

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, FOR Case 14930
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

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

November 29, 2012
Santa Fe, New Mexico

This matter came on for hearing before the
New Mexico Oil Conservation Division, RICHARD EZEANYIM,
Presiding Examiner, and DAVID K. BROOKS, Legal Examiner,
on Thursday, November 29, 2012, at the New Mexico Energy,
Minerals and Natural Resources Department, 1220 South St.
Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91
Paul Baca Professional Court Reporters
500 Fourth Street, N.W., Suite 105
Albuquerque, NM 87103 505-843-9241

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A P P E A R A N C E S

FOR THE APPLICANT:

HOLLAND & HART, LLP
MICHAEL H. FELDEWERT, ESQ.
110 North Guadalupe, Suite 1
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1 EXAMINER EZEANYIM: This is Case 14930,
2 application of COG Operating, LLC, for compulsory
3 pooling, Eddy County, New Mexico. Call for appearances.

4 MR. FELDEWERT: Mr. Examiner, Michael
5 Feldewert, with the Santa Fe office of Holland & Hart,
6 appearing on behalf of the applicant, COG Operating, LLC.
7 I have one witness today who has already been sworn.

8 EXAMINER EZEANYIM: Any other appearances?

9 Okay. Call your first witness.

10 MR. FELDEWERT: We will recall Ms. Katie
11 Moheb, who has already been sworn and who has already
12 been recognized as an expert witness in petroleum land
13 matters.

14 EXAMINER EZEANYIM: Very good. You may
15 proceed.

16 KATAYOUN MOHEBKHOSRAVI

17 Having been first duly sworn, testified as follows:

18 DIRECT EXAMINATION

19 BY MR. FELDEWERT:

20 Q. Ms. Moheb, if I turn to what's been marked COG
21 Exhibit 1, would you identify this and explain what the
22 company seeks under this particular application?

23 A. Yes. This is a map of our Lakewood area
24 showing our wells, the red in Paddock, and the blue,
25 Blinebry. The yellow is the Sherman 4 Fee.

1 And you can see the dot in Number 1 is the
2 Sherman 4 Fee Number 1. This is where we seek to pool
3 the mineral interests in the Glorieta-Yeso in that
4 40-acre spacing unit. This is within the southwest
5 quarter of the southwest quarter.

6 Q. In this particular case, it's been advertised
7 that the company seeks to pool from the surface to the
8 base of the Glorieta-Yeso Formation; correct?

9 A. Yes.

10 Q. What pool is involved with this application?

11 A. This would be the Atoka Glorieta-Yeso.

12 Q. And what well will be initially dedicated to
13 this 40-acre spacing unit?

14 A. The Sherman 4 Fee Number 1.

15 Q. It will be a vertical well?

16 A. Yes.

17 Q. Has that well already been drilled?

18 A. Yes.

19 Q. And has it already been drilled at a standard
20 location within the spacing unit?

21 A. Yes.

22 Q. Prior to drilling that well, had COG reached
23 an agreement with all the known working interest owners
24 in this standard spacing unit prior to drilling?

25 A. Yes. Based on our title opinion, it was all

1 of the known owners. But recently we discovered a
2 portion of the acreage which was previously thought to be
3 leased was -- now we found was not leased. So that's why
4 we're here for force pooling.

5 Q. I know you're not a legal expert, but it had
6 something to do with community property laws; correct?

7 A. Yes. It was an issue of intestate succession,
8 in which case the owner, M.H. Hunter, had passed away.
9 In our title opinion with community property, after 1937,
10 community property, after the death, would go to his
11 wife. That was the assumption in the title opinion.

12 M.H. Hunter died prior to 1937, and community
13 property laws were different. So it ended up to where
14 half of the interest that was being passed along was to
15 his wife and half was passed on to his sons. It was
16 because of this error that we passed up any interest that
17 should have gone to his sons. So it's been our efforts
18 to track down the sons.

19 Q. Have you been able to discover a valid address
20 for these additional interest owners?

21 A. We went through the normal search that we go
22 through in our records and Internet searches to track
23 down addresses, and those are the ones listed in the next
24 exhibits. And we were not successful in reaching them at
25 those addresses.

