STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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

ORIGINAL

APPLICATION OF COG OPERATING, LLC TO MAKE PERMANENT THE SPECIAL RULES ADOPTED UNDER ORDER R-13523 FOR THE DODD-GLORIETA-UPPER YESO POOL AND THE BURCH KEELY-GLORIETA-UPPER YESO POOL, EDDY COUNTY, NEW MEXICO.

CASE NOs. 14669, 14670, 14758 and 14759

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

October 2, 2014

Santa Fe, New Mexico

BEFORE: PHILLIP GOETZE, CHIEF EXAMINER
GABRIEL WADE, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Phillip Goetze, Chief Examiner, and Gabriel Wade, Legal Examiner, on Thursday, October 2, 2014, at the New Mexico Energy, Minerals and Natural Resources Department, Wendell Chino Building, 1220 South St. Francis Drive, Porter Hall, Room 102, Santa Fe, New Mexico.

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EXHIBITS OFFERED AND ADMITTED

(8:18 a.m.)

EXAMINER GOETZE: We'll start with Case Numbers 14669, 14670, 14758 and 14759 reopened, application of COG Operating, LLC to make permanent the Special Rules adopted under Order R-13523 for the Dodd-Glorieta-Upper Yeso pool and the Burch Keely-Glorieta-Upper Yeso pool, Eddy County, New Mexico.

Call for appearances.

MS. GERHOLT: Good morning, Mr. Examiner. Gabrielle Gerholt, from the Santa Fe office of Holland & Hart, on behalf of COG Operating, LLC.

EXAMINER GOETZE: Any other appearances?

MR. BRUCE: Mr. Examiner, Jim Bruce presenting ConocoPhillips Company. I have no witnesses.

EXAMINER GOETZE: Very good.

MS. GERHOLT: Mr. Examiner, COG has three witnesses this morning.

EXAMINER GOETZE: Would the witnesses please stand, identify yourself to the court reporter and be sworn in?

MR. PARK: My name is Dylan Park. I'll be representing COG on the land side.

MR. BEZNER: My name is Chris Bezner. I'm a reservoir engineering for COG.

MR. BACON: Cody Bacon, and I'm with COG as

a geologist.

MS. GERHOLT: Mr. Examiners, if I may approach to hand you the exhibits.

EXAMINER GOETZE: You may.

OPENING STATEMENT

MS. GERHOLT: Mr. Examiners, before I call my first witness, I just wanted to remind the Division a little bit about this case, since it's been a couple of years since we've been here.

COG is here today to request that the Division make the special pool rules for the Dodd-Glorieta-Upper Yeso pool and the Burch Keely-Glorieta-Upper Yeso pool permanent. They have been in place since 2012, and COG has been successfully operating under those rules since that time.

Today you will hear evidence that supports the allowable of 300 barrels of oil, the limiting gas-oil ratio of 3,000 and that the well density of the four vertical wells and the seven vertical wells will allow for effective and efficient drainage.

So at this time I would call my first witness, Dylan Park.

DYLAN PARK,

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

DIRECT EXAMINATION

BY MS. GERHOLT:

Q. Good morning, Mr. Park.

A. Good morning.

Q. Would you please state your full name for the record?

A. My name is Dylan Park.

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

A. COG Operating, LLC as a senior landman.

Q. And as a senior landman, what are your duties?

A. I negotiate a lot of gas leases, joint operating agreements, put deals together with the partners, prepare locations for drilling from an ownership title standpoint.

Q. Mr. Park, do you have a particular land area of responsibility?

A. I handle portions of the northwest shelf, Eddy County, New Mexico.

Q. And does that land area include the Dodd and Burch Keely Units?

A. Yes, it does.

Q. Have you previously testified before the Oil Conservation Division?

A. No, I have not.

Q. Would you then please tell the Examiners a little bit about your educational and work experiences as they relate to being a landman?

