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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 15388

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

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

October 1, 2015

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER  
MICHAEL McMILLAN, EXAMINER  
GABRIEL WADE, LEGAL EXAMINER

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This matter came on for hearing before the  
New Mexico Oil Conservation Division, William V. Jones,  
Chief Examiner, Michael McMillan, Examiner, and Gabriel  
Wade, Legal Examiner, on October 1, 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

1 A P P E A R A N C E S

2 For the Applicant:

3 Jordan Lee Kessler, Esq.  
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8 (505)983-6043  
9 jlkessler@hollandhart.com

7

I N D E X

8

CASE NUMBERS 15388 CALLED

9

COG OPERATING, LLC, CASE-IN-CHIEF:

10

WITNESS DYLAN C. PARK

11

	Direct	Redirect	Further
12 By Ms. Kessler	5		

13

	EXAMINATION		
14 Examiner Jones	9		

14

15

WITNESS CODY BACON

16

	Direct	Redirect	Further
17 By Ms. Kessler	12		

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	EXAMINATION		
19 Examiner Jones	15		

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22 Reporter's Certificate Page 18

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E X H I B I T I N D E X  
Exhibits Offered and Admitted  
Case 15388

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1 (Time noted 10:24 a.m.)

2 EXAMINER JONES: And let's call case 15388,  
3 which is Application of COG Operating, LLC, For a  
4 Non-Standard Spacing and Proration Unit and Compulsory  
5 Pooling in Eddy County, New Mexico.

6 Call for appearances.

7 MS. KESSLER: Jordan Kessler from the  
8 Santa Fe Office of Holland and Hart on behalf of the  
9 applicant.

10 EXAMINER JONES: Any other appearances?

11 (No response.)

12 MS. KESSLER: Once again, I have two  
13 witnesses today.

14 EXAMINER JONES: Were the witnesses sworn in  
15 the previous case?

16 MS. KESSLER: No.

17 EXAMINER JONES: Will the witnesses please  
18 stand, and will the court reporter please swear you in.

19 (WHEREUPON, the presenting witnesses  
20 were administered the oath.)

21 MS. KESSLER: I would like to call my first  
22 witness.

23 DYLAN PARK  
24 having been first duly sworn, was examined and testified  
25 as follows:

DIRECT EXAMINATION

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BY MS. KESSLER:

Q. Can you please state your name for the record and tell the Examiner by whom you are employed and in what capacity.

A. Dylan Park. I am landman for COG Operating, LLC.

Q. Have you previously testified before the Division?

A. Yes.

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

A. Yes, they were.

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

A. Yes, I am.

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

A. I am.

MS. KESSLER: I would tender Mr. Park as expert in petroleum land matters.

EXAMINER JONES: He is so qualified.

Q. Mr. Park, please turn to Exhibit 1 and identify what COG seeks under this application.

A. This is a C-102 well location and acreage dedication plat for our Bose Ikard 4 State Com 18H.

1           We are seeking to create a non-standard spacing  
2 and proration unit covering the south half, south half  
3 of section 4 and 17 south, 29 east.

4           And we are also seeking to pool the record title  
5 owner in the southeast tract -- southeast of the  
6 southwest tract.

7           Q. And that would be for the Yeso Formation?

8           A. That is correct.

9           Q. What is the API number for this well?

10          A. 30-015-42404.

11          Q. And has the Division identified a pool and pool  
12 code for this well?

13          A. Yes. It is the Empire; Glorieta-Yeso, East,  
14 96610.

15          Q. Is this pool governed by the statewide 330-foot  
16 setbacks?

17          A. Yes, they are.

18          Q. And does the completed interval comply with the  
19 those setback requirements?

20          A. Yes, it does.

21          Q. Is the south half, south half of section 4 all  
22 state land?

23          A. Yes.

24          Q. If you could turn to Exhibit 2. Does this  
25 exhibit identify COG's interest in the record title

1 interest owner in the proposed spacing unit?

