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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 15376

APPLICATION OF COG OPERATING, LLC, TO  
REOPEN CASE NO. 15376 TO AMEND THE WELL  
SERVICE LOCATION AND WELL ORIENTATION  
UNDER THE TERMS OF COMPULSORY POOLING ORDER  
R-14072, EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

January 21, 2016

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER  
SCOTT DAWSON, EXAMINER  
DAVID BROOKS, LEGAL COUNSEL

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This matter came on for hearing before the  
New Mexico Oil Conservation Division, MICHAEL MCMILLAN,  
Chief Examiner, SCOTT DAWSON, Examiner, and DAVID  
BROOKS, Legal Counsel, on January 21, 2016, 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

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For the Applicant:

JORDAN LEE KESSLER, Esq.  
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I N D E X

CASE NUMBER 15376 CALLED

COG OPERATING LLC  
CASE-IN-CHIEF

Reporter's Certificate

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E X H I B I T I N D E X

Exhibits Described

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1 (Time noted 2:00 p.m.)

2 EXAMINER McMILLAN: With that in mind, what  
3 we are going to do is we are pretty much going to follow  
4 the docket except for the first case.

5 At this time, I would like to call case  
6 No. 15376, Application of COG Operating, LLC, to Reopen  
7 case No. 15376 to Amend the Well Service Location and  
8 Well Orientation Under the Terms of Compulsory Pooling  
9 Order R-14072, Eddy County, New Mexico.

10 Call for appearances.

11 MS. KESSLER: Mr. Examiner, Jordan Kessler  
12 from the Santa Fe Office of Holland and Hart on behalf  
13 applicant.

14 EXAMINER McMILLAN: Are there any other  
15 appearances?

16 (No response.)

17 EXAMINER McMILLAN: Please proceed.

18 MS. KESSLER: Mr. Examiner, on October 1st  
19 the Division heard case No. 15376, which was an  
20 application to create a nonstandard spacing unit and  
21 compulsory pooling for Eddy County, New Mexico.

22 The Division issued order R-14072, which  
23 created a 160-acre nonstandard spacing unit in the Yeso  
24 Formation, comprised of the west half, west half of  
25 Section 11, Township 20 South, Range 25 East in Eddy

1 County.

2 All uncommitted mineral interests were  
3 pooled at that time and the unit was dedicated to the  
4 Bone Yard 11 Fee No. 11H Well.

5 COG has recently come to an agreement with a  
6 surface owner in section 2, which will allow COG to  
7 significantly reduce well costs due to surface geology  
8 and drilling resources. So for those reasons, COG seeks  
9 to amend the pooling order to change the well  
10 orientation and the surface location.

11 I have three Exhibits today. The first is  
12 Exhibit 16, which is an affidavit from Greg Clark, a  
13 geologist for COG, outlining COG's request to change the  
14 surface location and orientation.

15 Attached as the third page of that exhibit,  
16 which I marked as Attachment A, is a revised C-102,  
17 which shows the amended well orientation and surface  
18 locations.

19 The second exhibit is my notice affidavit  
20 with attached letters to the parties who were previously  
21 pooled under Order R-14072.

22 And the final exhibit is a notice of  
23 publication directed to unlocatable interests at the  
24 time who were pooled under the original order but were  
25 unlocatable at that time.

1 EXAMINER McMILLAN: Okay.

2 MS. KESSLER: So, Mr. Examiner, in  
3 conclusion, I would simply say that the spacing unit has  
4 already been created. The spacing unit has already been  
5 dedicated to the Bone Yard 11 Fee No. 11H Well. The  
6 parties have already been pooled pursuant to order  
7 R-14072.

8 And at this time, Concho -- COG Operating,  
9 LLC, simply seeks to change the surface location and the  
10 wellbore orientation to within the -- within -- so to  
11 amend the order to comply or to reflect the revised well  
12 orientation.

13 EXAMINER McMILLAN: Okay. So first thing,  
14 all you're doing is changing the surface location; your  
15 project area has not changed?

16 MS. KESSLER: Exactly.

17 EXAMINER McMILLAN: What about costs?

18 MS. KESSLER: The costs have dropped due to  
19 this -- due to the changed orientation and surface  
20 location.

21 EXAMINER McMILLAN: All right. So your  
22 drilling and overhead costs are going to be the  
23 same?

24 MS. KESSLER: Yes, that's correct.

25 EXAMINER McMILLAN: The second thing is, it

1 appears your attachment A, looking at the C-102, does  
2 not match what you just said. Because you are saying  
3 the surface and project area is the west half of the  
4 west half of 11, but your testimony states that your  
5 surface location is in 2.