A. Sure. I graduated from the University of Houston in 1997 with a bachelor of science degree in American Jurisprudence and Business. I spent the next approximately 11 years doing oil and gas due diligence for acquisitions and divestitures for law firms around the Houston area. I then went in-house with Apache Corporation in 2008 doing the same type of work. I was then transferred in 2009 to Apache's Midland Office and became a regional landman handling areas of New Mexico doing the same type of work I do now. I recently came on board with Concho.

Q. Mr. Parks, approximately how long have you been a landman?

A. Five years, technically speaking, but I've been doing that type of work from an A and D perspective for probably 15 -- close to 15 years.

Q. Are you familiar with the application filed on behalf of COG?

A. Yes, I am.

Q. And are you familiar with the status of the lands in the Burch Keely and Dodd Units?

A. Yes.

MS. GERHOLT: Mr. Examiner, I'd ask that Mr. Park be deemed an expert in petroleum land matters.

EXAMINER GOETZE: He is so qualified.

MS. GERHOLT: Thank you.

Q. (BY MS. GERHOLT) Since it's been a couple of years since COG has been here, have you prepared a couple of slides to help refresh our memories with the location of these units and the type of units at issue?

A. Yes.

Q. If we can start by drawing your attention to Exhibit Number 1. Would you please identify what this is and review it?

A. Exhibit Number 1 is a high-level profile of the area in which the Burch Keely Unit and the Dodd Federal Unit are situated. And as you can see in the purple outline, the Dodd Federal Unit covers portions of the sections in 17 South, 29 East. The Burch Keely Unit also covers portion of 17-29 and 17-30.

Q. Now, beginning with the Dodd Unit, what type of unit is it?

A. The Dodd is a federal -- a federal secondary discovery [sic] unit.

Q. And to what depth does that unitized interval extend?

A. It extends from the Seven Rivers to the -- to

approximately 5,000 feet -- to 5,000 feet.

Q. And within the Dodd Federal Unit, is COG producing from the Dodd-Glorieta-Upper Yeso pool?

A. That is correct.

Q. Now drawing your attention to the Burch Keely Unit, what type of unit is it?

A. It is also a federal secondary recovery unit.

Q. To what depth does that unitized unit extend?

A. It extends from the Seven Rivers to 5,000 feet.

Q. And within the Burch Keely Unit, is COG producing from the Burch Keely-Glorieta-Upper Yeso pool?

A. That is correct.

Q. Very good.

And the pool rules that are named came from the Dodd-Glorieta-Upper Yeso and the Burch Keely-Glorieta-Upper Yeso?

A. Yes, they are.

Q. Mr. Park, can you please briefly explain to the Examiners what COG is seeking in this application?

A. We're simply seeking to make the rules that were -- the temporary rules that were granted on March 12th, 2012 permanent at this time.

Q. Very good.

If I could now draw your attention to Exhibit Number 2, would you please identify and review

this exhibit?

A. Yes. Exhibit Number 2 is just a color plat showing the operators that were notified -- the offsetting operators that were notified of this hearing.

Q. And this is for the Burch Keely?

A. Yes.

Q. And Exhibit Number 3?

A. Exhibit Number 3 simply is just, again, a color plat showing the offset operators that were notified of this hearing in the Dodd Unit.

Q. So for both the Dodd and Burch Keely notices were provided to offsetting operators?

A. Yes.

Q. Was that within the same formation?

A. Yes.

Q. And what was the radius?

A. One mile.

Q. And finally, if I could have you turn to Exhibit Number 4, is this the notice that my office provided to those offset operators?

A. Yes, it is.

Q. Mr. Park, in your opinion, will the granting of this application be in the best interest of conservation and the prevention of waste and the protection of correlative rights?

A. Yes, it will.
Q. Were Exhibits 1 through 3 prepared by you or compiled under your supervision?
A. Yes, they were.
MS. GERHOLT: Mr. Examiner, at this time I would move the admission of COG Exhibits 1 through 4 into evidence.
EXAMINER GOETZE: 1 through 4 are so entered.
(COG Operating, LLC Exhibit Numbers 1 through 4 were offered and admitted into evidence.)
MS. GERHOLT: And that concludes my examination of this witness.
EXAMINER GOETZE: Mr. Bruce?
MR. BRUCE: I have no questions.
EXAMINER GOETZE: Very good.

