

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

6 APPLICATION OF COG OPERATING, LCC
7 FOR A NONSTANDARD SPACING AND
8 PRORATION UNIT AND COMPULSORY
9 POOLING, EDDY COUNTY, NEW MEXICO.

CASE NO. 14971

ORIGINAL

10 REPORTER'S TRANSCRIPT OF PROCEEDINGS
11 EXAMINER HEARING

12
13 BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER
14 DAVID K. BROOKS, LEGAL EXAMINER
15 PHILLIP GOETZE, TECHNICAL EXAMINER

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16 March 21, 2013
17 Santa Fe, New Mexico

18 This matter came on for hearing before the
19 New Mexico Oil Conservation Division, Richard Ezeanyim,
20 Chief Examiner, David K. Brooks, Legal Examiner and
21 Phillip Goetze, Technical Examiner, on Thursday, March
22 21, 2013, at the New Mexico Energy, Minerals and Natural
23 Resources Department, 1220 South St. Francis Drive,
24 Porter Hall, Room 102, Santa Fe, New Mexico.

25 REPORTED BY: Mary C. Hankins, CCR, RPR
New Mexico CCR #20
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APPEARANCES

FOR APPLICANT COG OPERATING, LCC:

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COG Operating, LLC Exhibit Numbers 1 through 4
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1 (1:23 p.m.)

2 EXAMINER EZEANYIM: We have two cases left.
3 That is very good. Next case is Case 14971, if I'm not
4 mistaken, application of COG Operating, LLC for a
5 nonstandard spacing and compulsory unit, Eddy County,
6 New Mexico.

7 Call for appearances.

8 MR. FELDEWERT: Mr. Examiner, Michael
9 Feldewert, with the Santa Fe office of the law firm of
10 Holland & Hart, appearing on behalf of COG Operating,
11 LLC, the Applicant in this case. I have two witnesses.

12 EXAMINER EZEANYIM: Any other appearances?
13 Okay. May the witnesses stand up and say
14 their names and be sworn?

15 MS. MOHEBKHOŠRAVI: Katayoun Mohebkhosravi.

16 MR. CLARK: Greg Clark.

17 (Ms. Mohebkhosravi and Mr. Clark sworn.)

18 MR. FELDEWERT: Call my first witness.

19 EXAMINER EZEANYIM: Okay.

20 KATAYOUN "KATIE" MOHEBKHOŠRAVI,
21 after having been previously sworn under oath, was
22 questioned and testified as follows:

23 DIRECT EXAMINATION

24 BY MR. FELDEWERT:

25 Q. Would you please tell the Examiner your name,

1 with whom you are employed and in what capacity?

2 A. Any name is a Katayoun Mohebkhosravi, but for
3 simplicity sake, I'll go by Katie. I live in Midland,
4 Texas, and I work for Concho Resources.

5 Q. And have you previously testified before this
6 Division?

7 A. Yes, I have.

8 Q. And were your credentials as a petroleum
9 landman accepted as a matter of public record?

10 A. Yes, they were.

11 Q. Are you familiar with the application filed in
12 this case?

13 A. Yes, I am.

14 Q. And the status of the lands in the subject
15 area?

16 A. Yes.

17 MR. FELDEWERT: I will tender Ms. Moheb as
18 an expert witness in petroleum land matters.

19 EXAMINER EZEANYIM: So qualified.

20 Q. (BY MR. FELDEWERT) And I said "Moheb." Is that
21 okay?

22 A. Yes.

23 Q. M-O --

24 A. H-E-B, yes.

25 Q. Would you turn to what's been marked as Exhibit

1 Number 1? Please identify that and explain what the
2 company seeks under this application.

3 A. Yes. This is the Lakewood area, and it
4 identifies our Yeso wells in the surrounding area.
5 You'll see the right line is the lateral for the
6 Fallabella 31 Fee #6H. The square is our surface-hole
7 location, and that circle on top is the bottom-hole
8 location.