2 A. Yes, it does.

3 Q. Is the entire working interest in the south half,  
4 south half of section 4 committed to the well?

5 A. Yes, it is. COG owns the operating rates in that  
6 tract at 100 percent.

7 Q. And you only seek to pool the record title  
8 interest owners?

9 A. That is correct.

10 Q. Who is that?

11 A. It is MCI Operating of New Mexico, LLC.

12 Q. Will it be at cost-bearing interest?

13 A. No, it will not.

14 Q. And why was the interest not pooled prior to  
15 production?

16 A. Because COG owned all the operating rights, we  
17 went ahead and drilled the well. We were in  
18 communications with Multit-Corp International, which is  
19 an associated entity to the record title owner.

20 We took that term assignment. We let them know  
21 that we would be sending them a communitization  
22 agreement down the road when we got ready to drill the  
23 well. And they were in agreement with that. That was  
24 fine with them.

25 Since that time, we were unable to get in contact

1 with them any longer. We also had some pretty stringent  
2 obligations under our term assignments with Chevron in  
3 the remaining tracts.

4 Q. Are Exhibits 3 and 4 copies of letters that were  
5 sent to CI Operating of New Mexico, LLC, requesting that  
6 they sign the communitization agreement?

7 A. Yes, they are.

8 Q. What are the dates on those letters?

9 A. March 12, 2015, and July 8th, 2015.

10 Q. And as described in the July 8th letter, COG had  
11 attempted to contact MCI Operating of New Mexico  
12 multiple times by telephone also; is that correct?

13 A. Yes, that is, in addition to several e-mail  
14 communications.

15 Q. Were the letters to MCI Operating returned as  
16 undeliverable?

17 A. No, they weren't.

18 Q. So the green cards are signed?

19 A. That is correct.

20 Q. Did COG identify the offset operators or lessees  
21 of record of the 40-acre tracts surrounding the proposed  
22 non-standard spacing unit?

23 A. Yes, we did.

24 Q. And were those offset operators of lessees of  
25 record included in notice of this hearing?

1 A. Yes, they were.

2 Q. Is Exhibit 5 an affidavit from my office and  
3 notice letters to MCI Operating as well as the offset  
4 lessees and operators?

5 A. Yes.

6 Q. And was it necessary to publish notice in this  
7 case?

8 A. No, it wasn't.

9 Q. Is that because MCI Operating was a locatable  
10 party?

11 A. That is correct.

12 Q. Were Exhibits 1 through 4 prepared by you or  
13 compiled under your direction and supervision?

14 A. Yes, they were.

15 MS. KESSLER: Mr. Examiner, I move into  
16 admission of evidence Exhibits 1 through 5.

17 EXAMINER JONES: Exhibits 1 through 5 are  
18 admitted.

19 (COG OPERATING LLC EXHIBITS 1 through 5 were  
20 offered and admitted.)

21 EXAMINATION BY EXAMINER JONES

22 EXAMINER JONES: So you located them but  
23 then you lost track of them?

24 THE WITNESS: Yes.

25 EXAMINER JONES: So you didn't publish

1 notice in a newspaper?

2 MS. KESSLER: Well, they were still  
3 accepting the green cards. It sounds like they just  
4 stopped communicating with COG.

5 THE WITNESS: They signed both green cards  
6 that we had sent to them, sending them the  
7 communitization agreement.

8 EXAMINER JONES: So you got to get a well  
9 started pretty quick out here -- or --

10 THE WITNESS: This well has actually already  
11 been drilled.

12 EXAMINER JONES: Oh, yeah. Okay.

13 So that was portions of two state leases,  
14 but there are three tracts involved?

15 THE WITNESS: Correct. What is that  
16 exhibit?

17 EXAMINER JONES: Exhibit 2.

18 THE WITNESS: Tract 1 and tract 3 are the  
19 same lease. I just broke it out into separate tracts.

20 EXAMINER JONES: So they are separately  
21 owned tracts?

22 THE WITNESS: They are actually all owned by  
23 Chevron. We took a term assignment from Chevron.

24 EXAMINER JONES: Okay.

25 THE WITNESS: They are the record title

1 owner, and they have signed the Com agreement.