CROSS-EXAMINATION

BY EXAMINER GOETZE:
Q. Just a quick question. So since we initially did this order, to this point we still have the same ownership?
A. That's correct.
Q. We've had no changes in the units as far as anything from the BLM, change of acreage or anything

like that?

A. No, sir.

Q. Okay. Very good. Those are my only questions.

EXAMINER GOETZE: Thank you.

MS. GERHOLT: Thank you.

Mr. Examiner, at this time, I would call Cody Bacon to the stand.

CODY BACON,

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

DIRECT EXAMINATION

BY MS. GERHOLT:

Q. Good morning. Would you please state your full name for the record?

A. Cody Bacon.

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

A. COG Operating as a geologist.

Q. And how long have you been employed by COG?

A. Just under two years.

Q. Have you previously testified before the Oil Conservation Division?

A. I have not.

Q. Would you please provide the Examiners a brief rundown of your educational and experience pertinent to being a geologist?

A. Sure. In 2010, I received my bachelor's in geology from Oklahoma State University, and then in 2012, I received my master's in geology with an emphasis in petroleum geology from Oklahoma State University.

Q. Are you familiar with the application filed in these cases?

A. I am.

Q. And are you familiar with the geology underlying the lands that are the subject of these cases?

A. I am.

MS. GERHOLT: Mr. Examiner, I would ask that Mr. Bacon be deemed an expert as a petroleum geologist based upon his education and experience.

EXAMINER GOETZE: Is Mr. Bruce moving around here somewhere?

MR. BRUCE: No objection.

EXAMINER GOETZE: Very good.

He is so qualified.

MS. GERHOLT: Thank you.

Q. (BY MS. GERHOLT) Now, Mr. Bacon, if I could draw your attention to Exhibit Number 5, will you please get us situated with this exhibit?

A. This is a map showing the greater Permian Basin, and towards the top, center of the slide, you'll

see a red arrow. This is showing the approximate location on the northwest shelf that we are talking about.

Q. Okay. Now moving towards Exhibit Number 6, which formations are at issue in this application?

A. The formations at issue are the Paddock and Blinebry. And you'll see a red bracket near the center of the slide, and that is showing the Yeso group, of which the Paddock and Blinebry are producing formations in the area.

Q. Anything else on this exhibit that needs to be identified? If not, we can move forward to Exhibit Number 7.

A. I don't believe so.

Q. All right. Now drawing your attention to Exhibit Number 7, would you please identify and review this?

A. Yes. This is a map showing the vertical Yeso development from all operators across the shelf area. The yellow indicates COG acreage. And if you look to the left half of the map, you'll see the purple Dodd Federal Unit outlined and the blue Burch Keely Unit outlined. And then turning your attention to the bottom, right corner that shows the map legend, the red dots indicate Paddock producers. The blue dots indicate

Blinebry producers, and then the combination blue-and-red dots are the Yeso producers.

Q. Moving on to Exhibit 8, what does Exhibit 8 identify?

A. Exhibit 8 is the same as the previous slide, except instead of showing the vertical Yeso wells, this is showing all horizontal wells from all operators across the shelf.

Q. And, again, the yellow identifies COG acreage?

A. Correct.

Q. Now moving to Exhibit Number 10, will you please walk us through this structure map?

A. Exhibit 10?

Q. Number 9. I apologize.

A. Okay. That's all right.

Q. I was looking at the wrong tab. I'm moving along too quickly.

A. This is the exact same map as previously seen, except instead of displaying wells, it is showing a Yeso structure map. This structure map is on the top of the Paddock Formation, and it shows a general west-to-east dip. And in the south-central part of the map, you will see a tightening of contours. This is indicative of the addition of the Yeso shelf edge.