9 Q. And what spacing unit do you seek to create
10 with this application?

11 A. A 160-acre nonstandard spacing unit, and we'd
12 like to pool all of the minerals underlying the unit.

13 Q. In what formation?

14 A. In the Yeso Formation.

15 Q. Don't you know what pool is involved with this
16 application?

17 A. Yes. It's the Penasco Draw-San
18 Andres-Yeso-associated Formation.

19 EXAMINER EZEANYIM: What is that?

20 A. Penasco Draw-San Andres-Yeso.

21 Q. (BY MR. FELDEWERT) And that's an associated
22 pool?

23 A. Yes.

24 EXAMINER EZEANYIM: Penasco Draw-San Andres
25 associated pool?

1 MR. FELDEWERT: Yes. Mr. Examiner, the
2 pool code is 50280.

3 EXAMINER EZEANYIM: Now, there is a case
4 that was done here in the Penasco Draw pool. Do you
5 know the order number? We talked about it.

6 MR. FELDEWERT: Yes. The case was
7 previously involved -- the order number was R-13578, and
8 it was --

9 EXAMINER EZEANYIM: Same section?

10 MR. FELDEWERT: That was in June of 2012.

11 Q. (BY MR. FELDEWERT) Now, you mentioned that's an
12 associated pool, so there are special rules that apply
13 to that pool, correct?

14 A. Yes, there are.

15 Q. But in terms of the spacing and the location
16 for the oil well, it's similar to the statewide rules?

17 A. Yes, it is.

18 Q. 40 acres of 337 [sic] --

19 A. Yes.

20 Q. Is Section 31 all fee lands?

21 A. Yes, it is.

22 Q. And the order that we just referenced with the
23 Examiner that was entered in June of 2012, did that
24 approve a similar spacing unit in the west half of the
25 east half of this section?

1 A. Yes. It was also a 160-acre nonstandard
2 spacing unit.

3 Q. So you seek to continue with the stand-up
4 horizontal well project areas?

5 A. Yes, that's true.

6 Q. What well will be initially dedicated to the
7 east half of the west half spacing unit?

8 A. The east half of the west half will be
9 dedicated to the Fallabella 31 Fee. 6H.

10 Q. And I believe the front page of the exhibit
11 package contains the API for that?

12 A. Yes.

13 Q. Has that well already been drilled?

14 A. Yes, it has.

15 Q. Does the completed interval comply with all the
16 setbacks required by the Division?

17 A. Yes, it does.

18 Q. And where is the surface and bottom-hole
19 location?

20 A. The -- I apologize. It's in Unit N, I believe.

21 Q. It looks like your surface location, according
22 to Exhibit Number 1, is in Unit N, and the bottom hole
23 is in Unit C?

24 A. Unit C, yes.

25 Q. Why did the company commence drilling of this

1 well prior to this pooling procedure?

2 A. Well, at the time, we thought that we had
3 100-percent joinder of the other parties, and
4 afterwards, a couple of title issues showed up. And you
5 can see that when we continue to the next exhibit.

6 Q. If you'll turn to what has been marked as
7 Exhibit Number 2, does this assist in identifying the
8 marketable-title issues after you proposed drilling this
9 well?

10 A. Yes. As you can see on top, that's a plat
11 showing the 160-acre spacing unit at the Fallabella 6H,
12 and below is the ownership for the 6H. What's shown
13 here are the parties who we, at the time, thought we had
14 100-percent joinder for.

15 Lou Mazzullo, as you'll see, is
16 highlighted. It's the first one highlighted. We're in
17 the middle of -- or, he wants to assign his interest to
18 us, but he was -- he's been out of town, so it's not
19 finalized yet. For that purpose, for precaution, we've
20 included him in this, but he wants to assign his
21 interest to us.

22 Mark Nearburg, by virtue of a preexisting
23 operating agreement, is agent on behalf of all of those
24 parties listed below. So we have been in close contact
25 with Mr. Nearburg, and he signed an AFE. However, this

1 title issue came up where Mr. Nearburg and the parties
2 below, who he was agent on behalf of, actually assigned
3 their interest to Ameristate Exploration. And so in
4 this situation, we believe that Ameristate actually has
5 the interest.

6 It's the recommendation of our attorney
7 that we create -- or that a stipulation of interest is
8 created and recorded. And since that hasn't been done
9 yet, as I mentioned before, for precautionary purposes,
10 we've decided to go ahead and pool all the arteries.

