

STATE OF NEW MEXICO
ENERGY, MINERAL AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

ORIGINAL

Case No. 15205

Application of COG Operating, LLC for a non-standard
spacing and proration unit and compulsory pooling,
Lea County, New Mexico

October 16, 2014

9:10 a.m.

Wendell Chino Building
1220 South St. Francis Drive
Santa Fe, New Mexico

BEFORE: MICHAEL MCMILLAN, Technical Advisor
GABRIEL WADE, Legal Advisor

REPORTED BY: Jan Gibson, CCR, RPR, CRR
Paul Baca Court Reporters
500 Fourth Street, NW - Suite 105
Albuquerque, New Mexico 87102

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For COG Operating, LLC:

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1 (Note: In session at 9:10.)

2 MR. MCMILLAN: Going on to the next case,
3 15205, Application of COG Operating, LLC for a
4 non-standard spacing and proration unit and
5 compulsory pooling. Lea County, New Mexico. Call
6 for appearances.

7 MR. FELDEWERT: Michael Feldewert with the
8 Santa Fe Office of Holland & Hart appearing on
9 behalf of the applicant. I have two witnesses that
10 need to be sworn and I have our exhibit package.

11 MR. MCMILLAN: Any other appearances?
12 Thank you.

13 JEFF LIERLY
14 after having been first duly sworn under oath,
15 was questioned and testified as follows:

16 EXAMINATION

17 BY MR. FELDEWERT

18 Q. Would you please state your name, identify
19 by whom you are employed and in what capacity?

20 A. Jeff Lierly. I'm a landman for COG
21 Operating, New Mexico Basin Asset Team.

22 Q. Mr. Lierly, have you previously testified
23 before the division?

24 A. Yes, I have.

25 Q. Were your credentials as an expert in

1 petroleum land matters accepted and made a matter of
2 public record?

3 A. Yes, they were.

4 Q. With respect to this particular
5 application, are you familiar with it and have you
6 conducted a study of the lands that are the subject
7 of this application?

8 A. Yes, I have.

9 MR. FELDEWERT: I would once again tender
10 Mr. Lierly as an expert.

11 MR. MCMILLAN: So qualified.

12 Q. Would you please turn to what's been
13 marked as COG Exhibit 1, identify it and explain to
14 the examiner what the company seeks under this
15 particular application.

16 A. This is a plat of our Proposed Scooter
17 Federal Com No. 1H well. We are seeking to form a
18 160-acre non-standard spacing unit comprised of the
19 west half west half of Section 23 Township 18 south,
20 Range 33 east. And we are also seeking to pool
21 certain mineral interests in the Bone Spring
22 Formation.

23 Q. And this particular exhibit on the west
24 half west half it shows your proposed well path?

25 A. Yes, with the surface hole location in the

1 northwest northwest of Section 23 and the bottom
2 hole location of southwest southwest of the same
3 section.

4 Q. If I turn to COG Exhibit 2, is this the
5 corresponding C-102 plat for the proposed well?

6 A. That's correct, it is.

7 Q. Does it provide the examiner with the API
8 number for the proposed well?

9 A. It does.

10 Q. Does it also provide the examiner with the
11 pool name, the pool code?

12 A. Yes, it does.

13 Q. Will the completed interval for the well
14 comply with the division setback requirements?

15 A. Yes.

16 Q. Is that likewise reflected on Exhibit 2?

17 A. Yes.

18 Q. I notice this has a federal name in it.
19 Is the west half of the west half of Section 23 all
20 federal lands?

21 A. No, it's not. There are actually two
22 state leases and one federal lease.

23 Q. If I turn to what's marked as COG Exhibit
24 3, is this a lease tract map that provides the
25 examiner with the ownership breakdown first by

1 tract?

2 A. Yes, it is. And Tract 1 and 2 are the
3 state leases with Tract 3 being the federal lease.

4 Q. If I turn to the second page of Exhibit
5 No. 3, does this provide the examiner with an
6 interest breakdown for the spacing unit as a whole?

7 A. Yes, it does. What's highlighted in
8 yellow are the uncommitted interests in the
9 proration unit; the prior page on a tract basis.

10 Q. With respect to the parties that are
11 highlighted here on the second page of Exhibit No.
12 3, was the company able to locate addresses of
13 record for each of these interest owners?