2 EXAMINER JONES: So the State Land Office is  
3 just waiting to -- they probably already created a Com  
4 to distribute funds, but they are waiting for the signed  
5 Com and waiting for this order --

6 THE WITNESS: Yes, sir.

7 EXAMINER JONES: -- so they can add it --

8 THE WITNESS: Yes, sir. And they are aware  
9 of this issue.

10 EXAMINER WADE: I don't have any further  
11 questions.

12 EXAMINER McMILLAN: Neither do I. Thank  
13 you.

14 EXAMINER JONES: Thank you.

15 THE WITNESS: Thank you.

16 EXAMINER JONES: This record title, you  
17 don't need any language as far as risk penalties?

18 MS. KESSLER: That is correct.

19 EXAMINER JONES: Thank you.

20 MS. KESSLER: I would like to call the  
21 geologist.

22 CODY BACON  
23 having been first duly sworn, was examined and testified  
24 as follows:

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BY MS. KESSLER:

Q. Could you please state your name for the record and tell the Examiner by whom you are employed and in what capacity?

A. Cody Bacon, and I work for COG Operating, LLC, as a geologist.

Q. Have you previously testified before the Division?

A. Yes, I have.

Q. And were your credentials as an expert in petroleum geology accepted and made a matter of the record?

A. Yes, they were.

Q. Are you familiar with the application filed in this case?

A. Yes, I am.

Q. And have you conducted a geologic study of the lands that are the subject of this hearing?

A. Yes, I have.

MS. KESSLER: Mr. Examiner, I tender Mr. Bacon as an expert on petroleum geology.

EXAMINER JONES: He is so qualified.

Q. Where was the interval landed?

A. In the Paddock member of the Yeso Formation.

1 Q. Did you prepare a structure map of the cross  
2 section of the interval for the Examiners?

3 A. Yes, I did.

4 Q. Turn to Exhibit 6 and identify this exhibit.

5 A. This is a subSea structure map on top of the  
6 Paddock Formation. The contour interval is 100 feet.

7 The yellow coloring is COG acreage. And if you  
8 look in section 4 of 17 south, 29 east, there's a blue  
9 rectangle. This is the proposed non-standard unit. And  
10 within that rectangle is a line representing the  
11 location of the well.

12 The structure shows that the Paddock generally  
13 tips from west to east. And if you look in the southern  
14 half of the township, you see that the contours start to  
15 tighten up and dip more towards the south. That is  
16 where you dip off into the Delaware Basin.

17 Q. Have you identified any geologic impediments  
18 within the structure of this section?

19 A. There are not.

20 Q. And turning to Exhibit 7, does this exhibit  
21 depict the line of section that will be used for the  
22 next exhibit?

23 A. Yes, it does.

24 Q. Do you consider these wells to be representative  
25 of wells in the area?

1 A. Yes, they are.

2 Q. And turning to Exhibit 8, would you please  
3 identify this exhibit?

4 A. This is the line of section that we saw on the  
5 previous exhibit. It is a west to east cross section.  
6 And if you start at the bottom, in yellow, you see the  
7 Tub Formation. Above that, in blue, is the Blinebry  
8 Formation. And above that, in green, is the Paddock  
9 Formation, which is the target interval for the well.  
10 And, then, above that, in yellow, is the Glorieta.

11 Again, this cross section demonstrates the  
12 general west to east dip. You can see that there is no  
13 significant thickening or thinning of the Paddock and no  
14 major structural change, either.

15 Q. Where is the landing zone?

16 A. In the Paddock, yes, ma'am.

17 Q. What conclusions have you drawn based on your  
18 geologic study?

19 A. There are no geologic impediments to developing  
20 this area using full section horizontal wells.

21 This area can be developed economically and  
22 efficiently using horizontal wells. And the proposed  
23 non-standard unit will, on average, contribute more or  
24 less equally to the production from the well.

