

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

ORIGINAL

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

CASE NO. 15392

OCTOBER 15, 2015
1220 S. St. Francis Drive
Santa Fe, NM 87505

HEARING EXAMINER: MICHAEL MCMILLAN

LEGAL COUNSEL: GABRIEL WADE

APPEARING FOR THE APPLICANT, COG Operating, LLC

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1 (Note: Proceedings in Session.)

2 HEARING EXAMINER MCMILLAN: What I would
3 like to do now is call Case No. 15392, Application
4 of COG Operating, LLC for a Non-Standard Oil Spacing
5 and Proration Unit and Compulsory Pooling, Lea
6 County, New Mexico. Call for appearances.

7 MR. LARSON: Good morning. Gary Larson
8 from the Santa Fe office of Hinkle Shanor, LLP for
9 the applicant. I apologize for being late. There
10 was an accident near the national cemetery. I was
11 literally stuck. I have two witnesses.

12 HEARING EXAMINER MCMILLAN: Any other
13 appearances? If the witnesses would be sworn in at
14 this time.

15 BONNIE BLUE
16 after having been first duly sworn under oath,
17 was questioned and testified as follows:

18 EXAMINATION

19 BY MR. LARSON

20 Q. May I proceed? Good morning. Would you
21 please state your full name for the record?

22 A. Bonnie Blue.

23 Q. And where do you reside?

24 A. Midland, Texas.

25 Q. By whom are you employed and in what

1 capacity?

2 A. COG Operating, LLC as a landman.

3 Q. What is your focus as a landman for COG?

4 A. The southeastern New Mexico Permian Basin.

5 Q. Are you familiar with the land matters
6 that pertain to COG's application?

7 A. Yes.

8 Q. Have you previously testified at the
9 division hearing?

10 A. No.

11 Q. In light of that, would you summarize for
12 the examiner your educational background and your
13 professional experience in the oil and gas business?

14 A. I graduated from Texas Tech with a degree
15 in energy commerce in May 2014. Right after I
16 graduated in June I started with COG, and I'm a
17 member of the American Association of Professional
18 Landmen and the Permian Basin Landman's Association.

19 MR. LARSON: Mr. Examiner, I move Ms. Blue
20 be qualified as an expert in land matters for
21 purposes of this hearing.

22 HEARING EXAMINER MCMILLAN: So qualified.

23 Q. (By Mr. Larson) Would you please identify
24 the document marked as COG Exhibit 1.

25 A. This is a C-102.

1 Q. And is Exhibit No. 1 a true and correct
2 copy of the plat for COG's proposed Ragnar Federal
3 Com No. 25H well?

4 A. Yes, it is.

5 Q. And will the completed interval of the
6 well comply with the division setback requirements?

7 A. Yes.

8 Q. And what pool will the well produce from?

9 A. The Maljamar Yeso West.

10 Q. Do you know the pool code?

11 A. 44500.

12 Q. Would you next identify the document
13 marked as COG Exhibit 2.

14 A. This shows the tract with the interest
15 owners.

16 Q. Did you prepare this document?

17 A. Yes.

18 Q. And does it identify all the mineral
19 interest owners in the proposed project area?

20 A. Yes.

21 Q. And who owns the surface?

22 A. The BLM.

23 Q. What other interest does Exhibit 2
24 identify?

25 A. It identifies offset operators and

1 lessees, uncommitted overriding royalty interest and
2 individuals and entities with unmarketable title.

3 Q. And I will direct your attention to the
4 first page of Exhibit 2 under Offset Owners. If you
5 look at the fourth name down, it says Lynn Petroleum
6 Consultants. Is there a typo in that title?

7 A. Yes, it should be Lynx, L-Y-N-X.

8 Q. Were you able to locate addresses for all
9 of these entities and individuals identified on
10 Exhibit 2?

11 A. No.

12 Q. What effort did you undertake to locate
13 those addresses?

14 A. We used internal databases, internet
15 search engines and title brokers.

16 Q. Would you identify the document marked as
17 Exhibit 3?

18 A. This is a sample well proposal letter.

19 Q. Did you draft and send this letter?

20 A. Yes.

21 Q. Did you send this well proposal letter to
22 all of the working interest owners listed on Exhibit
23 2?

24 A. Yes, I did.

25 Q. Did you enclose an AFE with the letter?

1 A. Yes.

2 Q. And have you subsequently had
3 communications with these working interest owners?

4 A. Yes, we are currently in negotiations.

5 Q. And in your view, have you made a good
6 faith effort to obtain their participation in the
7 well?

8 A. Yes.

9 Q. And in light of your inability to locate
10 good addresses for some of the overriding royalty
11 interest owners and parties with unmarketable title,
12 did COG public notice of today's hearing?