14 A. Yes, we were.

15 Q. If I turn to what's been marked as COG
16 Exhibit No. 4, is this the well proposal letter that
17 was submitted to each of the interest owners or a
18 copy of the well proposal letter?

19 A. Yes. This is a copy of the initial well
20 proposal and there were subsequent follow-up letters
21 that were sent as well.

22 Q. And did this particular letter comprising
23 Exhibit 4 also include an AFE?

24 A. Yes, it does.

25 Q. Is that reflected in the last page of this

1 exhibit?

2 A. Yes.

3 Q. Are the costs reflected on this AFE
4 consistent with what the company has incurred for
5 drilling similar horizontal wells in the area?

6 A. Yes, they are.

7 Q. Now, with respect to the parties that you
8 seek to pool here today, what additional efforts did
9 the company undertake to reach an agreement on your
10 proposed well?

11 A. We have sent subsequent follow-up
12 correspondence letters and we followed up with phone
13 calls. A number of these folks we actually have
14 received executed operating agreements since this
15 exhibit was prepared, and there are a number that we
16 think we should have within the next couple of days.

17 Q. Were you able to speak with everybody?

18 A. Yes, we were.

19 Q. And with respect to the parties that you
20 reach an agreement with, will they be released from
21 the pooling order once it's entered?

22 A. Yes, they will.

23 Q. If I look at the first page of Exhibit No.
24 4, does it reflect the company's estimate of the
25 overhead and the administrative costs while drilling

1 the well and also while producing if you are
2 successful?

3 A. Which?

4 Q. First page of Exhibit No. 4? Well
5 proposal?

6 A. Yes. \$7,000 well drilling and \$700 to
7 produce.

8 Q. Are these the same rates that are in the
9 JOA for the area?

10 A. Yes, they are.

11 Q. As part of the application did the company
12 identify the lease mineral interest owners
13 surrounding your proposed non-standard spacing unit?

14 A. Yes.

15 Q. Did the company include these known lease
16 mineral interest owners in the notice of the
17 hearing?

18 A. Yes.

19 Q. If I turn it what's marked as COG Exhibit
20 5, is this an affidavit prepared by my office with
21 attached letters providing notice of this hearing
22 here today both to the pooled parties as well as the
23 offsetting lessees and operators of record?

24 A. Yes, that's correct.

25 Q. Were Exhibits 1 through 4 prepared by you

1 or compiled under your direction and supervision?

2 A. Yes.

3 MR. FELDEWERT: At this time I move the
4 admission into evidence of COG Exhibits 1 through 5
5 which includes my affidavit.

6 MR. MCMILLAN: Exhibits 1 through 5 are
7 now accepted as part of the record.

8 (Note: Exhibits 1 through 5 admitted.)

9 MR. FELDEWERT: That includes my
10 examination of the witness.

11 MR. MCMILLAN: Can you tell me what's
12 going to be the first perforation or penetration
13 point?

14 THE WITNESS: Everything will be within
15 the 330-foot setback. I don't know the exact. The
16 first take-point will be within the heel likely
17 before we hit that 330 because the surface location
18 is 190 from the north.

19 MR. MCMILLAN: I have no further questions
20 at this time.

21 MR. FELDEWERT: We will call the second
22 witness.

23 ALLISON STUMPT
24 after having been first duly sworn under oath,
25 was questioned and testified as follows:

1 EXAMINATION

2 BY MR. FELDEWERT

3 Q. Would you please state your name, identify
4 by whom are you employed and in what capacity?

5 A. My name is Allison Stumpt. I'm employed
6 by COG Operating, LLC and I am a geologist for the
7 New Mexico Basin Asset Team.

8 Q. And have you previously testified before
9 this division?

10 A. Yes, I have.

11 Q. Were your credentials as an expert in
12 petroleum geology accepted and made a matter of
13 public record?

14 A. Yes.

15 Q. Are you familiar with this application
16 that comprises this case?

17 A. Yes.

18 Q. And have you conducted a study, geological
19 study of the lands that are the subject of the
20 application?

21 A. I have.

22 MR. FELDEWERT: Once again, I tender
23 Ms. Stumpt as an expert in petroleum geology.

24 MR. MCMILLAN: So qualified.

25 Q. What is the target interval for this

1 particular well?