Q. Are there any structural changes?

A. No, ma'am.

Q. Now moving to Exhibit Number 10, would you please review and identify this exhibit?

A. Yes. This is a zoomed-in view of the Burch Keely Unit and the west-to-east cross section labeled A to A prime.

Q. And does Exhibit Number 10 and Exhibit Number 11 correspond to one another?

A. They do. Exhibit Number 11 is the cross section, A and A prime that was seen on Exhibit 10, and it demonstrates the general west-to-east dip. The green is -- the green shading -- excuse me -- is the Paddock porosity. And the orange shading below it -- it's a little difficult to see, but it is the Blinebry. There is no significant thickening or thinning across the Burch Keely Unit, and there are no major structural changes.

Q. All right. And since that orange is a little difficult to identify on that, can you provide us some other reference point?

A. Yes. If you will look at the third well, the one in the center, you will see -- there's a green color that -- as it moves to the right and you see less and less of it, you'll see a black line moving across the -- across the log. And then down at the bottom, you will

see a yellow line moving across the log, and that is the Blinebry Formation.

Q. All right. Thank you for providing that extra --

A. Yes.

Q. Now moving on to Exhibit Number 12, what is Exhibit Number 12?

A. Exhibit Number 12 is a zoomed-in view of the Dodd Federal Unit, and across it you will see a west-to-east cross section, B to B prime.

Q. All right. And does Exhibit Number 12 and Exhibit Number 13 correspond to one another?

A. They do. Exhibit Number 13 is the cross section seen on Exhibit Number 12. Again, this shows a structural cross section showing the general west-to-east dip. Again, the green shading is the Paddock porosity, and the orange that is not exactly visible is the Blinebry. There is no major change in gross thickness across the interval, and there are no major structural changes.

Q. All right. So would you say there is consistency across the Dodd units?

A. Yes, there is.

Q. Is there also geological consistency across the Burch Keely Unit?

A. There are.
Q. Are those two units geologically consistent?
A. They are, as is the entire shelf.
Q. Okay. Are there any geologic impediments that would prevent COG from producing the allowable?
A. There are not.
Q. And in your opinion as a petroleum landman [sic], will the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?
A. Yes.
Q. Were Exhibits 5 through 13 prepared by you or under your supervision or control?
A. They were.
MS. GERHOLT: Mr. Examiner, at this time I would move the admission of COG Exhibits 5 through 13 into evidence.
EXAMINER GOETZE: The exhibits are so entered.
And I assume that the opinion you did last was the petroleum geologist?
THE WITNESS: Yes, sir.
MS. GERHOLT: Thank you for the clarification.
EXAMINER GOETZE: Very well.

(COG Operating, LLC Exhibit Numbers 5 through 13 were offered and admitted into evidence.)

MS. GERHOLT: That concludes my examination of this witness.

EXAMINER GOETZE: Mr. Bruce?

MR. BRUCE: No questions.

CROSS-EXAMINATION

BY EXAMINER GOETZE:

Q. So you have it in front of you. Let's take a look at Exhibit 12, and just for information, the majority of the wells show up as Paddock producers. We have a few Blinebry, and then we have Yeso producers. Am I assuming that just -- that both Blinebry and two productions zones are commingled or being produced together or --

A. In the Yeso wells?

Q. Yes.

A. Yes, sir. Those are a combination.

Q. Those are a combination.

And so at this time, the dominant player is Paddock for both of these units, correct?

A. Correct.

Q. And are we exploring the ability to expand that into the Blinebry, or is the scenario that the Blinebry

is not economical as far as producing as a single well?

A. The Blinebry is being produced horizontally in this area.

Q. Okay.

A. The Paddock wells were a previous pattern, and we are working around the patterns there.

Q. Okay. So you have an existing production out of Blinebry through later introduction of horizontal wells?

A. Yes, sir.

Q. And this is the shallowest. It's primarily going to be just Paddock?

A. Yes, sir.

Q. Okay. Thank you.

EXAMINER GOETZE: The remainder of my questions will probably be for your next witness, so I have no further questions. Thank you.

