

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, LLC  
7 FOR A NONSTANDARD SPACING AND  
8 PRORATION UNIT AND COMPULSORY  
9 POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 15090

ORIGINAL

10 REPORTER'S TRANSCRIPT OF PROCEEDINGS

11 EXAMINER HEARING

12 February 20, 2014

13 Santa Fe, New Mexico

2014 MAR -7 P 3:44  
RECEIVED OGD

14 BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER

15  
16  
17  
18 This matter came on for hearing before the  
19 New Mexico Oil Conservation Division, Richard Ezeanyim,  
20 Chief Examiner, on Thursday, February 20, 2014, at the  
21 New Mexico Energy, Minerals and Natural Resources  
22 Department, 1220 South St. Francis Drive, Porter Hall,  
23 Room 102, Santa Fe, New Mexico.

24 REPORTED BY: Mary C. Hankins, CCR, RPR  
25 New Mexico CCR #20  
Paul Baca Professional Court Reporters  
500 4th Street, Northwest, Suite 105  
Albuquerque, New Mexico 87102  
(505) 843-9241

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

APPEARANCES

FOR APPLICANT COG OPERATING, LLC:

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

INDEX

PAGE  
3

Case Number 15090 Called

COG Operating, LLC's Case-in-Chief:

Witnesses:

Joseph Scott:

Direct Examination by Mr. Feldewert 4  
Cross-Examination by Examiner Ezeanyim 9

Greg Clark:

Direct Examination by Mr. Feldewert 12  
Cross-Examination by Examiner Ezeanyim 16

Proceedings Conclude 18

Certificate of Court Reporter 19

EXHIBITS OFFERED AND ADMITTED

COG Operating, LLC Exhibit Numbers 1 through 6 9

COG Operating, LLC Exhibit Numbers 7 through 10 16

1 (9:33 a.m.)

2 EXAMINER EZEANYIM: So we continue with  
3 Case Number 15090. This is on page 3, I hope. This is  
4 the application of COG Operating, LLC for a nonstandard  
5 spacing and proration unit and compulsory pooling,  
6 Eddy County, New Mexico.

7 Call for appearances.

8 MR. FELDEWERT: May it please the Examiner,  
9 Michael Feldewert, with the Santa Fe office of Holland &  
10 Hart, appearing on behalf of the Applicant. I have two  
11 witnesses.

12 EXAMINER EZEANYIM: Very good.

13 Are there any other appearances, please?

14 Okay. Witnesses stand up to be sworn, and  
15 state your names, please.

16 MR. CLARK: Greg Clark.

17 MR. SCOTT: Joseph Scott.

18 (Witnesses sworn.)

19 MR. FELDEWERT: Mr. Examiner, I call Joseph  
20 Scott.

21 JOSEPH SCOTT,

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

24

25

DIRECT EXAMINATION

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

BY MR. FELDEWERT:

Q. Mr. Scott, would you identify by whom you are employed and in what capacity?

A. COG Operating, LLC. I'm a landman.

Q. You have previously testified before the Division, correct?

A. Yes.

Q. And have your credentials as a petroleum landman been accepted and made a matter of public record?

A. Yes, sir.

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

A. Yes.

Q. And are you familiar with the status of the lands in the subject area?

A. Yes.

MR. FELDEWERT: Mr. Examiner, I tender Mr. Scott, once again, as an expert witness in petroleum land matters.

EXAMINER EZEANYIM: So qualified.

Q. (BY MR. FELDEWERT) Would you turn to what's been marked as COG Exhibit Number 1? Identify it and then indicate to the Examiner what the company seeks

1 under this application.

2 A. The surface-hole location is located in the  
3 southwest quarter of Section 31, 18 South, Range 36  
4 East.

5 Q. Is that depicted with a red square?

6 A. Yes, it is. And it is a north-south  
7 orientation, and the bottom-hole location is located in  
8 the southwest quarter of Section 6, 19 South, 26 East.

9 Q. So you have the surface location in Section 31,  
10 but your well's going to be producing from Section 6?

11 A. That's correct.

12 Q. What are you seeking in this case?

13 A. We seek to create a nonstandard 160-acre  
14 spacing unit comprised of the west half-west half of  
15 Section 6, 19 South, 26 East, pooling the mineral  
16 interest owners in order to dedicate a unit for the  
17 Arabian 6 Fee 10H.

