

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 CASE NOS. 15027 and  
6 FOR DESIGNATION OF A NONSTANDARD 15028  
7 SPACING UNIT AND FOR COMPULSORY  
8 POOLING, LEA COUNTY, NEW MEXICO.

ORIGINAL

9 REPORTER'S TRANSCRIPT OF PROCEEDINGS

10 EXAMINER HEARING

11 July 25, 2013

12 Santa Fe, New Mexico

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14 BEFORE: PHILLIP GOETZE, CHIEF EXAMINER  
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18 This matter came on for hearing before the  
19 New Mexico Oil Conservation Division, Phillip Goetze,  
20 Chief Examiner, on Thursday, July 25, 2013, at the New  
21 Mexico Energy, Minerals and Natural Resources  
22 Department, 1220 South St. Francis Drive, Porter Hall,  
23 Room 102, Santa Fe, New Mexico.

23 REPORTED BY: Mary C. Hankins, CCR, RPR  
24 New Mexico CCR #20  
25 Paul Baca Professional Court Reporters  
500 4th Street, Northwest, Suite 105  
Albuquerque, New Mexico 87102

1 APPEARANCES

2 FOR APPLICANT COG OPERATING, LLC:

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4 MONTGOMERY & ANDREWS LAW FIRM  
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1 (10:16 a.m.)

2 EXAMINER GOETZE: At this point,  
3 Mr. Ezeanyim is going to go off and do other things.

4 (Examiner Ezeanyim exits the room.)

5 EXAMINER GOETZE: I'll take the next case  
6 on the docket, which is Case 15027, application of COG  
7 Operating, LLC for designation of a nonstandard spacing  
8 unit and compulsory pooling, Lea County, New Mexico.

9 Call for appearances.

10 MR. McMILLAN: Seth McMillan, with  
11 Montgomery & Andrews here in Santa Fe, representing COG  
12 Operating.

13 As a preliminary matter, Mr. Examiner, I'd  
14 like to ask that Case 15027 be consolidated with Case  
15 15028 on the grounds that we have the same witnesses,  
16 same evidence, similar exhibits, roughly similar  
17 ownership.

18 EXAMINER GOETZE: At the request of the  
19 Applicant, Case 15027 and Case 15028 will be  
20 consolidated.

21 And for the record, Case 15028 is the  
22 application of COG Operating, LLC for designation of a  
23 nonstandard spacing unit and compulsory pooling, Lea  
24 County, New Mexico.

25 Proceed.

1                   MR. McMILLAN: I would just propose to take  
2 a similar tack to that taken by Mr. Hall earlier this  
3 morning in his consolidated cases, where we have two  
4 sets of exhibits, one for each case, and we'll kind of  
5 be hopping back and forth where necessary to flesh out  
6 descriptions between them.

7                   EXAMINER GOETZE: Very good.

8                   At this point, I'd also like to bring up  
9 that Occidental has signed an AFE with you?

10                  MR. McMILLAN: They have, and I'd ask that  
11 they be dismissed.

12                  EXAMINER GOETZE: For both cases?

13                  MR. McMILLAN: For both cases.

14                  EXAMINER GOETZE: Okay. And your  
15 witnesses?

16                  MR. McMILLAN: Yes. I have two witnesses  
17 today, both previously sworn. I don't know if those  
18 oaths can be refreshed.

19                  EXAMINER GOETZE: Go ahead and state your  
20 names, and you are under oath.

21                  MR. JOHNSON: Sean Johnson.

22                  MS. SNIDOW: Kelli Snidow.

23                  MR. McMILLAN: At this time, I would call  
24 Sean Johnson.

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SEAN JOHNSON,

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

DIRECT EXAMINATION

BY MR. McMILLAN:

Q. Mr. Johnson, if you'd please state your full name and place of residence.

A. Sean Johnson, Midland, Texas.

Q. And by whom are you employed and in what capacity?

A. I'm employed by COG Operating, LLC as a landman.

Q. Are you authorized to testify today on COG's behalf?

A. Yes, I am.

Q. Have you previously testified before the Division or one of its Examiners and had your credentials accepted and made a matter of record?