MS. GERHOLT: Well, then let's call my next witness, Mr. Bezner.

CHRIS N. BEZNER,

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

DIRECT EXAMINATION

BY MS. GERHOLT:

Q. Good morning.

A. Morning.
Q. Please state your name for the record.
A. Chris Bezner.
Q. By whom are you employed and in what capacity?
A. COG Operating, and I'm a senior reservoir engineer.
Q. And how long have you been employed by COG?
A. About two-and-a-half years.
Q. Have you previously testified before the Oil Conservation Division?
A. Yes, I have.
Q. And at that time were your credentials as a reservoir engineer accepted?
A. Yes, they were.
Q. Are you familiar with the application filed in this case?
A. Yes, I am.
Q. And have you done an engineering study of the subject area?
A. Yes, I have.
Q. And I apologize. You may have said this already, but how long have you been a reservoir engineer?
A. Over 30 years.
MS. GERHOLT: Mr. Examiner, I would ask

that Mr. Bezner be deemed an expert as a reservoir engineer.

EXAMINER GOETZE: Mr. Bruce?

MR. BRUCE: No objection.

EXAMINER GOETZE: Very good. You are so qualified.

MS. GERHOLT: Thank you.

Q. (BY MS. GERHOLT) Drawing your attention to Exhibit Number 14, would you orient us to this exhibit, please?

A. Okay. This exhibit is just a picture trying to illustrate the way we view the Yeso Formation in this area, and what it's trying to show is the heterogenous nature of this formation. In other words, you see the shaded pieces of porosity down at the bottom of these two wells, labeled "Well A" and "Well B," intersect. The reservoir's heterogenous, meaning that the porosity just comes and goes. So you'll intersect the porosity interval that may be in one well, and the offset well is not really connected to that same interval but to a different porosity interval. This makes it very hard to correlate individual porosity developments, but one of the reasons that the current density that we're asking for -- the increased density is necessary in order to try and intercept as much porosity as possible and

effectively produce this reservoir. And it's trying to illustrate the basic lenticular nature of this -- of the Yeso Formation.

Q. Very good.

Now moving to Exhibit 15, what is Exhibit 15?

A. This is a similar type picture, but we're looking down from above. And it has the same two wells, labeled "Well A" and "B," and then two other wells, C and D. And these would be four 10-acre wells in a 40-acre proration unit.

The different colors, the shadings of black and gray, just show the different porosity intervals that are at different depths in the individual wells, and it's just trying to illustrate that the current density does a much more efficient job of intercepting many of these porosity pods, if you will. And that's why we're seeking this increased density.

Q. Moving to Exhibit 16 --

A. Okay.

Q. -- what does Exhibit 16 show?

A. Exhibit 16 is a depiction of what we're calling the original spacing of this field. In other words, when we took over operations roughly in 2006 from the previous operator, the wells had been drilled off

pattern. They had been drilled down to 10-acre spacing, but as you can see, each one of these squares is an individual regulatory proration unit.

Q. If I can interrupt you for one minute, Mr. Bezner.

A. Sure.

Q. You're saying each -- is 40 acres?

A. Yes.

And then it shows in different colors the general development, the way the wells have been drilled. So in a particular case, as you know, when you permit a well, it has to be in one proration unit or the other. So this is kind of an idealized case, but in actuality, these wells will be slightly one direction or the other to put them in a proration unit. And when that happens, you can see that you can have as many as six or seven wells in a particular proration unit, even though they're still basically on 10-acre spacing. And so that's what's happened to this field. And it's kind of something we inherited, but we're continuing to develop down to 10-acre spacing. And this slide and the next slide kind of go together.

Q. Let's move to the next slide then.

A. Okay. So what I've done is just taken these same wells and shifted the grid, if you will, of these

40-acre proration units to the southwest about 350 feet. So it's an idealized grid of 40-acre spacing that surrounds each well. So you can see the same wells, you know, if they had developed it correctly, you know, it would all be lined up nice and neat, but that's -- you know, we don't live in a perfect world, so this is what we have to live with. And, you know, it's one reason that we're asking for the seven wells per 40 in the Paddock Formation.

