

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

ORIGINAL

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

CASES 15350  
through 15353

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

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

July 23, 2015

Santa Fe, New Mexico

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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 July  
23, 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

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A P P E A R A N C E S

For the Applicant

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I N D E X

CASE NUMBERS 15350-15353 CALLED  
COG OPERATING, LLC, CASE-IN-CHIEF:

WITNESS JEFF LIERLY

|                 |             |
|-----------------|-------------|
|                 | Direct      |
| By Ms. Kessler  | 5           |
|                 | Examination |
| Examiner Goetze | 9           |

WITNESS ALLISON STUMPF

|                 |             |
|-----------------|-------------|
|                 | Direct      |
| By Ms. Kessler  | 10          |
|                 | Examination |
| Examiner Goetze | 15          |

Reporter's Certificate

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| 22 |                               |      |
| 23 |                               |      |
| 24 |                               |      |
| 25 |                               |      |

1 (Time noted 10:07 a.m.)

2 EXAMINER GOETZE: Next is case 15350,  
3 Application of Cog Operating, LLC, For A Non-Standard  
4 Spacing and Proration Unit and Compulsory Pooling, Lea  
5 County, New Mexico.

6 Call for appearances.

7 MS. KESSLER: Jordan Kessler for the  
8 applicant, Mr. Examiner.

9 EXAMINER GOETZE: And I believe in your  
10 application you want the four cases consolidated for  
11 testimony.

12 MS. KESSLER: That's correct.

13 EXAMINER GOETZE: Very good. Before we go  
14 any further then, we will say with case 15350 also is  
15 case 15351, Application of COG Operating LLC for a  
16 non-standard spacing and proration unit and compulsory  
17 pooling, Lea County, New Mexico; And case 15352,  
18 Application of COG Operating LLC for a non-standard  
19 spacing and proration unit and compulsory pooling, Lea  
20 County, New Mexico; and, finally, case 15353,  
21 Application of COG Operating LLC for a non-standard  
22 spacing and proration unit and compulsory pooling, Lea  
23 County, New Mexico.

24 Do you have witnesses?

25 MS. KESSLER: Two witnesses today.

1 EXAMINER GOETZE: Identify yourself to the  
2 court reporter and be sworn in, please.

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

5 JEFF LIERLY

6 having been first duly sworn, was examined and testified  
7 as follows:

8 DIRECT EXAMINATION

9 BY MS. KESSLER:

10 Q. Can you please state your name for the record and  
11 tell the Examiners by whom you are employed and in what  
12 capacity?

13 A. Jeff Lierly. I'm a landman for COG Operating LLC  
14 on the New Mexico Basin Asset Team.

15 Q. Have you previously testified before the  
16 Division?

17 A. Yes, I have.

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

20 A. Yes, they were.

21 Q. Are you familiar with the applications that have  
22 been filed in these consolidated cases?

23 A. Yes, I am.

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

1 A. Yes, I am.

2 MS. KESSLER: Mr. Examiner, I tender  
3 Mr. Lierly as an expert witness in Petroleum Land  
4 matters.

5 EXAMINER GOETZE: He is so qualified.

6 Q. Mr. Lierly, could you please turn to what I've  
7 marked as COG Exhibits 1, 2, 3, and 4 and identify these  
8 exhibits for the Examiner.

9 A. These are the filed C-102s for our West Pearl 36  
10 State Com 3H-6H Wells, in which we're seeking to create  
11 four 160-acre non-standard spacing units with the east  
12 half, east half, being a 3H well; the west half, east  
13 half, being a 4H well; and the east half, west half,  
14 being a 5H well; and the west half, west half, being the  
15 6H well of section 36, township, 19 south, range, 34  
16 east, Lea County, New Mexico.

17 And we are also seeking to pool certain  
18 uncommitted record title owners.

19 Q. You are seeking to pool record title interest  
20 owners only in these spacing units; is that correct?

21 A. Yes, that's correct.

22 Q. Have APD's been approved for these wells?

23 A. Yes.

24 Q. And has the Division identified a pool and pool  
25 code for these wells?

1       A. Yes. They are located in the Lea Bone Spring  
2 Pool, the pool code is 37570.

3       Q. Is that pool governed by Division statewide  
4 rules?

5       A. Yes.

6       Q. So 330 foot setbacks apply, correct?

7       A. That's correct.

8       Q. Will the four completed intervals comply with the  
9 setback requirements?

10      A. Yes, they will.

11      Q. Is section 36 all state land?

12      A. Yes. It is three state leases.

13      Q. Could you please identify Exhibits 5, 6, 7 and 8?

14      A. They're the ownership maps for each respective  
15 well on both a tract and lease basis and a proration  
16 unit basis. And you'll notice that all working interest  
17 owners are committed. In each one of these wells,  
18 we're just are seeking to pool certain record title  
19 owners in each well.

20      Q. Who do you seek to pool for each well?

21      A. Magnum Hunter Production, Inc., for the 3, 4, 5  
22 and 6H wells. And then Western Equipment Company for  
23 the 6H well.

24      Q. Who is Magnum Hunter?

25      A. It's a wholly-owned subsidiary of Cimarex Energy.

1 Q. Did you send letters to Magnum Hunter and Western  
2 Equipment requesting that they sign the Com agreement?

3 A. We did. We sent letters to each one of those  
4 parties. Western Equipment Company was returned  
5 undeliverable. And Magnum Hunter, we had numerous phone  
6 calls and e-mails. The landman over there indicated  
7 that all the communization agreements had been executed  
8 in triplicate three weeks ago, but we still have not  
9 received them.