11 Q. So this marketable-title issue is reflected on
12 Exhibit Number 2 --

13 A. Yeah.

14 Q. -- with the highlighted interest owners that
15 are bracketed?

16 A. Yes.

17 And also, in terms of Ameristate, we are in
18 negotiations with them, and we have a verbal that they
19 would like to participate, but we haven't reached any
20 kind of formal agreement in terms of an operating
21 agreement.

22 Q. So since this well has already been drilled,
23 instead of waiting for the stipulation and to get this
24 marketable-title issue cleared up, you went ahead and
25 filed for a pooling application?

1 A. Yes.

2 CROSS-EXAMINATION

3 BY EXAMINER EZEANYIM:

4 Q. My first question was the question you just
5 asked about the -- of the well. And I'm looking at that
6 Exhibit Number 2. Can you explain, those ones
7 highlighted in yellow --

8 A. Yes.

9 Q. Okay. What was your answer when you were asked
10 why was the well drilled before? You say you thought
11 you had all --

12 A. 100-percent joinder. And that was mostly in
13 good faith based on a verbal. And as I mentioned
14 before, Lou Mazzullo, that first party that was
15 highlighted, wants to assign his interest. And so until
16 the stipulation of interest is really created, it's not
17 final, and his interest is not of record, really.

18 Q. I understand.

19 A. So until he actually really assigns it -- when
20 it's done, it doesn't really matter. Does that kind of
21 make sense?

22 And then Mark Nearburg, we had a signed
23 AFE. And it was around the time that we drilled the
24 well -- I mean, it was probably right after that we
25 found out about Ameristate. But at the time, we had a

1 signed AFE and his word, so as an act of good faith, we
2 just went ahead and drilled it.

3 Q. Is it my understanding that all the names below
4 Lou Mazzullo --

5 A. Yes.

6 Q. -- you want to pool, right?

7 A. Yes.

8 Q. Okay. Now, are you saying that before you
9 drilled the well -- you know, I'm not understanding why
10 you drilled the well, according to your counsel, before.

11 A. Well, I'll explain it for you. Mark Nearburg
12 and all of the parties listed below him that are
13 highlighted are all of his friends and family members,
14 so he assigned partial interest to them in the past.
15 And as I mentioned before, in a preexisting operating
16 agreement, which is how they have their interest -- it's
17 a contractual interest -- he is the agent on behalf of
18 these folks. And we had his participation; and he said
19 he would contact them, they wanted to participate, but,
20 as he said, some of them are out of town. It's taking
21 awhile to get signatures.

22 As I mentioned before, it was kind of an
23 act of good faith that we just went ahead with it
24 because he was agent on behalf of them. And he
25 represented, when we spoke with him, that he was agent

1 on behalf of those parties as well.

2 CONTINUED DIRECT EXAMINATION

3 BY MR. FELDEWERT:

4 Q. So we'll call that the Nearburg group.

5 A. That's the Nearburg group, yes.

6 Q. So you thought you had an agreement with the
7 Nearburg group?

8 A. Yes.

9 Q. Then the paperwork didn't get finalized, and in
10 the midst of all that --

11 A. Yes.

12 Q. -- you learned that there was some assignment
13 to Ameristate from the Nearburg group, right?

14 A. To Ameristate, yes.

15 Q. So now you have a question of marketable title?

16 A. Exactly.

17 Q. And you've been trying to sort that out, but
18 you've been unable to do it?

19 A. Well, I mean, it's just taking a while, but, at
20 this moment, no, we have not been able to.

21 Q. So rather than wait any longer, since the well
22 has already been drilled, you filed for pooling?

23 A. Exactly.

24 EXAMINER EZEANYIM: Thank you very much. I
25 think we need to understand it.

1 Q. (BY MR. FELDEWERT) And I think we've already
2 got this on the record, but let me just double-check.
3 So the parties that you seek to pool under this
4 proceeding --

5 A. Yes.

6 Q. -- are the parties that are highlighted in
7 yellow on Exhibit Number 2?

8 A. Yes, that is correct.

9 Q. Were you able to locate addresses of record for
10 these uncommitted interest owners?

11 A. Yes. They had addresses listed themselves, and
12 they also had -- as I mentioned before, Mark Nearburg
13 was agent on behalf of them, and we were in contact with
14 him.