18 Q. And if I turn to what's been marked as COG  
19 Exhibit Number 2, is this an amended Form C-103 and Form  
20 C-102, which has been filed recently with the Division?

21 A. Yes.

22 Q. And does it -- first off, does it identify the  
23 API number for the well on the first page?

24 A. Yes.

25 Q. Does it also identify the pool and the pool

1 code that is involved with this application?

2 A. Yes.

3 Q. Also, does it demonstrate, on the second page,  
4 that the completed interval for this well will comply  
5 with the Division's setback requirements?

6 A. Yes.

7 Q. Is Section 6 all fee lands?

8 A. Yes.

9 Q. If I turn to what's been marked as COG Exhibit  
10 Number 3, does it identify the ownership in this west  
11 half-west half spacing unit, first by tract, and then  
12 their total interest in the proposed spacing unit?

13 A. Yes.

14 Q. What interests do you seek to pool in this  
15 particular application?

16 A. The estate of the -- we seek to pool the owners  
17 highlighted in yellow, which are the estate of Jonell R.  
18 Gilmore and the Estate of Dewight M. Lee.

19 Q. And those estates have ownership that is  
20 identified in the bottom of Exhibit Number 3?

21 A. Correct.

22 Q. What efforts has the company made to locate the  
23 heirs of these estates?

24 A. We have leased or bought the minerals from  
25 whoever we've identified as the heirs or devisees out of

1 an abundance of caution. We want to pool these  
2 interests because it's been determined that they have  
3 unmarketable title for failure to either probate or  
4 convey their interest properly under New Mexico title  
5 law.

6 Q. In light of that, then, did you provide notice  
7 of this hearing by publication?

8 A. Yes.

9 Q. And if I turn to what's been marked as COG  
10 Exhibit Number 4, is this an Affidavit of Publication  
11 from the local newspaper directed to, by name, these two  
12 estates?

13 A. Yes.

14 Q. Now, if I turn to what's been marked as COG  
15 Exhibit Number 5, is that the well-proposal letter that  
16 went out with the -- for this particular well?

17 A. Yes.

18 Q. And it included an AFE?

19 A. Yes.

20 Q. And that's on the third page of this exhibit?

21 A. Yes.

22 Q. And are the costs reflected on this AFE  
23 consistent with what the company has incurred for  
24 building similar horizontal wells in this area?

25 A. Yes.

1 Q. The first page of your well-proposal letter  
2 here in Exhibit Number 5, does it identify the overhead  
3 and the administrative costs while drilling and also  
4 while producing if you are successful?

5 A. Yes. We propose \$5,450 for drilling and \$545  
6 for production.

7 Q. And that is identified on the first page of  
8 Exhibit Number 5?

9 A. Yes.

10 Q. And does COG request that these overhead and  
11 administrative costs be inserted into the pooling order  
12 and provide for adjustment in accordance with the COPAS  
13 guidelines?

14 A. Yes.

15 Q. Did the company identify the leased mineral  
16 interest owners in the 40-acre tract surrounding its  
17 proposed nonstandard unit?

18 A. Yes.

19 Q. And is Exhibit Number 6 an affidavit prepared  
20 by my office with attached letters providing notice of  
21 this hearing to these offset owners?

22 A. Yes.

23 Q. Were Exhibits 1 through 5 prepared by you or  
24 compiled under your direction and supervision?

25 A. Yes.

1 MR. FELDEWERT: Mr. Examiner, at this time,  
2 I'd move admission into evidence of Exhibits 1 through  
3 6, which includes my affidavit.

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

6 (COG Operating, LLC Exhibit Numbers 1  
7 through 6 were offered and admitted into  
8 evidence.)

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

11 EXAMINER EZEANYIM: Thank you.

12 I should have made this statement before:  
13 I like how these exhibits are arranged. I mean, I'm  
14 saying the truth. I like it when it goes easy. When  
15 it's all scattered, I get confused. But I like this  
16 one. I would like it if everybody would comply. I'm  
17 not telling you to do that. I like it, just for the  
18 record.

19 Let's go back to Exhibit Number 3. See, I  
20 can easily go there. But if it's all scattered out, it  
21 makes it too much.