A. I have.

Q. And are you familiar with the applications filed in Cases 15027 and 15028?

A. Yes, I am.

Q. And are you familiar with the subject areas and the proposed wells?

A. Yes, I am.

1 MR. McMILLAN: Mr. Examiner, we re-offer  
2 Mr. Johnson as a qualified expert and a petroleum  
3 landman.

4 EXAMINER GOETZE: So qualified.

5 Q. (BY MR. McMILLAN) Mr. Johnson, would you  
6 briefly state what COG seeks by its application in Case  
7 15027?

8 MR. McMILLAN: And just to be clear for the  
9 record, Mr. Examiner, I'll try to be consistent in  
10 referring -- would you prefer that I refer to case  
11 numbers as we hop back and forth?

12 EXAMINER GOETZE: I think that would keep  
13 track of it good, so, yes.

14 MR. McMILLAN: Okay. I'll refer to them by  
15 case numbers, but if I -- just for clarity, Case 15027  
16 involves our Sneed 9 Federal Com #1H well. 15028 is the  
17 3H well.

18 Q. (BY MR. McMILLAN) Mr. Johnson, briefly state  
19 what COG seeks by its application in Case 15027.

20 A. Under application 15027, COG seeks two things.  
21 One being an approved nonstandard spacing unit order for  
22 the Sneed 9 Federal Com 1H well located in Township 17  
23 South, Range 32 East, Section 9, being the north  
24 half-north half of the section in Lea County, New  
25 Mexico, and also an approved forced pooling order for

1 the mineral interest owners located within that proposed  
2 nonstandard spacing unit application for the Yeso  
3 Formation, which is located in the Maljamar-Yeso pool.

4 Q. What is the primary objective for the proposed  
5 well in Case 15027?

6 A. For the pooling of the mineral interest owners  
7 located within the Yeso Formation.

8 Q. So the target formation is the Yeso Formation?

9 A. That is correct.

10 Q. And the target interval is the Lower Blinebry?

11 A. That is correct.

12 Q. And is COG seeking to pool the entire vertical  
13 in the West Maljamar-Yeso pool?

14 A. We are.

15 MR. McMILLAN: And for the record, that  
16 pool number is 44500, created under Order R-13382 E.

17 Q. (BY MR. McMILLAN) Would you briefly state what  
18 COG seeks by its application in Case 15028?

19 A. In Case 15028, COG seeks the approval of two  
20 things. One being an approved order for the Sneed 9  
21 Federal Com #3H, an approved order for the nonstandard  
22 spacing unit for that proposed well, which is located in  
23 Township 17 South, Range 32 East, Section 9, being the  
24 south half of the north half of that section, in Lea  
25 County, and then also seeking approval of a forced

1 pooling order for the mineral interest owners located  
2 within the Yeso Formation in the Maljamar West pool and  
3 that proposed spacing unit.

4 Q. What is the primary objective for the proposed  
5 well in Case 15028?

6 A. Yeso Formation.

7 Q. And the target interval?

8 A. Is the Lower Blinebry.

9 Q. And is COG seeking to pool the -- of the West  
10 Yeso pool?

11 A. Yes, we are.

12 Q. Have you prepared certain exhibits for  
13 introduction in these cases?

14 A. Yes, I have.

15 Q. Let's please look at Exhibit 1 in Case 15027.  
16 And could you please explain this exhibit to us?

17 A. Yes. Exhibit 1 is just a land plat of our  
18 proposed nonstandard spacing unit for Sneed Fed Com #1H  
19 located in the north half of the north half section of  
20 Number 9 of Township 17 South, Range 32 East.

21 As you'll see, the proposed unit is  
22 comprised of three tracts. Tract 1 being 80 acres in  
23 the north half of the northwest. COG and OXY are both  
24 50/50 working interest owners within that tract. Tract  
25 2 being in the northwest of the northeast. COG and OXY

1 are also split 50/50 in that tract as well. Tract 3 is  
2 located in the northeast-northeast of Section 9, so COG  
3 owning a majority interest, a little over 97 percent  
4 interest in that tract.

5 And at the bottom of that exhibit, you'll  
6 just see a unit recap of the entire -- of the entire  
7 unit, the interest owners and what they contribute to  
8 that unit. Showing COG owning a little bit over 61  
9 percent, being a majority interest in that proposed  
10 well.