15 Q. So now when you commence these pooling
16 proceedings, if I turn to what's been marked as Exhibit
17 Number 3, is this your well proposal letter with the
18 proposed AFE that went out to all interest owners?

19 A. Yes.

20 Q. Including Ameristate?

21 A. Including Ameristate.

22 Q. And it contains an AFE; does it not?

23 A. Yes.

24 Q. In addition to sending this letter, what other
25 efforts have you undertaken besides what you've already

1 testified to obtain a voluntary joinder in this --

2 A. Well, as I mentioned before, I've been in close
3 contact with all of the parties, you know, with the
4 exception of part of the Mark Nearburg group. But all
5 of the other parties I've been in close contact with.
6 The ones who aren't highlighted, of course, you know, we
7 have joinder from them. And in terms of Ameristate,
8 we've been in discussion for awhile, and as I mentioned
9 before, we have a verbal that they would like to
10 participate.

11 Q. If -- at the point that you're able to figure
12 out the ownership interest, if they get the stipulation
13 in place that you need --

14 A. Yes.

15 Q. -- and if you then are able to get a written
16 agreement after that with all of these parties, do you
17 intend to notify the Division that a pooling order is
18 not necessary?

19 A. Yes.

20 Q. But at this point in time, you need a pooling
21 order, correct?

22 A. Yes.

23 Q. If we turn to what's been marked as -- stay
24 with Exhibit Number 3 and look at the AFE. Are these
25 costs consistent with what the company has incurred for

1 drilling similar horizontal wells in this section?

2 A. Yes.

3 Q. And have you made an estimate of the overhead
4 and an estimate of the cost of drilling this well and
5 producing it if you are successful?

6 A. Yes. It's actually going to be -- and this
7 is -- this is different than you have on there. It's
8 going to be 5,450 -- is that right? Right. Yes.
9 5,000- -- I apologize. 5,450 while drilling and 545
10 while producing.

11 Q. Are these costs that have been accepted by the
12 parties that have executed a joint operating agreement?

13 A. Yes. And that's what was listed in this letter
14 as well.

15 EXAMINER EZEANYIM: 550? What is the
16 drilling cost?

17 THE WITNESS: 5,500- -- I apologize. Whew.
18 5,450 and 545.

19 Q. (BY MR. FELDEWERT) And does the company request
20 that these figures not only be incorporated into the
21 order of this hearing but also to provide for an
22 adjustment in accordance with the COPAS guidelines?

23 A. Yes.

24 Q. And in the event you are unable to get everyone
25 to sign off on a voluntary agreement, do you request

1 that a 200-percent risk penalty, as provided by the
2 Division rules, be applied?

3 A. Yes, I do.

4 Q. Do you have a geologist here today to provide
5 technical testimony for this nonstandard spacing unit?

6 A. Yes, we do.

7 Q. And did the company include in the Notice of
8 Hearing for this proceeding the leased mineral owners in
9 the 40-acre tract surrounding the proposed standard
10 unit?

11 A. Yes.

12 Q. Turn to what's been marked as COG Exhibit 4.
13 Is that an affidavit, prepared by my office with the
14 attached letters, providing notice of this hearing to
15 all of the affected parties?

16 A. Yes.

17 Q. Were Exhibits 1 through 3 prepared by you or
18 compiled under your direction or supervision?

19 A. Yes, this is true.

20 MR. FELDEWERT: Mr. Examiner, I'd move at
21 this time the admission of Exhibits 1 through 4, which
22 include my affidavit.

23 EXAMINER EZEANYIM: Exhibits 1 through 4
24 will be admitted.

25 (COG Operating, LLC Exhibit Numbers 1

1 through 4 were offered and admitted into
2 evidence.)

3 MR. FELDEWERT: That concludes my
4 examination of this witness.

5 EXAMINER EZEANYIM: Thank you very much.

6 CROSS-EXAMINATION

7 BY EXAMINER BROOKS:

8 Q. Since it came up this morning, I guess I should
9 ask: Is the administrative overhead -- are the
10 administrative overhead rates you are proposing the same
11 as those provided among the consenting parties in the
12 Joint Operating Agreement?

