

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

CASE 15373
and 15374

APPLICATION OF COG OPERATING, LLC, FOR
A NON-STANDARD OIL SPACING AND PRORATION UNIT
AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

SEPTEMBER 17, 2015

Santa Fe, New Mexico

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BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
GABRIEL WADE, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, and Gabriel Wade, Legal Examiner, on
September 17, 2015, 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.

REPORTED BY: ELLEN H. ALLANIC
NEW MEXICO CCR 100
CALIFORNIA CSR 8670
PAUL BACA COURT REPORTERS
500 Fourth Street, NW
Suite 105
Albuquerque, New Mexico 87102

A P P E A R A N C E S

1
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For the Applicant

Gabrielle A. Gerholt, Advisor
Concho
New Mexico Government Relations
1048 Paseo de Peralta
Santa Fe, New Mexico 87501

Also Present: Tanya Marie Mangum

I N D E X

CASE NUMBERS 15373-74 CALLED

COG OPERATING, LLC, CASE-IN-CHIEF:

WITNESS ANDREW WENZEL

	Direct	Redirect	Further
By Ms. Gerholt	5		
	EXAMINATION		
Examiner McMillan	14		

WITNESS CARRIE M. MARTIN

	Direct	Redirect	Further
By Ms. Gerholt	15		
	EXAMINATION		
Examiner McMillan	20		

	PAGE
Reporter's Certificate	23

E X H I B I T I N D E X
Exhibits Offered and Admitted

		PAGE
1		
2		
3		
4	COG OPERATING LLC EXHIBIT 1	14
5	COG OPERATING LLC EXHIBIT 2	14
6	COG OPERATING LLC EXHIBIT 3	14
7	COG OPERATING LLC EXHIBIT 3-A	14
8	COG OPERATING LLC EXHIBIT 4	14
9	COG OPERATING LLC EXHIBIT 5	14
10	COG OPERATING LLC EXHIBIT 6	14
11	COG OPERATING LLC EXHIBIT 7	14
12	COG OPERATING LLC EXHIBIT 8	20
13	COG OPERATING LLC EXHIBIT 9	20
14	COG OPERATING LLC EXHIBIT 10	20
15		
16		
17		
18		
19		
20		
21		
22		
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24		
25		

1 (Time noted 8:17 a.m.)

2 EXAMINER McMILLAN: And I would like to go
3 ahead and call the first case, case No. 15373,
4 Application of COG Operating, LLC, for a non-standard
5 spacing and proration unit and compulsory pooling,
6 Lea County, New Mexico.

7 Call for appearances.

8 MS. GERHOLT: Gabrielle Gerholt on behalf of
9 COG Operating, LLC. And I have two witnesses here with
10 me today.

11 EXAMINER McMILLAN: Any other appearances?

12 (No response.)

13 EXAMINER McMILLAN: Before we proceed, will
14 this be combined with case No. 15374?

15 MS. GERHOLT: Yes, Mr. Examiner. We've
16 asked for it to be consolidated.

17 EXAMINER McMILLAN: Okay. Then at this time
18 I would also like to call Case No. 15374, Application of
19 COG Operating, LLC, for a non-standard spacing and
20 proration unit and compulsory pooling, Lea County, New
21 Mexico.

22 Call for appearances.

23 MS. GERHOLT: Gabrielle Gerholt on behalf of
24 COG Operating, LLC.

25 EXAMINER McMILLAN: Right. If you would

1 please have the witnesses sworn in at this time.

2 MS. GERHOLT: Yes.

3 (WHEREUPON, the presenting witnesses
4 were administered the oath.)

5 MS. GERHOLT: Mr. Examiner, if I may
6 approach with exhibits.

7 EXAMINER McMILLAN: Yes, please.

8 MS. GERHOLT: Mr. Examiner, at this time I
9 would call Andrew Wenzel to the stand.

10 ANDREW WENZEL

11 having been first duly sworn, was examined and testified
12 as follows:

13 DIRECT EXAMINATION

14 BY MS. GERHOLT:

15 Q. Good morning.

16 A. Good morning.

17 Q. Would you please state your full name for the
18 record and tell the Examiners by whom you are employed
19 and in what capacity.

20 A. Andrew Wenzel and I'm employed by COG Operating,
21 LLC, as a landman.

22 Q. Okay. Have you previously testified before the
23 Division?

24 A. I have not.

25 Q. Would you please describe your educational and

1 work experience as it relates to these being a landman?

2 A. I have a bachelor's degree from the University of
3 Oklahoma in energy management. I interned with COG the
4 summer of 2013, working in the land department. And I
5 have working at COG since June of 2014 as a landman.