6 MS. KESSLER: Is in 2, that's correct --

7 EXAMINER McMILLAN: So --

8 MS. KESSLER: This is a draft C-102, and I  
9 believe what -- you are correct the surface location  
10 does say it is in section 11. So we will update the  
11 C-102 and provide you the correct copy reflecting that  
12 the surface location is in section 2.

13 EXAMINER McMILLAN: So the order will  
14 require such that you must show an updated C-102 for  
15 approval.

16 MS. KESSLER: We'll agree to that. Thank  
17 you.

18 EXAMINER McMILLAN: Go ahead.

19 EXAMINER DAWSON: So your surface location  
20 is 120 feet from the south line of 2?

21 MS. KESSLER: The correct surface location  
22 is in the southwest quarter, southwest quarter of  
23 section 2.

24 MR. DAWSON: Who owns the lease in  
25 section 2?

1 MS. KESSLER: I don't know who the lease  
2 owner is. But Concho did just recently come to an  
3 agreement with the surface location -- so the surface  
4 owner of section 2, of the southwest corner, southwest  
5 corner of section 2.

6 EXAMINER DAWSON: Okay. And Concho did  
7 communicate with the lessee of record in section 2?

8 MS. KESSLER: They did.

9 EXAMINER DAWSON: And the section 2 lessee  
10 of record had no objection to that location?

11 MS. KESSLER: No. As far as I know,  
12 Mr. Examiner, there was a surface agreement reached --

13 EXAMINER DAWSON: Okay.

14 MS. KESSLER: -- between Concho and the  
15 surface owner.

16 EXAMINER McMILLAN: I apologize. Did the  
17 AFE change?

18 MS. KESSLER: No. I'm sorry. The costs on  
19 the AFE, I believe, did go down due to the change in the  
20 surface location because it will be less expensive now  
21 to drill. But the drilling costs as reflected in the  
22 order, the monthly cost for drilling and operating will  
23 remain the same.

24 MR. BROOKS: I am sorry. I have not read  
25 this. Can you tell me, this is a horizontal well,

1 right?

2 MS. KESSLER: Correct.

3 MR. BROOKS: It is a 160-acre unit?

4 MS. KESSLER: Correct.

5 MR. BROOKS: 160-acre composed of four 40s  
6 in the line?

7 MS. KESSLER: Yes, that's correct.

8 MR. BROOKS: And it is in the pooled areas,  
9 the west half of the west half of section 11?

10 MS. KESSLER: Yes.

11 MR. BROOKS: And the surface location was  
12 proposed to be in section 2 -- did I hear that?

13 MS. KESSLER: That would be the amended  
14 surface location. Originally this well was going to be  
15 drilled from the southwest quarter, southwest quarter of  
16 section 11 northward.

17 MR. BROOKS: Okay. And it's changed to  
18 section 2, which would be -- section 2 would be the  
19 section immediately north of section 11, right?

20 MS. KESSLER: Yes, that's right.

21 MR. BROOKS: And it is going to be drilled  
22 southward?

23 MS. KESSLER: Yes.

24 MR. BROOKS: Now, is there any change in  
25 where the lateral is going to be located -- in where

1 the well is going to be located within the target  
2 formation?

3 MS. KESSLER: No, Mr. Examiner. And the  
4 completed interval will remain 330 feet from the outer  
5 boundary of the spacing unit.

6 MR. BROOKS: So you can just drill it from  
7 the north end and you are going to build your angle and  
8 intersect the formation with what would have been the  
9 end point --

10 MS. KESSLER: Precisely.

11 MR. BROOKS: -- the terminus of the well?

12 MS. KESSLER: Precisely.

13 So notice requirements did not change. The  
14 pool parties remained the same. The pool, the  
15 formation, everything about this completed interval will  
16 remain the same except for the surface location and the  
17 direction that it's --

18 MR. BROOKS: Okay. I agree then with your  
19 assessment; my advice would be that additional notices  
20 are not required based on the testimony in answer to my  
21 questions.

22 EXAMINER McMILLAN: With that in mind, case  
23 No. 15376 will be taken under advisement with the  
24 stipulation of an updated C-102.

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

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EXAMINER McMILLAN: Thank you.

(Time noted 8:30 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

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, January 21,  
 11 2016, 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  
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