13 A. Yes. There was a little confusion at first
14 whether or not it was 5,450 or if it was 5,500. So it
15 was \$50 really that -- whether or not we had it correct.
16 But either way, as you said earlier today from Devon,
17 we'll correct it if it's not. But to my knowledge, it's
18 5,450.

19 Q. Sounds good to me.

20 And since this is called a fee well, would
21 it be correct to assume that all of the land in the
22 proposed project area is privately owned minerals?

23 A. Yes, that's correct.

24 EXAMINER BROOKS: That's all.

25 EXAMINER GOETZE: No questions.

CROSS-EXAMINATION

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BY EXAMINER EZEANYIM:

Q. Katie, could you say your last name, because if it looks like mine, nobody -- how do you say your last name?

A. Okay. Well, it's pronounced Mohebkhosravi, but, I mean, you can say -- Mohebkhosravi.

Q. I can understand that, because if you say my last name here, nobody will -- maybe there is one person who will understand it.

A. But as I mentioned before, for simplicity sake, I go by Katie Moheb. It makes it easier.

EXAMINER BROOKS: But you don't spell it the same as the music festival [sic]?

THE WITNESS: No. No. This is true.

Q. (BY EXAMINER EZEANYIM) Now, this well has been drilled under the notion that you got all the interest owners to sign up. When was that well drilled; do you know?

A. January 21st.

Q. Of this year?

A. Yes.

Q. What is the status?

A. Right now?

Q. Yeah.

1 A. It's been completed, and I believe it's
2 producing.

3 Q. It's completed and producing. Do you have a
4 Form C-104 to produce that well? You have to -- I mean,
5 you can't produce without the C-104.

6 A. Uh-huh. Right.

7 MR. FELDEWERT: Has one been filed? Is
8 that your question?

9 EXAMINER EZEANYIM: Yeah. I mean, the well
10 was drilled and completed in January and is producing
11 now. You can't produce without Form C-104. So were you
12 issued the C-104 on the assumption that everybody
13 participated, because if everybody participated -- I
14 don't want to know about it, but now you have to come in
15 here and get a compulsory pooling. So my question is:
16 The well is currently producing right now?

17 THE WITNESS: Yes.

18 MR. FELDEWERT: So that's why we're here as
19 expeditiously as possible to get a pooling.

20 EXAMINER EZEANYIM: But you got your C-104
21 from the district?

22 MR. FELDEWERT: You know, there is not one
23 in the records, and my understanding is that one has
24 been filed. I doubt --

25 EXAMINER EZEANYIM: No, you can't do this

1 without approval. I don't think so.

2 EXAMINER BROOKS: It depends on whether the
3 purchaser will let you get by with it or not.

4 MR. FELDEWERT: But in any event, that's
5 why we're asking -- in fact, Mr. Examiner, if we could
6 get an expedited order, that would be appreciated. And
7 I will assist --

8 EXAMINER EZEANYIM: Well, you are asking an
9 expedited in a vacuum. I mean, I don't have enough --
10 that's why I want -- and I have to say it now, because
11 everybody is asking for -- in this case, we might,
12 maybe, because of it, but I want everybody now to take
13 notice of the limited resources we're having.

14 MR. FELDEWERT: And I was going to say, to
15 assist in that, I can certainly offer a draft order, if
16 that would be of help.

17 EXAMINER EZEANYIM: We don't refuse any
18 draft orders.

19 MR. FELDEWERT: Well, I can get that done,
20 because we have a template to go off of that you've
21 already --

22 EXAMINER BROOKS: So do we.

23 MR. FELDEWERT: So if you'd like, I can do
24 that.

25 EXAMINER EZEANYIM: Now, you are thinking

1 of -- portion of the well, not from the surface on the
2 Yeso Formation, right?

3 MR. FELDEWERT: Just the -- yes, just Yeso
4 Formation.

5 Q. (BY EXAMINER EZEANYIM) Now, let's say we notice
6 everybody; therefore, there is no need for escrow,
7 right?

8 A. Well --

9 Q. Is there a need for escrow?

10 A. In this situation, I feel like maybe it's
11 necessary, because we don't have marketable title in
12 terms of Ameristate. So at this point, it's all in
13 suspense. So until we can get the stipulation of
14 interest, I think it would be advisable to put it into
15 escrow.

