First off,
22 Mr. Whiteman, does COG Exhibit Number 7 correspond,
23 then, to the A to A prime that is shown on COG Exhibit
24 Number 6?

25 A. Yes, that is correct.

1 Q. With that understanding, would you please walk
2 the Examiners through -- explain -- first identify COG
3 Exhibit Number 6, and then walk the Examiners through
4 it, please.

5 A. Okay. This is the line section shown on
6 Exhibit 6, and what you have here are four control
7 levels [sic] that we have in the area just north of the
8 proposed location and various log control that we have.
9 We focused in on the 2nd Bone Spring. The SBSG is the
10 top of the 2nd Bone Spring Sand that we see. We marked
11 the base.

12 And then between the wells, in this yellow
13 stipple color, I've highlighted that section of interest
14 that we're targeting for the Haas 6 Fed Com 1H.

15 Q. Now, looking on this map, what is your target
16 interval?

17 A. All right. The target interval, you can see,
18 is that whole stipple area, but our primary is focused
19 for our landing point. If you look at the second well
20 from the right, the Tenneco oil well, we are targeting
21 an approximately equivalent zone in that well of 9260.
22 We correlate that zone back to the west, and these other
23 wells continue consistently across this whole area
24 (indicating).

25 Q. Anything more on this exhibit?

1 A. No, sir.

2 Q. Based on your examination and study, what
3 conclusions have you drawn, Mr. Whiteman?

4 A. Based on the map and the cross section here, we
5 have a very nice thick section of 2nd Bone Spring Sand
6 to target here. It looks consistent across the north
7 part of Section 6 here, and that's why we've identified
8 that as the main target for this well.

9 Q. Have you identified -- have you observed any
10 geologic impediment to developing this area using full
11 section horizontal wells?

12 A. No, I have not.

13 Q. Do you believe that this is an area that can be
14 efficiently and economically developed by horizontal
15 wells?

16 A. Yes.

17 Q. And would you expect that the proposed project
18 area, on average, will contribute equally to the well's
19 production?

20 A. Yes, I do.

21 Q. Finally, then, turn to COG Exhibit Number 8.
22 Is this a well diagram that the company has put
23 together?

24 A. Yes, it is.

25 Q. And will the completed interval for this well

1 comply with all the setback requirements under the
2 Division's rules?

3 A. Yes, it will.

4 Q. And is that reflected on Exhibit Number 8?

5 A. Yes, it is.

6 Q. In your opinion, will the granting of this
7 application be in the best interest of conservation and
8 the prevention of waste and the protection of
9 correlative rights?

10 A. Yes, it will.

11 Q. Were Exhibits 6 through 8 prepared by you or
12 compiled under your direction and supervision?

13 A. Yes, they were.

14 MR. FELDEWERT: Mr. Examiner, I would move
15 the admission into evidence of Exhibits 6 through 8.

16 EXAMINER BROOKS: 6 through 8 are admitted.
17 (COG Exhibit Numbers 6 through 8 were
18 offered and admitted into evidence.)

19 MR. FELDEWERT: That concludes my
20 examination of this witness.

21 EXAMINER BROOKS: I have no questions.
22 Mr. Ezeanyim?

23 EXAMINER EZEANYIM: No questions.

24 THE WITNESS: Thank you.

25 MR. FELDEWERT: That concludes our

1 presentation.

2 EXAMINER BROOKS: Very good. Then Case
3 Number 14886 will be taken under advisement.

4 (The hearing concluded, 9:17 a.m.)
5
6
7
8
9
10
11

12 I do hereby certify that the foregoing is
13 a complete record of the proceedings in
the Examiner hearing of Case No. 14886
14 heard by me on 10-18-12.

15 David K. Brooks Examiner
Oil Conservation Division
16
17
18
19
20
21
22
23
24
25

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

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

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

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

19

20

21

22

23

24

25

Mary C. Hankins

MARY C. HANKINS, CCR, RPR
Paul Baca Professional Court Reporters
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2012