1 Q. So if I go to what's been marked COG Exhibit
2 2, it identifies the parties and has on their addresses;
3 correct?

4 A. Yes.

5 Q. But this exhibit reflects that the efforts to
6 reach those individuals at those known addresses was
7 unsuccessful?

8 A. That's true.

9 Q. Did the company then undertake efforts to
10 provide public notice to these interest owners?

11 A. Yes.

12 Q. Is that reflected in COG Exhibit 3?

13 A. Yes.

14 Q. That's an affidavit of publication for this
15 hearing, naming these additional parties?

16 A. Yes.

17 Q. It names all of the additional parties that
18 you now need to pool; correct?

19 A. Yes. All of the additional parties and any
20 potential parties that could possibly hold an interest,
21 we notified.

22 Q. Now, to complete this pooling proceeding then
23 is COG Exhibit Number 4, a copy of the affidavit that was
24 previously submitted to all of the known working interest
25 owners at the time?

1 A. Yes.

2 Q. Are the costs reflected on here consistent
3 with what the company has incurred for drilling similar
4 wells?

5 A. Yes, they are.

6 Q. And what does the JOA provide? Is there a JOA
7 governing this acreage?

8 A. Yes.

9 Q. What does that Joint Operating Agreement
10 provide with respect to overhead and administrative
11 costs?

12 A. It's 6,000 while drilling and 600 while
13 producing.

14 Q. Do you request that those figures be
15 incorporated into any order from this case?

16 A. Yes.

17 Q. And also adjusted in accordance with the COPAS
18 accounting procedures?

19 A. Yes.

20 Q. Does the company request that the customary
21 200 percent risk penalty provided under Division rules be
22 imposed on these additional interest owners or on their
23 interests?

24 A. Yes.

25 Q. Were Exhibits 1 through 4 prepared by you or

1 compiled under your direction and supervision?

2 A. Yes, they were.

3 MR. FELDEWERT: Mr. Examiner, I move the
4 admission into evidence of COG Exhibits 1 through 4.

5 EXAMINER EZEANYIM: Exhibits 1 through 4
6 will be admitted.

7 (Exhibits 1 through 4 were admitted.)

8 MR. FELDEWERT: That concludes my
9 examination of this witness.

10 EXAMINER EZEANYIM: Do you have any
11 questions?

12 EXAMINER BROOKS: No questions.

13 EXAMINATION

14 BY EXAMINER EZEANYIM:

15 Q. So you didn't find this one person. You
16 thought you had all the agreements here? That's why you
17 drilled the well; right?

18 A. Yes. It was brought to our attention by our
19 attorney after they had already given us the original
20 title opinion. And honestly, we were drilling the well
21 at the time.

22 EXAMINER EZEANYIM: Okay. No further
23 questions.

24 MR. FELDEWERT: That concludes our
25 presentation.

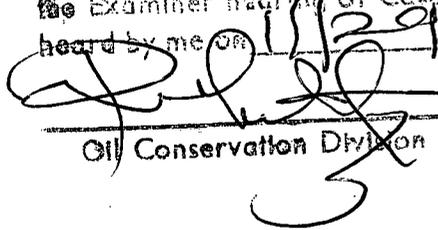
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EXAMINER EZEANYIM: Thank you.

At this point, Case Number 14930 will be taken under advisement. We will break and go to lunch, and we'll be back here at 1:11. Not 1:10, 1:11.

* * *

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 14930 heard by me on 11/29/12.


_____, Examiner
Oil Conservation Division

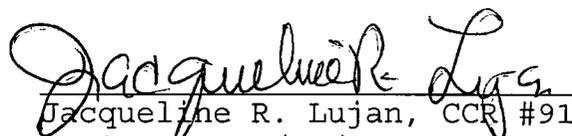
REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on November 29, 2012, proceedings in
the above captioned case were taken before me and that I
did report in stenographic shorthand the proceedings set
forth herein, and the foregoing pages are a true and
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by
nor related to nor contracted with any of the parties or
attorneys in this case and that I have no interest
whatsoever in the final disposition of this case in any
court.

WITNESS MY HAND this 11th day of December,
2012.


Jacqueline R. Lujan, CCR #91
Expires: 12/31/2012