22 CROSS-EXAMINATION

23 BY EXAMINER EZEANYIM:

24 Q. Let's go back to Exhibit Number 3, and I can  
25 find it easily by the tab. There we go. Okay. Those

1 in yellow -- is that yellow?

2 A. Yes.

3 Q. Are those who you are pooling?

4 A. Yes.

5 Q. Are they working interest owners or just -- did  
6 they have any working interest?

7 A. They have passed away. We have identified  
8 their heirs or devisees as working interest owners  
9 internally, but for the purpose of pooling, they are  
10 identified as working interest owners in this dedicated  
11 spacing unit.

12 Q. I wanted to make sure, because if they are not  
13 working interest owners, they don't bear costs. But if  
14 they are working interests, they have to pay for their  
15 costs.

16 A. (Indicating.)

17 Q. Okay. I just wanted to make sure.

18 And do we have Form C-102? That is Exhibit  
19 Number 2.

20 And do we have all the locations of the  
21 wells in Number 3, right?

22 A. Yes, sir, the west half-west half.

23 Q. I just want to get the information in case it's  
24 approved, so I can have the information.

25 So they're all standard locations?

1           A.    Yes.

2                   MR. FELDEWERT:  Mr. Examiner, the completed  
3 interval will be a standard location.

4                   EXAMINER EZEANYIM:  That's what I mean.  
5 When I say completed interval, they are in accordance  
6 with the rule, right?

7                   MR. FELDEWERT:  Yes.

8                   EXAMINER EZEANYIM:  But completion point at  
9 this particular time within the interval API.

10                   Did we talk about overhead rates?

11                   MR. FELDEWERT:  Yes.  If you look at the  
12 first page of Exhibit Number 5, they identify, halfway  
13 down, the overhead rates that the company has requested.

14                   EXAMINER EZEANYIM:  And this is land and  
15 fee, right?

16                   THE WITNESS:  Yes.

17                   EXAMINER EZEANYIM:  No further questions.  
18 You may step down.

19                   THE WITNESS:  Thank you.

20                   MR. FELDEWERT:  We'll call our next  
21 witness, Greg Clark.

22   GREG CLARK,

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

25                   EXAMINER EZEANYIM:  Mr. Clark has been

1 sworn.

2 You are still under oath.

3 THE WITNESS: Yes, sir.

4 DIRECT EXAMINATION

5 BY MR. FELDEWERT:

6 Q. Would you identify for the record by whom  
7 you're employed and in what capacity?

8 A. At Concho, as a petroleum geologist.

9 Q. You have previously testified numerous times  
10 before the Division; have you not?

11 A. Yes, I have.

12 Q. Have your credentials as a petroleum geologist  
13 been accepted and made a matter of public record?

14 A. Yes.

15 Q. Are you familiar with this application?

16 A. I am.

17 Q. And have you conducted a study of the lands  
18 that are the subject of this application?

19 A. Yes, I have.

20 MR. FELDEWERT: Mr. Examiner, I, once  
21 again, tender Mr. Clark as an expert witness in  
22 petroleum geology.

23 EXAMINER EZEANYIM: Mr. Clark is very well  
24 qualified.

25 Q. (BY MR. FELDEWERT) Would you please turn to

1 Exhibit Number 7? Identify it for the Examiner and tell  
2 us what it shows.

3 A. Yes. This is a regional structure map on top  
4 of the Paddock showing the overall dip from the  
5 northwest to the southeast. The yellow is COG acreage  
6 that is associated with the application for the Arabian  
7 6 fee #10H. We have regional Paddock producers  
8 highlighted in red and Blinebry producers highlighted in  
9 blue.

10 This map also shows that there are no major  
11 geologic impediments that would keep us from developing  
12 the requested area with a horizontal well.

13 Q. And have you drilled a cross section for the  
14 Examiner?

15 A. Yes.

16 Q. If I turn to what's been marked as COG Exhibit  
17 Number 8, does it identify the wells that were included  
18 in your cross section?