6 Q. Are you a member of any professional
7 organizations?

8 A. I am a member of the American Association of
9 Professional Landmen and the Permian Basin Landman's
10 Association.

11 Q. And how long have you been a member of those
12 associations?

13 A. For about a year and a half.

14 Q. Thank you. Are you familiar with the
15 applications that COG filed in case Nos. 15373 and
16 15374?

17 A. I am.

18 Q. And are you also familiar with the status of the
19 lands in this area?

20 A. I am.

21 Q. Are there unit depth severance issues?

22 A. There are not.

23 Q. Ownership common throughout this area?

24 A. Yes, it is.

25 MS. GERHOLT: Mr. Examiner, at this time I

1 would tender Andrew Wenzel as an expert in petroleum
2 land matters.

3 EXAMINER McMILLAN: So qualified.

4 MS. GERHOLT: Thank you.

5 Q. Mr. Wenzel, can you please describe for the
6 Examiners what COG seeks in each of these cases?

7 A. COG seeks to form non-standard spacing units for
8 the Viking Helmet State Com No. 1H and 2H as well as
9 compulsory pooling.

10 Q. Thank you. And if I can now draw your attention
11 to what has been marked as COG Exhibit 1.

12 A. This is a form C-102 for the Viking Helmet State
13 Com No. 1H. And on the second page is a form C-102 for
14 the Viking Helmet State Com No. 2H.

15 Q. And are we seeking to pool the mineral interests
16 underlying these non-standard spacing units?

17 A. Yes, we are.

18 Q. And is that in the Bones Spring Formation?

19 A. Yes, it is.

20 Q. Do these spacing units offset one another?

21 A. Yes, they do.

22 Q. Could you please identify for the Examiners the
23 pool code and the pool name.

24 A. The pool code is 98098. And the pool name is
25 WC-025G099243532 and LWR-BS.

1 Q. And the pool name and code is the same for each
2 spacing unit; is that correct?

3 A. That's correct.

4 Q. Starting with the Viking Helmet State Com 1H, can
5 you please identify the unit letter and section of the
6 surface hole location and the bottom hole location.

7 A. The surface hole location for the Viking Helmet
8 State Com No. 1H is in unit A of section 29, with the
9 bottom hole location in unit H of section 32.

10 Q. Then for the 2H?

11 A. The surface hole location is in unit B of section
12 29 with a bottom hole location in unit G of section 32.

13 Q. And has COG recently received APDs for these
14 wells?

15 A. Yes.

16 Q. Is the API for the Viking Helmet 1H No.
17 30-025-42782?

18 A. Correct.

19 Q. And the API for the 2H, is it 3002542783; is that
20 correct?

21 A. That is also correct.

22 Q. Is the character of the lands in these
23 non-standard spacing units the same?

24 A. Yes, it is.

25 Q. Would you please describe the land makeup for the

1 Examiners.

2 A. The east half of section 29 is fee mineral and
3 the northeast quarter of section 32 is state.

4 Q. Is that what necessitated the State Com?

5 A. Yes, that is correct.

6 Q. Thank you.

7 If I can now draw your attention to what has been
8 marked as Exhibit 2. Does page 1 of this exhibit
9 identify COG's non-standard spacing unit?

10 A. Yes, it does.

11 Q. And does page 2 identify the interest owners
12 within the units?

13 A. Yes, it does.

14 Q. Who are those interest owners?

15 A. COG Operating, LLC; Chevron U.S.A., Inc.; and
16 Katherine Ross Madera Sharbutt.

17 Q. Have the wells been proposed to Chevron and
18 Ms. Sharbutt?

19 A. Yes, they have.

20 Q. Is Exhibit 3 a copy of the well proposal letters
21 that were sent out to each of these interest owners?

22 A. Yes, it is.

23 Q. In addition to the named well proposal letters,
24 what other steps have you taken to obtain voluntary
25 joinder?

1 A. I have spoken with both parties over the phone.
2 We are currently working with Chevron on a joint
3 operating agreement and we are currently working with
4 Katherine Ross Madera Sharbutt on a lease.

5 Q. Do you believe voluntary joinder is likely?

6 A. I do.

7 Q. And why is it then that COG is here today seeking
8 compulsory pooling?

9 A. We plan to drill these wells in the near future.
10 We have a number of fee leases that expire January 17,
11 2016.

12 Q. So you have some lease expiration dates that are
13 scheduled?

14 A. That's correct.

15 Q. Within Exhibit 3, if I can now draw your
16 attention to the AFEs for both the 1H and the 2H. Are
17 the costs reflected in those AFEs in line with costs COG
18 has incurred in drilling similar horizontal wells in the
19 area?