13 A. Yes.

14 Q. Would you next identify the document
15 marked as Exhibit 4?

16 A. This is the Affidavit of Publication from
17 September 19, 2015.

18 Q. That's the Hobbs Sun News?

19 A. Yes.

20 Q. Is Exhibit 4 a true and correct copy of
21 the publication affidavit?

22 A. Yes, it is.

23 Q. And did COG subsequently do a second
24 publication notice that specifically names all of
25 the entities and individuals with uncommitted

1 overriding royalty interest and unmarketable title
2 listed on Exhibit 2?

3 A. Yes.

4 Q. When was that second notice published?

5 A. The Hobbs News Sun indicated it would be
6 published on October 9th.

7 Q. At this point we don't have the Affidavit
8 of Publication?

9 A. Correct.

10 Q. Given that date for publication, is the
11 COG requesting a continuance?

12 A. Yes.

13 Q. Would you next identify the document
14 marked as Exhibit No. 5?

15 A. This is the Authority for Expenditure.

16 Q. Is this a true and correct copy of the AFE
17 you sent with the well proposal letters?

18 A. Yes, it is.

19 Q. What is the total well cost?

20 A. \$3,593,000.

21 Q. Is that well cost similar to the cost
22 incurred by COG for other Yeso horizontal wells?

23 A. Yes, it is.

24 Q. Next identify the document marked as
25 Exhibit 6.

1 A. This is a hearing notice letter that was
2 sent out to uncommitted interest owners and the
3 green cards and certified mail receipts.

4 Q. Was it also sent to the working interest
5 owners?

6 A. Yes, and working interest owners.

7 Q. Were these notice letters sent at your
8 direction?

9 A. Yes, it was.

10 Q. Are they true and correct copies of an
11 example of the notices and the associated green
12 cards and receipts?

13 A. Yes.

14 Q. And would you identify any operators in
15 the spacing units that are offset to the proposed
16 project area?

17 A. Yes, Devon and ConocoPhillips.

18 Q. Again referring to Exhibit 2, did you also
19 identify any lessees in the offset spacing?

20 A. Yes.

21 Q. And did COG provide notice of today's
22 hearing to all of the offset operators and offset
23 lessees?

24 A. Yes, we did.

25 Q. Would you identify the document marked as

1 COG Exhibit 7?

2 A. Yes, this is the notice of hearing sent
3 out to offset operators and lessees and the green
4 cards and certified mail receipts.

5 Q. Were these notice letters also sent at
6 your direction?

7 A. Yes.

8 Q. Are the exemplar of the notice letters and
9 the associated green cards and receipts true and
10 correct copies?

11 A. Yes, they are.

12 Q. Do you have a recommendation for the
13 amount COG should be paid for supervision and
14 administrative expenses for the Ragnar Federal com
15 No. 25H?

16 A. \$6,000 for drilling and \$600 a month while
17 the well is producing.

18 Q. Are those expenses commensurate with COG's
19 other Yeso horizontal wells?

20 A. Yes.

21 Q. And do you recommend that the rates for
22 supervision and administrative expenses be adjusted
23 periodically pursuant to the accounting procedure?

24 A. Yes.

25 Q. And is COG also requesting a 200 percent

1 charge for the risk of drilling and completing the
2 well?

3 A. Yes.

4 Q. In your opinion, will the granting of
5 COG's application serve the interest of conservation
6 and the preservation of waste?

7 A. Yes.

8 Q. And finally, do you request that this case
9 be continued until October 29th?

10 A. Yes, we do.

11 MR. LARSON: Mr. Examiner, I move the
12 admission of COG Exhibits 1 through 7.

13 HEARING EXAMINER MCMILLAN: Exhibits 1
14 through 7 may now be accepted as part of the record.

15 (Note: Exhibits 1 through 7 admitted.)

16 MR. LARSON: I will pass the witness.

17 HEARING EXAMINER MCMILLAN: Okay. I
18 didn't write down, what's the pool code?

19 THE WITNESS: 44500.

20 HEARING EXAMINER MCMILLAN: Okay. And in
21 the project area, what type of acreage is it?

22 THE WITNESS: It's BLM federal.

23 HEARING EXAMINER MCMILLAN: Are the depth
24 services?

25 THE WITNESS: No.

1 HEARING EXAMINER MCMILLAN: So you're also
2 pooling working interests and unlocatable interests
3 both?

4 THE WITNESS: Yes.

5 HEARING EXAMINER MCMILLAN: Okay.

6 MR. WADE: No questions.

7 HEARING EXAMINER MCMILLAN: No questions.
8 Thank you very much.

9 CODY BACON

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

12 EXAMINATION

13 Q. Good morning, Mr. Bacon, please state your
14 full name for the record?

15 A. Cody Bacon.

16 Q. And where do you reside?

17 A. Midland, Texas.

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

20 A. COG Operating, LLC as a geologist.

21 Q. And what is the focus of your
22 responsibilities as a geologist at COG?

23 A. The southeast New Mexico region of the
24 Permian Basin.

25 Q. Have you previously testified at a

1 division hearing?