11 Q. And so what percentage of the acreage in the  
12 40-acre pools or formations is voluntarily committed to  
13 this well?

14 A. A little over 99 percent of the interest within  
15 the proposed well is committed to the well.

16 Q. And now turning to Exhibit 1 in Case 15028, can  
17 you please describe ownership in that case?

18 A. Yes. Exhibit 1 in Case 15028 is the proposed  
19 nonstandard spacing unit for Sneed 9 Fed Com #3H located  
20 in the south half of the north half of Section 9,  
21 Township 17 South, Range 32 East.

22 As you can see, that proposed unit is  
23 comprised of two tracts. One tract being in the south  
24 half-northwest of Section 9, comprising 80 acres, where  
25 you'll see COG and OXY each own, respectively,

1 50-percent interest. Tract 2 is moving over to the  
2 south half of the northeast, 80 acres, where COG owns a  
3 little over 84 percent in that tract, split between  
4 Chevron and Halcon with the remaining interest.

5 At the bottom of that exhibit is a unit  
6 recap of the interest owners and the interest they  
7 contribute to the unit, with COG owning a little over  
8 67 percent of the proposed unit.

9 Q. And tell us what percentage of the acreage in  
10 the 40-acre pools or formations is voluntarily committed  
11 to this well?

12 A. A little over 92 percent.

13 Q. Let's turn now to your Exhibit 2 in Case 15027.  
14 Does this exhibit identify the interests that COG seeks  
15 to pool in that case?

16 A. Yes. That is correct.

17 Q. Does COG seek to pool any unleased mineral  
18 interests in 15027?

19 A. We do.

20 Q. Does COG seek the imposition of a 200-percent  
21 risk penalty against the unjoined interests listed on  
22 the first page of Exhibit 2?

23 A. Yes, we do.

24 Q. With reference to the second and third pages of  
25 Exhibit 2, why is COG seeking to pool royalty interests

1 and overriding royalty interests only in this case?

2 A. The leases that COG has acquired its interests  
3 from are leases that do not have pooling language and do  
4 not grant pooling within the lease, and there have been  
5 subsequent assignments that have created overrides.  
6 Could be through the period of the lease itself. And  
7 the pool in the assignments had also lack of pooling  
8 language and provisions in there as well.

9 Q. Is COG seeking to recover costs from these  
10 royalty interest and overriding royalty interest owners  
11 listed in the second and third pages of Exhibit 2?

12 A. No, we are not.

13 Q. You're just interested in consolidating the  
14 interests of the spacing unit?

15 A. Yes, we are.

16 Q. Does COG also seek to be designated operator  
17 for the well in Case 15027?

18 A. Yes.

19 Q. Turning now to Exhibit 2 in Case 15028, does  
20 this exhibit identify the interests that COG seeks to  
21 pool in this case?

22 A. Yes, it does.

23 Q. Does COG seek to pool any unleased mineral  
24 interests in 15028?

25 A. No, it does not.

1 Q. Does COG seek the imposition of a 200-percent  
2 risk penalty against the unjoined interests listed on  
3 the first page of Exhibit 2?

4 A. Yes, it does.

5 Q. And I guess for the record, on 15028, why is  
6 COG seeking to pool those interests and overriding  
7 royalty interest owners listed on the second and third  
8 pages?

9 A. For the same reason as in Case 15027. It's the  
10 same lease that COG has acquired its interest in, and  
11 that lease does not grant pooling. And there's been  
12 subsequent assignments out of that lease, and those  
13 assignments have not granted pooling language and  
14 provision in those assignments as well.

15 Q. And, again, COG isn't seeking to recover costs  
16 from those royalty interests and overriding royalty  
17 interest owners, correct?

18 A. That's correct.

19 Q. And with respect to the well in Case 15028,  
20 does COG seek to be designated operator for the well?

21 A. Yes, we do.

22 Q. Let's move to your Exhibit 3 in Case 15027.  
23 Can you tell us what this exhibit is?

24 A. Yes. Exhibit Number 3 -- there are two pages  
25 of this. That's our AFE cover letter that we would send

1 to partners. The first -- the first one being a cover  
2 letter that we would send to leasehold owners stating  
3 our well proposal, location of the well, cost of the  
4 well, what operating agreement we're proposing the well  
5 under, and then also terms for a term assignment to  
6 acquire their interest through a term assignment if the  
7 parties do not elect to voluntarily participate in the  
8 well.