Q. Very good.

Now drawing your attention to Exhibit 18, what is that?

A. Yes. Exhibit 18 is an actual real-world example of where this problem came up, and it's just zooming into a portion of the Burch Keely Unit down in Section 25. And you'll see those -- in particular, there are five wells. It's all the wells that start with the number two, the 200 series wells, the existing wells in that actual proration unit.

And then we came in and drilled the Burch Keely Unit Number 410 right in the center, which is, again, on 10-acre spacing. But because those previous four wells were moved tighter together to put them in that same proration unit, that Number 410 would have been the fifth well in that unit. Under the previous

field rules, we would not have been allowed to drill this well, and this would have resulted in waste.

Q. So the temporary rules that we have in place are actually preventing waste?

A. Yes. They will prevent waste.

And this slide kind of goes with the next slide that shows the production from this well in question, the Burch Keely Unit Number 410.

Q. Well, then let's move on to Exhibit Number 19.

A. Exhibit 19 is just a regular production plot of the subject well, the Burch Keely Number 410. It shows -- these are all daily rates. Oil is green. Water is blue. Gas is red. The well was drilled at the end of 2010. After it came on, it stabilized at about -- averaging about 100 barrels a day for over a year and a half -- about a year and a half. And then it's declined since then, but it's still mainly producing somewhere between nine and ten barrels a day. And I have projected this well to continue to produce on into the future. It's currently cumed about 48,000 barrels, and I estimate it's going to make somewhere between 70- to 80,000 barrels during its life. So in other words, if the field rules were not changed, this production would have been wasted.

Q. Moving to Exhibit 20, what does Exhibit 20 show

us?

A. Exhibit 20 is a scatter plot of all the initial GORs, and these are all the wells across the shelf producing from the Yeso Formation. And so we just take the initial production, oil and gas, and calculate the GOR. And what this is showing, even though there is quite a bit of scatter in the data, is that there is a general downward trend. The GORs are not increasing. And what this indicates is that we are not wasting reservoir energy. We're not, you know, depleting the reservoir too rapidly to cause damage.

And also let me point out, I fit this line through there. This is just a linear regression through the points and, if anything, it shows kind of a negative slope to the GOR. So what this tells me is that we're not negatively affecting this reservoir.

Q. Moving to Exhibit 21.

A. Okay. This is my last exhibit, and this is just a total Yeso production plot of all the COG Operating wells on the shelf. Again, the oil is in green. Gas is in red. There is a curve on here that's black, and that's the well count. And you can see that since COG took over in 2006, the well count has increased dramatically, and we've done quite a bit of drilling out here. So the well count when we got it was

about 350, and we're up to over 1,500 wells now.

You can also see the corresponding. As the well count goes up, obviously oil and gas goes up tremendously. We've got a tenfold -- roughly a tenfold increase in oil and gas production over that period.

Then, also, I guess the bottom curve is kind of a pink or magenta, and it shows the GOR. During this drilling period, the GOR actually went down because we were making such good wells, our oil production went up, which lowers your GOR. But even here in the last couple of years, the GOR is just on a gentle increase, which you would expect from this type of reservoir, which is the depletion gas reference [sic].

So, again, this is another plot showing generally across the shelf that we are effectively producing this reservoir and not damaging it in any way.

Q. Very good.

Mr. Bezner, are you familiar with the special pool rules that are the subject of this application?