20 A. Yes, they are.

21 Q. Now if I can draw your attention to what has been
22 marked Exhibit 3-A. What is this?

23 A. Exhibit 3-A is a corrected AFE for the Viking
24 Helmet State Com No. 2H. The originals had a small
25 error in the legal description. Where the northeast

1 quarter of section 32 was described as the east half of
2 the northeast, it should have been the west half of the
3 northeast.

4 We sent the first AFE and proposals on July 16th.
5 As soon as we caught this error on the 22nd of July, we
6 mailed them overnight. And they were received on the
7 23rd of July.

8 Q. And is the rest of Exhibit 3-A those receipts
9 from FedEx showing that, in fact, they mailed on the
10 date that you specified and that they were received by
11 the parties?

12 A. That is correct.

13 Q. After you sent the amended AFE for the 2H, did
14 you receive any objection from either Chevron or
15 Ms. Sharbutt?

16 A. We did not.

17 Q. Did the well costs change at all between the
18 AFEs?

19 A. They did not.

20 Q. So the purpose of sending that was just to
21 clarify the location?

22 A. That is correct.

23 Q. Thank you.

24 In addition to the AFEs, has COG estimated the
25 drilling costs and the production costs?

1 A. Yes.

2 Q. And what are those costs?

3 A. 7,000 for drilling and 700 for producing.

4 Q. And are those costs in line with what COG and
5 other operators in this area charge for similar wells?

6 A. Yes, they are.

7 Q. Do you now ask the Examiners here today that
8 these administrative and overhead costs be incorporated
9 into any order resulting from this hearing?

10 A. I do.

11 Q. Does COG also ask that they be adjusted in
12 accordance with the appropriate accounting procedures?

13 A. Yes, we do.

14 Q. And with respect to the interest owners who
15 remain uncommitted to this well, do you request that the
16 Division impose a 200 percent risk penalty?

17 A. Yes, we do.

18 Q. A change in focus for a moment. Let's discuss
19 the formation of the non-standard unit.

20 Has COG identified the operators or ownership of
21 lease mineral interests in the 40-acre tracts
22 surrounding the proposed non-standard spacing units?

23 A. Yes, we have.

24 Q. And was that part of the filing of the
25 application?

1 A. Yes.

2 Q. Are those affected operators or owners shown on
3 Exhibits 4 and 5?

4 A. Yes, they are.

5 Q. And is Exhibit 4 for the Viking Helmet State Com
6 1H Well?

7 A. Correct.

8 Q. And Exhibit 5 shows those offsetting owners for
9 the Viking Helmet State Com 2H; is that correct?

10 A. That's correct.

11 Q. And did the operators and owners of those mineral
12 interests receive notice of this hearing?

13 A. They received notice by certified mail.

14 Q. Did COG receive any objections to the formation
15 of these non-standard spacing units?

16 A. We did not.

17 Q. I now draw your attention to what have been
18 marked Exhibits 6 and 7. Are these affidavits signed by
19 me with attached copies of the letters sent to pool
20 parties and to offsetting interests?

21 A. Yes, they are.

22 Q. Finally, has COG brought a geologist here today
23 to testify about the non-standard spacing units?

24 A. We have.

25 Q. And were Exhibits 1 through 7 prepared by you and

1 compiled under your direction and supervision?

2 A. They were.

3 MS. GERHOLT: Mr. Examiner, I would move
4 Exhibits 1 through 7 into evidence at this time.

5 EXAMINER McMILLAN: Exhibits 1 through 7 are
6 now part of the record.

7 (COG Operating, LLC, Exhibits 1 through 7
8 were offered and admitted.)

9 MS. GERHOLT: Thank you. I have no further
10 questions for this witness.

11 EXAMINATION BY EXAMINER McMILLAN

12 EXAMINER McMILLAN: Okay. The first
13 question, just to clarify things, the status of the
14 wells are pending, correct?

15 THE WITNESS: Yes.

16 EXAMINER McMILLAN: And the next question I
17 have, are there any unlocatable interests?

18 THE WITNESS: There are not.

19 EXAMINER McMILLAN: I did not clearly hear
20 on the 2H; was the API 42873?

21 THE WITNESS: I believe that's correct. We
22 recently had APDs approved before -- right after these
23 exhibits were created.

24 MS. GERHOLT: Mr. Examiner, 42783.

25 EXAMINER McMILLAN: Okay. Because I didn't

1 see anything on our database.