9           And the second page is the same cover  
10 letter, with the same information, but this is addressed  
11 toward the unleased mineral owners, giving them a chance  
12 to participate in the well and/or lease their interest  
13 to COG through an oil and gas lease.

14           Q.    Would you please discuss your efforts to obtain  
15 the voluntary participation of the unjoined interest  
16 owners in Case 15027?

17           A.    Yes.  We've actually established contact with  
18 all the -- with all the unleased parties and are  
19 currently in negotiations of acquiring that interest  
20 through an oil and gas lease.

21           Q.    Are there any interest owners you were unable  
22 to locate in 15027?

23           A.    At this time, we believe not.  We've  
24 established contact with one of the primary parties who  
25 was unleased at the time coming into the hearing, and

1 that party is family members with the rest of the  
2 unleased interests within that unit. So we've  
3 established contact with them and have been receiving  
4 phone calls and e-mails back from those parties, and  
5 we're currently in negotiation with acquiring oil and  
6 gas leases with them.

7 Q. Was legal notice placed in the -- I guess the  
8 Hobbs newspaper attempting to locate any of the heirs,  
9 assigned [sic], individuals listed in your Exhibit 2?

10 A. Yes, it was.

11 Q. In your opinion, has COG made a good-faith  
12 effort to obtain voluntary participation in the well?

13 A. Yes, we have.

14 Q. Moving now to Exhibit 3 in Case 15028. Please  
15 tell us what this exhibit is.

16 A. Yes. This exhibit right here is just the same  
17 thing as the previous exhibit for the other case. This  
18 is our AFE cover letter to the leasehold. There were no  
19 other lease owners in this unit. They're all leasehold  
20 owners. So there is an AP cover letter stating the well  
21 proposal, location, costs, operating agreement that  
22 we're proposing the well under, and then also the term  
23 assignment, specific terms of acquiring their interest  
24 through a term assignment if they did not elect to  
25 participate voluntarily in the drilling of the well.

1 Q. Were there any interest owners you were unable  
2 to locate in 15028?

3 A. No, there was not.

4 Q. In your opinion, has COG made a good-faith  
5 effort to obtain voluntary participation in the well?

6 A. Yes, we have.

7 Q. Moving to Exhibit 4 in Case 15027 --

8 MR. McMILLAN: I actually have a blown-up  
9 copy, if Mr. Examiner would like to refer to that.

10 EXAMINER GOETZE: It would be nice.

11 MR. McMILLAN: Here's three of each. It  
12 might be overkill.

13 EXAMINER GOETZE: Very good.

14 Q. (BY MR. McMILLAN) What is your Exhibit 4 in  
15 Case 15027?

16 A. Exhibit 4 is the AFE for the proposed Sneed 9  
17 Fed Com #1H well.

18 Q. As reflected in this exhibit, what is the total  
19 well cost for dry hole?

20 A. 1 million 500 --

21 EXAMINER GOETZE: Would you like to have  
22 one?

23 THE WITNESS: Thank you.

24 EXAMINER GOETZE: Good. That makes me feel  
25 younger.

1           A.    Here we go.  The dry-hole costs, for Exhibit  
2           Number 4 in Case 15027, are 1,582,000.  Completed costs  
3           are 4,679,000.

4           Q.    (BY MR. McMILLAN) Are those costs in line with  
5           what is being charged by other operators in the area of  
6           these wells?

7           A.    Yes, they are.

8           Q.    Have you made an estimate of overhead and  
9           administrative costs while drilling and producing the  
10          well?

11          A.    We have.

12          Q.    And what is that estimate?

13          A.    6,000 a month drilling, 600 a month producing.

14          Q.    And are these costs in line with what is being  
15          charged by other operators in the area?

16          A.    Yes, they are.

17          Q.    Do you recommend that these drilling and  
18          producing overhead rates be incorporated into the order  
19          that results from this hearing?