2 A. The second Bone Springs Sand.

3 Q. Have you prepared for the examiners a
4 structure map and a cross-section of this interval?

5 A. Yes, I have.

6 Q. If I turn to what's marked as COG Exhibit
7 No. 6, is this a structure map that you have
8 prepared?

9 A. Yes. This map shows the Second Bone
10 Springs Sand Structure. The contour lines are
11 bolded and in black and the contour interval is 100
12 feet. The well location is located in red with the
13 surface hole being a square and the bottom hole
14 location being a circle, and the orange wells that
15 you see are offsetting Second Bone Spring Sand
16 wells. As you can see by the structure, it dips to
17 the south and it's contiguous so there will be no
18 geological impediments.

19 Q. Those wells that are shown on the east
20 half of Section 22 on this map, have those actually
21 been drilled?

22 A. Yes.

23 Q. In the same Second Bone Springs Sand
24 Structure?

25 A. Yes.

1 Q. Have you prepared for the examiner your
2 cross-section?

3 A. Yes, I have.

4 Q. If I turn to what's marked as COG Exhibit
5 No. 7, does this identify the wells that were
6 utilized for your study?

7 A. Yes. This map shows my cross-section
8 line. I have chosen three wells that are
9 representative of the area.

10 Q. And why did you not utilize the wells that
11 are on the east half of Section 22?

12 A. Both of those wells did not have pilot
13 holes deep enough to go through the entire Second
14 Bone Spring Formation.

15 Q. If I turn to what's marked as COG Exhibit
16 No. 8, is that one of the wells that correspond with
17 the wells shown on Exhibit No. 7?

18 A. Yes. This is a structural cross-section
19 8A Prime northwest to southeast. The wells I used
20 were the State E 74415 No. 1, the Scooter State Com
21 No. 1 and the Sun Federal Com No. 1. In the left
22 tract of each well we have a gamma ray resistivity
23 log and then the death depth tract, and on the right
24 a gamma ray prossy log. The orange line represents
25 the top of the Second Bone Spring and the purple

1 line represents the top of the Third Bone Spring,
2 and our proposed horizontal target lateral interval
3 is marked by the red bracket. And as you can see,
4 that interval is continuous across the area.

5 Q. What conclusions have you drawn?

6 A. The conclusions that I have drawn are
7 there will be no geological impediments in drilling
8 this area using full-section horizontal wells; that
9 the area will be efficiently and economically
10 produced using horizontal wells; and that the
11 proposed non-standard unit will produce more or less
12 equally in the production of the well.

13 Q. Now, finally, if I turn to what's marked
14 as COG Exhibit No. 9, is this a diagram of your
15 proposed well?

16 A. Yes. So this is a wellbore schematic.
17 The dark blue lines are the section lines of Section
18 23, and then the dashed blue lines represent 330
19 feet from those section lines. This is to show that
20 we will have no perforations performed closer than
21 the 330 feet to the section lines.

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

1 A. Yes.

2 Q. Were COG Exhibits 6 through 9 prepared by
3 you or compiled under your direction or supervision?

4 A. Yes, they were.

5 MR. FELDEWERT: Mr. Examiner, I am moving
6 into evidence Exhibits 6 through 9.

7 MR. MCMILLAN: Exhibits 6 through 9 are
8 now accepted as part of the record.

9 (Note: Exhibit 6 through 9 admitted.)

10 MR. FELDEWERT: That concludes my
11 examination of the witness.

12 MR. MCMILLAN: I want to be clear on one
13 point. Are you pooling the entire Bone Springs
14 interval? Is the entire Bone Springs interval being
15 pooled or just the second?

16 MR. FELDEWERT: It would be the entire
17 interval, the formation. And I guess specifically
18 on this particular pool.

19 MR. MCMILLAN: Okay. I have no further
20 questions.

21 MR. FELDEWERT: Mr. Examiner, that
22 concludes our presentation.

23 MR. MCMILLAN: 15205 had been taken under
24 advisement. Thank you very much.

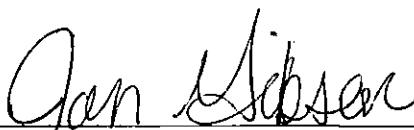
25 (Note: The hearing was concluded.)

I hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 15205
heard by me on _____

REPORTER'S CERTIFICATE

I, JAN GIBSON, Certified Court Reporter for the State of New Mexico, 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 and was reduced to printed form under my direct supervision.

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.



JAN GIBSON, CCR-RPR-CRR
New Mexico CCR No. 194
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