25 Q. Referring back to Exhibit 1, does the completed

1 interval comply with the statewide setbacks?

2 A. Yes, it does.

3 Q. And that can be seen on the C-102; is it correct?

4 A. That's correct.

5 Q. In your opinion is the granting of COG's  
6 application in the best interests of conservation, the  
7 prevention of waste and the protection of correlative  
8 rights?

9 A. Yes.

10 Q. And were Exhibits 6 through 8 prepared by you or  
11 compiled under your direction and supervision?

12 A. Yes, they were.

13 MS. KESSLER: Mr. Examiner, I move into  
14 evidence Exhibits 6 through 8.

15 EXAMINER JONES: Exhibits 6, 7, and 8 are  
16 admitted in case 15388.

17 (COG OPERATING LLC EXHIBITS 6 through 8 were  
18 offered and admitted.)

19 EXAMINER McMILLAN: Go ahead.

20 EXAMINATION BY EXAMINER JONES

21 EXAMINER JONES: How do you pick the top  
22 between the Blinebry and the Paddock?

23 THE WITNESS: It can be a tricky one at  
24 times. Typically, it will be on one of the first silts  
25 that you find when you come out of the carbonate in the

1 Paddock.

2 EXAMINER JONES: So you're moving from a --  
3 the Paddock is kind of a carbonate?

4 THE WITNESS: Yes, sir.

5 EXAMINER JONES: The Glorieta is a sand,  
6 correct?

7 THE WITNESS: Correct.

8 EXAMINER JONES: And then you got your  
9 carbonate. And then you come into the silt, kind of the  
10 silty Blinebry?

11 THE WITNESS: It is still a dolomite but you  
12 do have pulses of silt, as you do in the Paddock as  
13 well.

14 EXAMINER JONES: But you are up on the shelf  
15 here?

16 THE WITNESS: Yes, sir.

17 EXAMINER JONES: Is your well behaving okay  
18 or --

19 THE WITNESS: Yes.

20 EXAMINER JONES: Are you satisfied with it?

21 THE WITNESS: I have been satisfied, yes,  
22 sir.

23 EXAMINER JONES: When you fracked the well,  
24 did you do any tracers that might indicate where along  
25 the well bore you are getting your production?

1 THE WITNESS: I'm not a completions expert,  
2 so I'm not really sure what -- I don't believe I'm  
3 qualified for that.

4 EXAMINER JONES: But geologically speaking,  
5 all four spacing units would contribute to the well?

6 THE WITNESS: Yes, sir.

7 EXAMINER JONES: I have no more questions.

8 EXAMINER McMILLAN: I don't have any  
9 questions.

10 EXAMINER JONES: Thank you.

11 EXAMINER McMILLAN: Thank you very much.

12 THE WITNESS: Thanks.

13 EXAMINER JONES: If nothing further, we will  
14 take case 15388 under advisement.

15 MS. KESSLER: Thank you, Mr. Examiner.

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(Time noted 10:37 a.m.)

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I do hereby certify that the foregoing is  
a complete record of the proceedings to  
the Examiner's knowledge of Case No. \_\_\_\_\_  
heard by me on \_\_\_\_\_  
\_\_\_\_\_, Examiner  
Oil Conservation Division

1 STATE OF NEW MEXICO )  
 2 ) ss.  
 3 COUNTY OF BERNALILLO )  
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7 REPORTER'S CERTIFICATE

8  
 9 I, ELLEN H. ALLANIC, New Mexico Reporter CCR  
 10 No. 100, DO HEREBY CERTIFY that on Thursday, October 1,  
 11 2015, the proceedings in the above-captioned matter were  
 12 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.

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ELLEN H. ALLANIC, CSR  
 NM Certified Court Reporter No. 100  
 License Expires: 12/31/15