20          A.    Yes.

21          Q.    Now, is this AFE for a single lateral on this  
22          well?

23          A.    It is.

24          Q.    Is there a potential for subsequent laterals?

25          A.    Yes, there are.

1 Q. So does COG request that additional laterals be  
2 proposed for parties pursuant to Order Number R-13590 in  
3 Case Number 14850?

4 A. Yes, we do.

5 Q. Do you have a copy of that order with you here  
6 today?

7 A. I do.

8 MR. McMILLAN: If I may approach, I have a  
9 copy.

10 EXAMINER GOETZE: Please.

11 Q. (BY MR. McMILLAN) Mr. Johnson, can you please  
12 read decretal paragraph 13 of that order into the record  
13 for us?

14 A. Yes. Paragraph 13 states: Whenever operator  
15 determines to drill an additional lateral in the  
16 proposed well, operators shall propose the additional  
17 lateral to all pool parties except any nonconsenting  
18 working interest or owner whose share of well costs  
19 previously incurred, together with the applicable risk  
20 charge and actual operating costs and administrative  
21 overhead charges incurred to date have not been  
22 recovered from production;

23 The operator shall furnish each pool party  
24 with whom it has acquired a proposed additional lateral  
25 a schedule of estimated additional well costs of

1 drilling and completion of such additional lateral, and  
2 the procedural steps provided in ordering paragraphs 10,  
3 11 and 12 shall be repeated;

4 Any pool party who does not pay its share  
5 of estimated well costs of the additional lateral within  
6 30 days after it receives the proposal, the schedule of  
7 estimated costs shall be deemed a nonconsenting working  
8 interest owner. However, such owner's share of well  
9 costs not paid in applicable risk charges shall be  
10 recovered only from the proceeds of production from the  
11 lateral so proposed or any subsequently proposed  
12 lateral.

13 Q. And so to be clear, is COG proposing that the  
14 language you just read be included in the order issuing  
15 from this hearing?

16 A. Yes, we are.

17 Q. Does COG also request the order to be issued in  
18 this case provide for an adjustment of the drilling and  
19 producing overhead rates in accordance with the current  
20 COPAS bulletin for the area?

21 A. Yes, we are.

22 Q. Let's turn now to your Exhibit 4 in Case 15028.  
23 What is this exhibit?

24 A. Exhibit 4 is our AFE for our proposed Sneed 9  
25 Federal Com 3H well.

1 Q. As reflected on Exhibit 4, what's the total  
2 well cost for dry hole?

3 A. The total well cost for a dry hole would be  
4 1,582,000.

5 Q. And what is the total well cost for the  
6 completed well?

7 A. Completed well is 4,679,000.

8 Q. Are these costs in line with what is being  
9 charged by other operators in the area for similar  
10 wells?

11 A. Yes, they are.

12 Q. Do you have an estimate of overhead and  
13 administrative costs while drilling and producing the  
14 well in Case 15028?

15 A. We have.

16 Q. What is that?

17 A. 6,000 a month while drilling and 600 a month  
18 producing.

19 Q. Are these costs in line with what is being  
20 charged by other operators in the area?

21 A. Yes, they are.

22 Q. Do you recommend that these drilling and  
23 producing rates -- producing overhead rates be  
24 incorporated into the order that results from this  
25 hearing?

1 A. Yes, we do.

2 Q. At the risk of being too repetitive here, is  
3 this AFE for a single lateral?

4 A. Yes, it is.

5 Q. Is there, in this case, potential for  
6 subsequent laterals?

7 A. There are.

8 Q. And does COG request that additional laterals  
9 be proposed for parties pursuant to the decretal  
10 paragraph 13 that you read into the record from Order  
11 Number R-13590 in Case Number 14850?

12 A. Yes, we do.

13 Q. Does COG request that the order to be issued in  
14 this case provide for an adjustment on the drilling and  
15 producing overhead rates in accordance with the COPAS  
16 bulletin for the area?

17 A. Yes, we do.

18 Q. That concludes Exhibit 4.

19 Let's turn to Exhibit 5 in Case 15027. Is  
20 Exhibit 5 a list of names and addresses of offset  
21 operators?

22 A. Yes, they are.

23 Q. And were each of the individuals and entities  
24 listed in Exhibit 5 notified of COG's application?

25 A. They were.

1 Q. Were any objections received?

2 A. There was not.

3 Q. As to your Exhibit 5 in Case 15028, is this  
4 also a list of offset operators with respect to that  
5 case?

6 A. Yes, it is.

7 Q. And were these individuals notified of COG's  
8 application?

9 A. Yes, they were.

10 Q. Were any objections received?

11 A. No.

12 Q. In your opinion, would the granting of COG's  
13 applications be in the best interest of conservation,  
14 the prevention of waste and the protection of  
15 correlative rights?