2 Any questions?

3 EXAMINER WADE: I have no questions.

4 EXAMINER McMILLAN: I really have no further
5 questions. Thank you.

6 MS. GERHOLT: Thank you, Mr. Examiner.

7 At this time I would call the geologist, Ms.
8 Carrie Martin, to the stand.

9 EXAMINER McMILLAN: All right. Please
10 proceed.

11 CARRIE MARTIN

12 having been first duly sworn, was examined and testified
13 as follows:

14 DIRECT EXAMINATION

15 BY MS. GERHOLT:

16 Q. Good morning. Would you please state your full
17 name and tell the Examiners by whom you are employed and
18 in what capacity?

19 A. Carrie Martin, and I'm employed by COG Operating,
20 LLC, as a geologist.

21 Q. Have you previously testified before the
22 Division?

23 A. Yes.

24 Q. And were your credentials as a petroleum
25 geologist accepted and made a part of the public record?

1 A. Yes.

2 Q. Are you familiar with the application that has
3 been filed in these cases?

4 A. Yes.

5 Q. Have you conducted a geologic study of the area?

6 A. Yes.

7 MS. GERHOLT: At this time, Mr. Examiner, I
8 would request the Division recognize Carrie Martin as an
9 expert in geology and in geological matters.

10 EXAMINER McMILLAN: So qualified.

11 MS. GERHOLT: Thank you.

12 Q. Ms. Martin, if I now may draw your attention to
13 what has been labeled COG Exhibit 8. And if we can
14 begin with the legend. Would you please identify what
15 the exhibit is and walk us through it this morning.

16 A. This is an exhibit of the area that we are
17 proposing wells. The structure map is the Third Bone
18 Spring Sand top of the sand structure.

19 The contour, the black lines are contour lines
20 with a contour interval of 50 feet. The yellow polygons
21 are COG acreage for the proposed wells.

22 The solid purple line is an existing Third Bone
23 Spring well in the area. The two dashed purple lines
24 are the proposed wells, the Viking Helmet State Com
25 Number 1H and Number 2H. The red dots and red lines

1 show the cross section on the next exhibits.

2 And those wells are representative of the area.
3 The structure map here shows that there is no faulting
4 in the Third Bone Spring Sand and no pinch-outs and no
5 geological impediments to drilling horizontal wells.

6 Q. Great, thank you.

7 I am now going to have you turn to Exhibit No. 9.
8 Is this a structural cross section of the Third Bone
9 Spring Sand?

10 A. Yes.

11 Q. Could you please walk the Examiners through this
12 exhibit.

13 A. The Third Bone Spring Sand is shown here with the
14 top of the Third Bone Spring Sand as the purple solid
15 line and the base of the Third Bone Spring Sand as the
16 red solid line. The three wells are from the previous
17 map that show that this is representative of the area.

18 Q. Okay. And pausing for just a moment, are there
19 many wells in this area?

20 A. No. These are the only three wells in the
21 nine-section area that we have that penetrate the Third
22 Bone Spring.

23 Q. Thank you. If I can now draw your attention to
24 what has been labeled Exhibit 10. Is this a
25 stratigraphic cross section of the Third Bone Spring

1 Sand?

2 A. Yes.

3 Q. Why don't we go ahead and start walking through
4 this with the Examiners.

5 A. So in this cross section it's the same three
6 wells that are on the previous cross section and the
7 same logs.

8 What I have done here is I have hung or flattened
9 on the Third Bone Spring Sand top and the purpose of
10 showing this cross section is to show that the thickness
11 of the Third Bone Spring Sand is consistent through the
12 area and it ranges between 350 to 400 feet thick.

13 Q. Okay. This stratigraphic cross section, does it
14 contain information that would also be included in an
15 isopach?

16 A. Yes.

17 Q. And does this show consistent thickness
18 intervals?

19 A. Yes.

20 Q. You mentioned the word "flattened." I am not a
21 geologist. What does that mean?

22 A. That means instead of having the logs on a
23 structural depth, we actually have them flattened on the
24 top of a formation. And in this case, it is the Third
25 Bone Spring Sand -- or it is hung on that formation top.

1 Q. Thank you.

2 And you mentioned that these are the three wells
3 in the area, so they are representative of what would be
4 encountered in the two non-standard spacing units; is
5 that correct?

6 A. Yes.

7 Q. Thank you.

8 And you stated previously that based upon your
9 geological study of this area, there are no geological
10 impediments; is that correct?