A. Yes, I am.

Q. And in your opinion, is the 300-tank-barrels-of-oil-per-day allowable damaging the reservoirs?

A. No, it is not.

Q. Is the allowable preventing waste?

A. Yes, it is.
Q. In your opinion, is the limiting gas-oil ratio of 3,000 standard cubic feet of gas per barrel of oil appropriate for the Dodd-Glorieta-Upper Yeso pool and the Burch Keely-Glorieta-Upper Yeso pool?
A. Yes, it is.
Q. Is it causing damage?
A. No, it is not.
Q. Is it preventing waste?
A. Yes, it is.
Q. Based on your engineering studies of this area, is it your opinion that the four vertical wells per 40-acre in the Blinebry Formation will allow for effective and efficient drainage?
A. Yes, it does.
Q. Is it your opinion that the density limits, seven per 40 acres in the Paddock Formation, will allow for efficient and effective drainage?
A. Yes, it does.
Q. Mr. Bacon mentioned in his testimony that the Blinebry is primarily being produced through horizontal development; is that correct?
A. That's correct.
Q. Can you discuss for the Examiners a little bit about why the Paddock can primarily be produced

vertically?

A. Certainly. Like I said, we bought this from Marbob, and their target was the Paddock. They didn't believe there was really anything to get from the Blinebry, and so all the existing wells that were there, the vertical, were just drilled down to the Paddock. And, you know, the Blinebry is not as good a reservoir. Everybody knows that, but we have found -- so we have these existing vertical wells down in the Paddock, and they're kind of in the way. So we can't horizontally develop the Paddock, but we have the Blinebry underneath, down to a depth of 5,000 feet. And so we went out there and drilled some Blinebry horizontal wells. It's in the upper part of the Blinebry and found that, you know, instead of having eight verticals, you can do the same with a mile lateral, connect all that porosity to a big multistage frack and effectively drain that reservoir, and we're also making some pretty good wells.

Q. In your opinion, is it in the best interest of conservation, the prevention of waste and the protection of correlative rights to make the special pool rules in the Dodd-Glorieta-Upper Yeso pool and the Burch Keely-Glorieta-Upper Yeso pool permanent?

A. Yes, it is.

Q. Were Exhibits 14 through 21 prepared by you or under your supervision?

A. Yes, they were.

MS. GERHOLT: Mr. Examiner, at this time I would move the admission of COG Exhibits 14 through 21 into evidence.

EXAMINER GOETZE: Exhibits 14 through 21 are so entered.

(COG Operating, LLC Exhibit Numbers 14 through 21 were offered and admitted into evidence.)

MS. GERHOLT: May I have one moment, Mr. Examiner?

EXAMINER GOETZE: Please.

MS. GERHOLT: That concludes my examination of this witness.

EXAMINER GOETZE: Mr. Bruce?

MR. BRUCE: No, sir, again.

EXAMINER GOETZE: Very good.

CROSS-EXAMINATION

BY EXAMINER GOETZE:

Q. So since the initiation of these special pool rules, how many new wells have been drilled roughly between the two units?

A. A lot. I'm guessing probably 200-something.

Q. And you foresee how much more activity in-filling?

A. Well, if you look at some of those maps, we are pretty much drilled out, but there are more locations down to ten acres. But I'm again guessing maybe another hundred vertical wells, and then we have these Upper Blinebry horizontals, another 50, something like that.

Q. So you're pretty much maxed out as far as the vertical options right now?

A. Yeah. And we're just -- we're just in-filling now in particular spots.

Q. So we have a mature site in both locations.

I would ask counsel and your representative if you could provide three years' production data --

A. Sure.

Q. -- for both units --

A. Yes.

Q. -- so we can take a look at it.

A. No problem.

Q. And provide that to us.

A. Okay.

Q. We'd appreciate it.

A. That will be no problem.

Q. And let's see. I don't have any further questions for you at this time. I may have one or two

once we see the data. Okay?

A. Okay. That's fine.

MS. GERHOLT: Thank you, Mr. Examiner. We will provide that to you shortly.

EXAMINER GOETZE: At your convenience. Thank you.

MS. GERHOLT: That concludes my presentation of these cases. May my witnesses be dismissed?

EXAMINER GOETZE: The witnesses may go away, and at this point, we will take Case Numbers 14669, 14670, 14758 and 14759 under advisement.

(Case Numbers 14669, 14670, 14758 and 14759 conclude, 8:52 a.m.)

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

_____, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
COUNTY OF BERNALILLO

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

MARY C. HANKINS, CCR, RPR
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