16 A. Yes.

17 Q. And were Exhibits 1 through 5 in both cases  
18 prepared by you or at your direction or control?

19 A. Yes, they were.

20 MR. McMILLAN: Mr. Examiner, we move the  
21 admission of Exhibits 1 through 5 in Cases 15027 and  
22 15028 at this time.

23 EXAMINER GOETZE: In both cases, 15027,  
24 15028, 1 through 5 are admitted.

25 (COG Operating Exhibit Numbers 1 through 5,

1 Cases 15027 and 15028, were offered and  
2 admitted into evidence.)

3 MR. McMILLAN: We also move the admission  
4 of Exhibits 12 and 13, which are my notice affidavit and  
5 Affidavit of Publication in each case.

6 EXAMINER GOETZE: In each case, Exhibits 12  
7 and 13 are also admitted.

8 (COG Operating Exhibit Numbers 12 and 13,  
9 Cases 15027 and 15028, were offered and  
10 admitted into evidence.)

11 MR. McMILLAN: That concludes my direct  
12 examination of this witness.

13 CROSS-EXAMINATION

14 BY EXAMINER GOETZE:

15 Q. One question. In Case 15028, we have Chevron  
16 and Halcon as those that are not participating at this  
17 point and are not part of this, and we're going to  
18 compulsory pool them?

19 A. We have already established a term assignment  
20 with Chevron. We're waiting on the actual signatures  
21 from Chevron to acquire that interest. And when we do,  
22 we'll advise the Commission of that action.

23 And then with Halcon, we are currently in  
24 negotiations with them over our joint operating  
25 agreement at this time. But they have showed interest

1 in participating in the well as soon as we can negotiate  
2 out our operating agreement.

3 Q. And do we have an accepted -- are there any  
4 elements of leases lapsing, agreements lapsing in any of  
5 these situations, as of this point, that we should be  
6 aware of?

7 A. On the 3H, no. On the 1H, COG is subject to a  
8 term assignment referenced in the other cases, the Pan  
9 Head and the Flat Head for the northeast-northeast  
10 quarter. That is in its continuous development for that  
11 phase, term assignment, right now. So the 1H, yes. 3H,  
12 no.

13 Q. No further questions for this witness.

14 MR. McMILLAN: At this time, I would call  
15 Kelli Snidow.

16 KELLI A. SNIDOW,  
17 after having been previously sworn under oath, was  
18 questioned and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. McMILLAN:

21 Q. Ms. Snidow, can you state your full name and  
22 place of residence?

23 A. My name is Kelli Snidow, and I reside in  
24 Midland, Texas.

25 Q. By whom are you employed and in what capacity?

1 A. I'm employed by COG Operating as a geologist.

2 Q. Are you authorized to testify today on COG's  
3 behalf?

4 A. Yes.

5 Q. Have you previously testified before the  
6 Division or one of its Examiners and had your  
7 credentials accepted and made a matter of record?

8 A. Yes.

9 Q. Are you familiar with the applications filed in  
10 these cases?

11 A. Yes.

12 Q. And are you familiar with the subject areas in  
13 the proposed wells in these cases?

14 A. Yes, I am.

15 MR. McMILLAN: Mr. Examiner, we offer  
16 Ms. Snidow as a qualified geologist.

17 EXAMINER GOETZE: So qualified.

18 Q. (BY MR. McMILLAN) Ms. Snidow, have you prepared  
19 certain exhibits for introduction into these cases?

20 A. Yes, I have.

21 Q. Please refer to your Exhibit 6 in Case 15027,  
22 and explain what that exhibit shows.

23 A. Yes. In both cases, this is just a regional  
24 shelf map identifying the cases discussed today, in  
25 particular the cases in discussion, the Sneed 9 Fed Com

1 #1H and the Sneed 9 Fed Com #3H located in Township 17  
2 South, Range 32 East.