11 A. Yes.

12 Q. In your opinion, can this area be efficiently and
13 effectively drained?

14 A. Yes.

15 Q. In your opinion, will each quarter, quarter
16 contribute approximately equally to each well?

17 A. On average, yes.

18 Q. Would you please explain to the Examiners why COG
19 wants to drill these wells from north to south?

20 A. We plan to drill a pilot hole on the No. 2H and
21 use that to land the horizontal, and we plan to drill to
22 the south to go towards our control that we have to the
23 southern part of the area.

24 Q. And, Ms. Martin, does COG have plans to develop
25 the south half of section 32?

1 A. Yes.

2 Q. And, in fact, hasn't COG already obtained a
3 compulsory pooling order from the Division for the east
4 half of the south half?

5 A. Yes.

6 Q. Do you recall the well subject to that order?

7 A. It's the Skull Cap State Com No. 2H.

8 Q. In your opinion, would the granting of COG's
9 application be in the best interests of conservation,
10 prevention of waste, and the protection of correlative
11 rights?

12 A. Yes.

13 Q. Were Exhibits 8 through 10 prepared by you or
14 compiled under your direction or supervision?

15 A. Yes.

16 MS. GERHOLT: At this time, I would move
17 Exhibits 8 through 10 into evidence.

18 EXAMINER McMILLAN: Exhibits 8 through 10
19 are now a part of the record.

20 (COG Operating, LLC, Exhibits 8 through 10
21 were offered and admitted.)

22 MS. GERHOLT: I have no further questions.

23 EXAMINATION BY EXAMINER McMILLAN

24 EXAMINER McMILLAN: Okay. The question I
25 have is -- I am going back to the Endurance well. And

1 is it Exhibit 9?

2 THE WITNESS: Yes.

3 EXAMINER McMILLAN: Is it producing from
4 this zone?

5 THE WITNESS: Yes, it is, to my knowledge.

6 EXAMINER McMILLAN: It is an economic well?

7 THE WITNESS: I believe so.

8 EXAMINER McMILLAN: Okay.

9 EXAMINER WADE: I have no questions.

10 EXAMINER McMILLAN: I have no further
11 questions.

12 MS. GERHOLT: Thank you.

13 EXAMINER McMILLAN: Thank you.

14 MS. GERHOLT: At this time, Mr. Examiner,
15 COG requests that both cases be taken under advisement.

16 EXAMINER McMILLAN: Cases 15373 and 15374
17 are now taken under advisement.

18 MS. GERHOLT: Thank you very much.

19 EXAMINER McMILLAN: Thank you very much.

20 UNIDENTIFIED FEMALE SPEAKER: Can I go on
21 record as being here and present today?

22 EXAMINER WADE: Were you wanting to be
23 present in this particular case that we just called?

24 UNIDENTIFIED FEMALE SPEAKER: That is what I
25 came for.

1 EXAMINER WADE: Okay. We had asked for
2 appearances earlier, but go ahead.

3 UNIDENTIFIED FEMALE SPEAKER: I caught that.
4 It went by real fast.

5 THE COURT REPORTER: Please say your name
6 for purposes of identification on the record.

7 MS. MANGUM: I am Tanya Marie Mangum.

8 EXAMINER WADE: Did you want to make a
9 comment regarding --

10 MS. MANGUM: No, I didn't.

11 EXAMINER WADE: You just wanted to be on the
12 record. If you could just give the spelling of your
13 name on the record.

14 MS. MANGUM: Tanya, T-a-n-y-a, Marie, and
15 then Mangum, M-a-n-g-u-m -- as in Mary.

16

17

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(Time noted 8:35 a.m.)

21

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24

25

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 19333
heard by me on September 17, 2015


_____, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO)
 2) ss.
 3 COUNTY OF BERNALILLO)
 4
 5
 6

7 REPORTER'S CERTIFICATE

8
 9 I, ELLEN H. ALLANIC, New Mexico Reporter CCR
 10 No. 100, DO HEREBY CERTIFY that on Thursday, September
 11 17, 2015, the proceedings in the above-captioned matter
 12 were taken before me, that I did report in stenographic
 13 shorthand the proceedings set forth herein, and the
 14 foregoing pages are a true and correct transcription to
 15 the best of my ability and control.

16
 17 I FURTHER CERTIFY that I am neither employed by
 18 nor related to nor contracted with (unless excepted by
 19 the rules) any of the parties or attorneys in this case,
 20 and that I have no interest whatsoever in the final
 21 disposition of this case in any court.

22
 23
 24
 25


ELLEN H. ALLANIC, CSR
 NM Certified Court Reporter No. 100
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