19 A. Yes, it does.

20 Q. And they extend across the area of interest,  
21 correct?

22 A. That is correct.

23 Q. And in your opinion, are they representative of  
24 this area?

25 A. Yes, they are.

1 Q. If I turn to what's been marked as COG Exhibit  
2 Number 5, is this the corresponding cross section?

3 A. It is.

4 Q. And what does it show?

5 A. Yeah. If you look at this cross section again  
6 from A to A prime, which is from south to north, and  
7 going across the area in which we are proposing to the  
8 drill the Arabian 10 Fee 6H, this cross section is  
9 flattened on top of the Paddock, so the structural  
10 component is taken out in order to show the  
11 stratigraphic relationship in the area with the vertical  
12 well logs that we see here.

13 The well on the left is the Arabian 6 Fee  
14 #1, which is a vertical well that COG drilled. And the  
15 well in the middle, you'll see in the depth track, the  
16 red rectangle. That represents the perforated interval  
17 that was completed in that well. And then the well to  
18 the right of the cross section is a deep Morrow well.  
19 Therefore, it has not been completed back to the Yeso in  
20 the Paddock Formation.

21 If you look closely, you'll see there is no  
22 major thickening or thinning throughout this area. The  
23 gross interval of the Paddock is very similar, and if  
24 you look at the log characteristics in terms of the  
25 porosity, the density and the neutrons, they are all

1 very similar. Therefore, the area is very similar in  
2 terms of stratigraphic nature and elements.

3 Q. Mr. Clark, what conclusions have you drawn from  
4 your study?

5 A. Don't see any geologic impediments that would  
6 keep from us drilling this well using a horizontal.  
7 This area can be efficiently and effectively produced  
8 using a horizontal well. And each -- each 40 will, on  
9 average, contribute more or less equally to the overall  
10 production of the well.

11 Q. Now, will the completed interval of this well  
12 comply with all of the setback requirements?

13 A. Yes, it will.

14 Q. And is COG Exhibit Number 10 a well diagram for  
15 this well showing compliance with the setback  
16 requirement?

17 A. Yes, it is.

18 Q. In your opinion, will the granting of this  
19 application be in the best interest of conservation and  
20 the prevention of waste and the protection of  
21 correlative rights?

22 A. Yes.

23 Q. And were COG Exhibits 7 through 10 prepared by  
24 you or compiled under your direction and supervision?

25 A. Yes, they were.

1 MR. FELDEWERT: Mr. Examiner, I would move  
2 into evidence COG Exhibits 7 through 10.

3 EXAMINER EZEANYIM: Exhibits 7 through 10  
4 will be admitted.

5 (COG Operating, LLC Exhibit Numbers 7  
6 through 10 were offered and admitted into  
7 evidence.)

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

10 CROSS-EXAMINATION

11 BY EXAMINER EZEANYIM:

12 Q. On Exhibit Number 7, Mr. Clark --

13 A. Yes.

14 Q. You always do a good job.

15 Tell me, that well on Section 31, does that  
16 have the same pad with this well?

17 A. No. The surface location for the horizontal  
18 well in question is going to be from Section 31.

19 Q. Section 31.

20 A. And they're very -- they're not the same pad,  
21 but they're very close. You know, they're like  
22 within -- the wellhead from -- we have to extend it like  
23 an extra 100 or 150 feet, but they're very close.

24 Q. There is no information on the pad spacing, and  
25 so it could be anywhere?

1 A. Sure.

2 Q. Of course, you could have that one pad and  
3 develop it and go north and go south?

4 A. Yes, sir.

5 Q. Is that well drilled, the well in that one?

6 A. The reason the surface location is there is  
7 because of the surface issues that were involved for  
8 that surface location.

9 Q. I see yellow. Is that yellow? That color  
10 there, is that all COG acreage?

11 A. It's all COG acreage in which COG has some  
12 interest.

13 Q. So is it safe to say that COG will develop that  
14 acreage if you have interest there?

15 A. Yes. And as you can see, we currently are.

16 Q. Why I'm asking the question, I can see your  
17 orientation in that area going east-west and, I guess,  
18 in sections.

19 A. Uh-huh.

20 Q. So do you want to do that north-south?

21 A. And we already have both. We've done east-west  
22 and north-south.

23 Q. You noticed everybody that is supposed to get  
24 notice?

25 EXAMINER EZEANYIM: You did?



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*  
MARY C. HANKINS, CCR, RPR  
Paul Baca Court Reporters, Inc.  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2014

21

22

23

24

25