3 Q. And that's the same exhibit in both cases,  
4 correct?

5 A. Correct.

6 Q. Please refer to your Exhibit 7 in Case 15027,  
7 and explain what that exhibit shows.

8 A. Yes. In both cases, this map is a structure  
9 map on the top of the Paddock Formation, with a 50-foot  
10 contour interval. Again, the COG acreage is highlighted  
11 in yellow, and the proposed wellbore in each case is  
12 highlighted with a red horizontal line. There is also  
13 other coloring, a red or blue circle for offset Yeso  
14 production for either the Paddock or the Blinebry.

15 So this structure map indicates that the  
16 Paddock structure is dipping to the east and that we see  
17 no geologic impediment, such as pinch-outs or faults in  
18 area, that would prevent horizontal drilling.

19 Q. And in your Exhibit 7, in Case 15027, could you  
20 please identify for us the project area?

21 A. So the project area would be the north half of  
22 the north half of the Section 9.

23 Q. And kindly identify the surface and bottom-hole  
24 locations.

25 A. Yes. The surface is indicated by the black

1 outline square on the left side, and the bottom hole is  
2 the red circle at the end of that red horizontal line --  
3 I'm sorry -- the black circle at the end of that red  
4 horizontal line.

5 Q. And with respect to your Exhibit 7 in 15028,  
6 can you please identify the surface hole and bottom-hole  
7 locations?

8 A. Yes. So following this same theme, the surface  
9 is indicated by the black square on the left-hand side  
10 of the project area or the section, and the bottom hole  
11 is indicated with the black circle.

12 Q. Let's turn now to your Exhibit 8 and -- well,  
13 we'll start with Exhibit 8 in 15027, and please tell us  
14 what this exhibit shows.

15 A. Yes. So this map is a cross-section map, again  
16 A to A prime. So A in the northwest and A prime in the  
17 southeast. The wells on the cross section are  
18 highlighted with the pink circles, and you can identify  
19 the wells in each of these cases, the Sneed 9 Fed Com  
20 #1H and the Sneed 9 Fed Com #3H.

21 Q. And that's basically the same exhibit in both  
22 cases?

23 A. Yes, that is correct.

24 Q. Turning now to Exhibit 9, again, this appears  
25 to be the same exhibit in both cases, correct?

1 A. Correct.

2 Q. Please explain what this exhibit shows.

3 A. Yes. This exhibit is the A to A prime  
4 cross-section line. Again, these are four wells that  
5 have the Yeso Formation highlighted. You see the  
6 Glorieta is highlighted in yellow. The Paddock is  
7 highlighted in green, and the Blinebry is highlighted in  
8 the red color. And you'll notice that all three of  
9 these formations are of fairly uniform thickness. Both  
10 the Paddock and the Blinebry are prospective targets for  
11 this area.

12 Q. Do we have a full-size copy of this for the  
13 Hearing Examiner?

14 A. We do. It was used in the previous hearing,  
15 the Flat Head and Pan Head hearings.

16 Q. Great.

17 Just to reiterate, COG is seeking to -- the  
18 entire vertical extent of the West Maljamar-Yeso pool;  
19 is that correct?

20 A. That is correct.

21 Q. Moving now to Exhibit 10, Case 15027, can you  
22 tell us what this exhibit shows?

23 A. Yes. So this exhibit is, again, a wellbore  
24 schematic with the propped completion zones. It  
25 identifies the section lines for each, as well as the

1 project area. It has the surface location. Again, the  
2 red wellbore -- the red line is the wellbore diagram.

3 Q. In your Exhibit 10, is the completed interval  
4 shown?

5 A. Yes, it is. In Case 15027, the completed  
6 interval is shown starting in the heel of the wellbore  
7 with a small blue line indicating -- it's text that  
8 indicates that the open-hole packer shall be set no  
9 closer than 330 from the west line, and then completion  
10 will continue all the way to the right, or to the east,  
11 to the blue dash line, or to the TD of the well.

12 In Case 15028, it's a similar setup. The  
13 blue line indicates that the open-hole packer will be  
14 set no closer than 330 from the west line, the  
15 completion all the way to the right, or the east, until  
16 TD of the wellbore.