2 A. Yes, I have.

3 Q. Were you qualified as an expert in
4 petroleum geology during those hearings?

5 A. Yes.

6 MR. LARSON: Mr. Examiner, I move for
7 Mr. Bacon's qualifications as an expert petroleum
8 geologist be accepted.

9 HEARING EXAMINER MCMILLAN: So qualified.

10 Q. Does COG have experience with Yeso
11 horizontal wells in the vicinity of the proposed
12 project area?

13 A. Yes.

14 Q. Generally speaking, where are the other
15 Yeso wells located?

16 A. COG has a number of wells to the east,
17 west and north of the location.

18 Q. Have those wells been productive?

19 A. Yes, they have.

20 Q. Were you involved in COG's prospects for
21 the Ragnar Fed Com No. 28 horizontal well?

22 A. Yes.

23 Q. In your view, what are the prospects for
24 the well?

25 A. Based on the target interval and the

1 offset Yeso wells, we anticipate it will be
2 productive.

3 Q. Would you identify the document marked as
4 COG Exhibit 8?

5 A. This is a Sub C structure map on top of
6 the Blinebry formation.

7 Q. Did you prepare the document?

8 A. Yes, I did.

9 Q. What role did this structure map have in
10 your geological analysis and prospects for the
11 Ragnar well?

12 A. It shows there's a very consistent west to
13 east dip. There are no major structural changes, no
14 faulting or other geologic impediments.

15 Q. I next ask you to identify the document
16 marked as COG Exhibit No. 9.

17 A. This is a cross-section location map
18 across the Ragnar area.

19 Q. Did you prepare this document?

20 A. Yes.

21 Q. What offset wells did you look at?

22 A. I looked at all of them, but in particular
23 the COG operating Leaker CC State No. 1, the COG
24 Leaker CC State No. 10, the COG JC Federal No. 10
25 and the COG JC Federal No. 15.

1 Q. And next I will ask you to identify the
2 last exhibit, COG Exhibit No. 10.

3 A. This is the structural cross-section that
4 we saw on the previous cross-section location map.

5 Q. Did you also prepare this document?

6 A. Yes, I did.

7 Q. And what role did the cross-section have
8 in your analysis of the prospects for the Ragnar Fed
9 Com No. 28 well?

10 A. It also shows that there's a gentle west
11 to east dip. There's no major structural change, no
12 major faulting. There's also no significant
13 thickening or thinning of the target interval and
14 there are no any other geologic impediments.

15 Q. And in your opinion will the proposed
16 horizontal well be productive along the entire
17 length of the completed interval?

18 A. Yes.

19 Q. And in your opinion will the granting of
20 COG's application serve the interest of conservation
21 and the prevention of waste?

22 A. Yes.

23 MR. LARSON: Mr. Examiner, I move the
24 admission of Exhibits 8, 9 and 10.

25 HEARING EXAMINER MCMILLAN: Exhibits 8, 9

1 and 10 may now be accepted as part of the record.

2 (Note: Exhibits 8, 9 and 10 admitted.)

3 MR. LARSON: I will pass the witness.

4 HEARING EXAMINER MCMILLAN: Quickly, does
5 this have an ATI number?

6 THE WITNESS: Yes. I do not know it off
7 the top of my head.

8 HEARING EXAMINER MCMILLAN: Thank you.
9 This well hasn't been drilled?

10 THE WITNESS: No, sir.

11 HEARING EXAMINER MCMILLAN: So is your
12 primary objective the, crudely looking at this, the
13 Branex?

14 THE WITNESS: The Blinebry.

15 HEARING EXAMINER MCMILLAN: Okay.

16 LEGAL COUNSEL WADE: Did you find out any
17 information regarding the API No.?

18 MR. LARSON: There's been an APD not
19 approved yet so we don't have an API number.

20 HEARING EXAMINER MCMILLAN: Thank you. I
21 have no further questions. Thank you very much.

22 MR. LARSON: Mr. Examiner, I have nothing
23 further and I will conclude with the request that
24 this case be continued until October 29th.

25 HEARING EXAMINER MCMILLAN: Case No. 15392

1 will be continued until October the 29th. Thank
2 you.

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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

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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
License Expires: 12/31/15