16 EXAMINER BROOKS: Let me interject a
17 question on that, because I'm not clear exactly what you
18 said about Ameristate.

19 CROSS-EXAMINATION

20 BY EXAMINER BROOKS:

21 Q. Did you give notice to the people -- to whoever
22 is of record as the owner of that interest presently?

23 A. Yes. Yes. Well, and both parties --

24 Q. And you also gave notice to Ameristate?

25 A. Yes. Exactly.

1 Q. So you're covered.

2 A. Exactly.

3 EXAMINER EZEANYIM: Are you done?

4 EXAMINER BROOKS: I'm done.

5 EXAMINER EZEANYIM: Okay. Call your next
6 witness.

7 GREG CLARK,

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

10 DIRECT EXAMINATION

11 BY MR. FELDEWERT:

12 Q. For the record, state your name and identify by
13 whom you are employed and in what capacity.

14 A. Greg Clark, Concho, senior geologist.

15 Q. And you have previously testified before this
16 Division as a petroleum geologist not only today but in
17 prior hearings, correct?

18 A. Correct.

19 Q. And are you familiar with the application filed
20 in this case?

21 A. Yes, I am.

22 Q. And have you conducted a study of the areas
23 that are the subject of this application?

24 A. Yes, I have.

25 MR. FELDEWERT: Mr. Examiner, I would

1 re-tender Mr. Clark as an expert witness in petroleum
2 geology.

3 EXAMINER EZEANYIM: Mr. Clark, where do you
4 live?

5 THE WITNESS: Midland, Texas.

6 EXAMINER EZEANYIM: Where did you go to
7 school?

8 THE WITNESS: New Mexico State university.

9 EXAMINER EZEANYIM: Oh, no wonder.

10 (Laughter.)

11 EXAMINER EZEANYIM: Mr. Clark is so
12 qualified.

13 Q. (BY MR. FELDEWERT) Would you turn to what's
14 been marked as COG Exhibit Number 5 and please orient us
15 with what it depicts?

16 A. Sure. This is a regional structure map on top
17 of the Paddock Formation. It has the offset producing
18 field labeled in blue. The wells that are colored red
19 and/or blue are Paddock and/or Blinebry producers. We
20 have a regional structural dip that goes from the
21 northwest to the southeast basinward. This is on the
22 shelf edge of the Delaware Basin. The yellow is Concho
23 acreage, and it shows the Fallabella 31 Fee 6H that we
24 drilled. And as you can see, it's in structural
25 relationship to producing offset horizontal wells in

1 that area. So we feel that there is no major structural
2 component that would have separated us from the other
3 producing fields.

4 Q. Just to assist anyone looking at the time
5 record, if I look at what's been marked as COG Exhibit
6 Number 1, that is a depiction of a more -- a larger
7 depiction of the area at issue that you've also shown on
8 Exhibit Number 5?

9 A. That's correct.

10 Q. Any more about this exhibit?

11 A. No.

12 Q. Would you now turn to what's been marked as COG
13 Exhibit Number 6? Identify it and explain what it
14 depicts.

15 A. Sure. This is a map covering the same area as
16 the previous exhibits, the Paddock structure map, with
17 the structure contours taken off and with the line of
18 cross section displayed -- that will be the next exhibit
19 we'll go over -- which goes from A to A prime, from
20 south Cemetery field to the Lakewood area to the north.

21 Q. And do you believe the wells shown are
22 representative of the area?

23 A. I do.

24 Q. Have you actually utilized them in prior
25 presentations to the Division?

1 A. I have.

2 Q. Would you turn to what's been marked as COG
3 Exhibit Number 7? First identify and explain what it
4 depicts.

5 A. Again, this is a regional cross section going
6 from the south to the north, A to A prime. That's left
7 to right on the cross section. We're flattened on top
8 of the Paddock. There are three wells with the red
9 rectangles in the depth track that represent wells that
10 have been completed -- perforated and completed in the
11 Paddock, and then we have the other wells -- the Arabian
12 is a vertical well. It's the third well from the right.
13 It's a vertical well that we drilled and that we're
14 currently testing the Blinebry in. But the other two
15 wells are deep Morrow wells that haven't been completed
16 back to the Yeso to date.