17 Q. So does this exhibit demonstrate in both cases  
18 that the completed interval is located entirely within  
19 the producing area of the project area for the well?

20 A. Yes.

21 Q. And does this exhibit show in both cases that  
22 the completed interval of the well produced in  
23 conformity of the setbacks for the project area?

24 A. Yes.

25 Q. In both cases, do each of the 40-acre units

1 comprising the project area appear to be prospective for  
2 oil production?

3 A. Yes, they do.

4 Q. In both cases, is a horizontal well the most  
5 economic method for producing each of the 40-acre units  
6 comprising the project area?

7 A. Yes, that is correct.

8 Q. Let's turn now to your Exhibit 11. Is this the  
9 same exhibit in both cases?

10 A. It is the same.

11 Q. Will you please explain to us what this exhibit  
12 shows?

13 A. Yes. This exhibit is purely a schematic of the  
14 potential future development of the three productive  
15 intervals within the Yeso. So you'll see that there  
16 is -- there is one interval or one -- excuse me --  
17 wellbore in the Paddock interval, and then there is a  
18 potential for two horizontal wellbores in the Blinebry  
19 interval.

20 Q. To be clear, the target interval for these  
21 applications is the Lower Blinebry?

22 A. That is correct.

23 Q. To be clear, the laterals shown on this Exhibit  
24 11 into the Paddock and the Upper Blinebry, those are  
25 merely potential laterals?

1           A.    That's correct.  That's just to show that there  
2    is the potential for future development in these  
3    reservoirs.

4           Q.    In your opinion, would the granting of COG's  
5    application in Cases 15027 and 15028 be in the best  
6    interest of conservation, the prevention of waste and  
7    the protection of correlative rights?

8           A.    Yes.

9           Q.    Were Exhibits 6 through 11 prepared by you or  
10   at your direction or control?

11          A.    Yes, they were.

12                   MR. McMILLAN:  Mr. Examiner, at this time,  
13   we move the admission of Exhibits 6 through 11 in both  
14   cases.

15                   EXAMINER GOETZE:  For Cases 15027 and  
16   15028, we admit Exhibits 6 through 11.

17                           (COG Operating Exhibit Numbers 6 through  
18                           11, Cases 15027 and 15028, were offered and  
19                           admitted into evidence.)

20                   MR. McMILLAN:  That concludes my direct  
21   examination of this witness.

22                           CROSS-EXAMINATION

23   BY EXAMINER GOETZE:

24           Q.    One quick question.  Back to when we were  
25   looking at the Flat Head and Pan Head proposal, we had

1 no proposition for shallower completions. Is that a  
2 consideration over there also, or why do we have two  
3 other horizontals or laterals pulling out? Is there  
4 information that would indicate a better recovery?

5 A. We believe there is future potential in this  
6 regional area for that. They have been pooled out due  
7 to the language requested during the land testimony.

8 Q. Okay. I just wondered why we saw it here, and  
9 we're not seeing it over in the other.

10 A. Sure.

11 Q. Other than that, I have no more questions for  
12 this witness.

13 MR. McMILLAN: We'd ask that the case be  
14 taken under advisement.

15 EXAMINER GOETZE: Do we have an exhibit  
16 still hanging? Did I get 12 already?

17 MR. McMILLAN: Yes. I moved for admission  
18 following the land testimony.

19 EXAMINER GOETZE: Very good. That's your  
20 affidavit?

21 MR. McMILLAN: That's right.

22 EXAMINER GOETZE: All right. Case Numbers  
23 15027 and 15028 are taken under advisement, and that is  
24 the end of today's docket and the end of the hearing.

25 (Case Numbers 15027 and 15028 conclude,

10:51 a.m.)

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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. 15028 &  
 heard by me on July 25 2013; 15027  
[Signature], Examiner  
 Oil Conservation Division

1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3

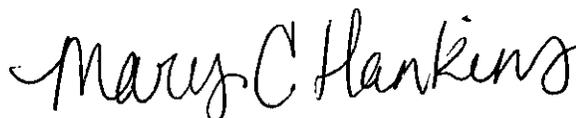
4 CERTIFICATE OF COURT REPORTER

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

MARY C. HANKINS, CCR, RPR  
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