17 This cross section mainly is depicting the
18 stratigraphic relationship across the area in which we
19 drilled the well and the relationship from one field to
20 the other. We feel that it's very consistent. There is
21 not a lot -- there's not much difference in stratigraphy
22 as you go from the south to the north, and we feel that
23 the fields that these wells represent is representative
24 of where we drilled the Fallabella 31 6H.

25 Q. And Exhibit Number 7, likewise, also identifies

1 your range laterally?

2 A. That is correct. The brackets that has
3 depicted lateral interval is the interval in which we
4 landed the Fallabella 31 6H.

5 Q. Have you observed any geologic impediments that
6 would prevent development of this area using
7 full-section horizontals?

8 A. No, I have not.

9 Q. Do you believe that this is an area that can be
10 efficiently and economically developed by a horizontal
11 well?

12 A. I do.

13 Q. In your opinion, will the proposed nonstandard
14 units, on average, contribute more or less equally to
15 the production of the well?

16 A. Yes.

17 Q. Now, if you'll turn to the last exhibit, would
18 you please identify that for us, please, COG Exhibit
19 Number 8?

20 A. Yes. That's a diagram showing the lateral
21 interval that was completed within the 330 setbacks of
22 the unit boundaries.

23 Q. In your opinion, will the granting of this
24 application be in the best interest of conservation and
25 the prevention of waste and the protection of

1 correlative rights?

2 A. Yes.

3 Q. Were COG Exhibits 5 through 8 prepared by you
4 and compiled under your direction and supervision?

5 A. They were.

6 MR. FELDEWERT: Mr. Examiner, I would move
7 into evidence COG Exhibits 5 through 8.

8 EXAMINER EZEANYIM: Exhibits 5 through 8
9 will be admitted.

10 (COG Operating, LLC Exhibit Numbers 5
11 through 8 were offered and admitted into
12 evidence.)

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

15 EXAMINER EZEANYIM: Thank you very much.
16 Mr. Brooks?

17 EXAMINER BROOKS: Nothing.

18 EXAMINER EZEANYIM: Mr. Goetze?

19 CROSS-EXAMINATION

20 BY EXAMINER GOETZE:

21 Q. Yeah. Question: Since this is a producing
22 well, do we have any information on the initial
23 characteristics of the reservoir, initial pressures,
24 production?

25 A. The engineer would have all of those answers.

1 I will say that we started cutting oil, you know, about
2 a week ago. So it's really just in the infancy of
3 producing, but we feel like we're seeing good initial
4 results.

5 EXAMINER GOETZE: No other questions.

6 EXAMINER EZEANYIM: Thank you.

7 Mr. Clark, you were here about three or
8 four months ago.

9 THE WITNESS: Yes.

10 EXAMINER EZEANYIM: -- in December?

11 In that case, you may step down.

12 THE WITNESS: Okay. Thank you.

13 MR. FELDEWERT: That concludes our
14 presentation.

15 EXAMINER EZEANYIM: Thank you very much.

16 At this point, Case 14971 will be taken
17 under advisement.

18 (Case Number 14971 concludes, 1:51 p.m.)

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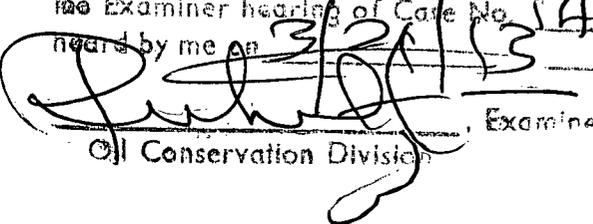
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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14971
heard by me on 3/21/13

Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

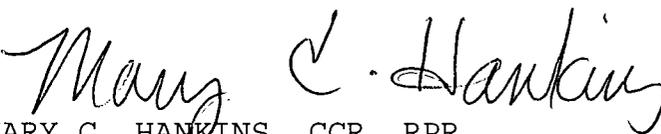
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CERTIFICATE OF COURT REPORTER

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

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

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


MARY C. HANKINS, CCR, RPR
Paul Baca Court Reporters
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2013