10 Q. What are the dates on those two letters?

11 A. June 5th for Western Equipment Company and May  
12 29th for Magnum Hunter.

13 Q. Did COG identify the offset operators or lessees  
14 of the 40-acre tracts surrounding the proposed  
15 non-standard spacing units?

16 A. Yes, we did.

17 Q. And did COG include these offset operators or  
18 lessees in notice of this hearing?

19 A. Yes, we did.

20 Q. Is Exhibit 11 an affidavit prepared by my office  
21 with attached letters providing notice of this hearing  
22 to the record title owners and affected parties,  
23 offsets?

24 A. Yes, it is.

25 Q. Was it necessary to publish notice?

1       A. It was for Western Equipment Company, because the  
2 address on file with the OCD was no longer valid, and  
3 when we tried to mail correspondence to them, it was  
4 returned undeliverable.

5       Q. Is Exhibit 12 an affidavit of publication  
6 directed to Western Equipment providing notice of this  
7 hearing?

8       A. Yes, it is.

9       Q. Were Exhibits 1 through 10 prepared by you or  
10 compiled under your direction and supervision?

11      A. Yes, they were.

12                   MS. KESSLER: Mr. Examiner, I move into  
13 evidence Exhibits 1 through 12, which includes my  
14 affidavits.

15                   EXAMINER GOETZE: Exhibits 1 through 12 are  
16 so entered.

17                   (COG Operating LLC Exhibits 1 through 12 are  
18 offered and admitted.)

19                   MS. KESSLER: That concludes my examination.

20                   EXAMINATION BY EXAMINER GOETZE

21                   EXAMINER GOETZE: So we are only seeking to  
22 compulsory pool record title owners?

23                   THE WITNESS: Yes, sir. Both these parties  
24 have zero working interests in the lease.

25                   EXAMINER GOETZE: So we are not pursuing any

1 type of interest or penalties.

2 THE WITNESS: That's correct. It's when  
3 they made the assignments and filed them at the county  
4 levels, they failed to clean up the state lease files  
5 and transfer record title at that time.

6 EXAMINER GOETZE: I have no further  
7 questions.

8 EXAMINER WADE: I have no questions.

9 EXAMINER GOETZE: We are done with this  
10 witness. Thank you.

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

14 DIRECT EXAMINATION

15 BY MS. KESSLER:

16 Q. Please state your name for the record and tell  
17 the Examiner by whom you're employed and in what  
18 capacity.

19 A. My name is Allison Stumpf. And I'm employed by  
20 COG Operating and I'm a geologist on the Delaware Basin  
21 team.

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

24 A. Yes, I have.

25 Q. And were your credentials as a petroleum

1 geologist accepted and made a matter of record?

2 A. Yes.

3 Q. Are you familiar with the applications filed in  
4 these consolidated cases?

5 A. Yes.

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

8 A. Yes, I have.

9 MS. KESSLER: Mr. Examiner, I would tender  
10 Mr. Stumpf as an expert witness in petroleum geology.

11 EXAMINER GOETZE: She is so qualified.

12 Q. Please turn to Exhibit 13. What is the target  
13 interval for these four wells?

14 A. The Third Bone Spring Sand of the Bone Spring  
15 Formation.

16 Q. Have you prepared a structure map and cross  
17 section of the target interval for the Examiners?

18 A. Yes.

19 Q. Is Exhibit 13 a structure map of the Third Bone  
20 Spring?

21 A. Yes. Exhibit 13 shows section 36 of T 19 South;  
22 R 34 east. The COG acreage is shown in yellow. The  
23 proposed horizontal locations are shown with a red line,  
24 with the square being the surface hole location and the  
25 circle being the bottom hole location.

1           The wells that are proposed, we start with the 3H  
2     in the east half, east half of the section; the 4H is in  
3     the west half, east half; the 5H is in the east half,  
4     west half, and the 6H is in the west half of the west  
5     half.

6           The contour lines that you see are a subC  
7     structure on top of the Third Bone Spring Sand. The  
8     contour interval is 100 feet. As you can see, there are  
9     no geologic impediments, any faulting across the area.

10          And then I would also like to note that the wells  
11     with the purple solid lines are existing producing Third  
12     Bone Spring Sand wells. And the wells with the purple  
13     dashed lines are drilled Third Bone Spring Sand Wells.  
14     They are just not on production yet.

15          Q. Have you identified the structure as being  
16     consistent throughout this section?

17          A. Yes.

18          Q. Please turn to your Exhibit 14 and identify this  
19     exhibit for the Examiners.

20          A. This exhibit is very similar to the last exhibit.  
21     We have a cross section line, A to A Prime shown in  
22     blue, that goes across the section. And the wells that  
23     I have chosen are representative of the area.

24          Q. Would you turn to Exhibit 15. Is this the cross  
25     section that corresponds with the line A to A Prime on

1 the last exhibit?

2 A. Yes. This is a structural cross section A to A  
3 Prime that goes from the northeast to the southwest.  
4 The wells that I have selected are the Tusk Fed No. 4H,  
5 the West Pearl 36 State No. 1, and the West Pearl State  
6 No. 1.

7 The logs that I have used in the left tract, you  
8 have a gamma ray resistivity log. And then in the right  
9 tract, you have the gamma ray and then density porosity  
10 neutron log.

11 And the purple line represents the top of the  
12 Third Bone Spring Sand. And the red line represents the  
13 top of the Wolfcamp. And our lateral target interval is  
14 shown by the red bracket on the center log. And as you  
15 can see, the Third Bone Spring is continuous across the  
16 area and has about the same thickness across the area.

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

19 A. That there are no geological impediments to  
20 developing the area using full section horizontals; that  
21 the area can be efficiently and economically produced  
22 using horizontal wells, and that the proposed  
23 non-standard unit will on average contribute more or  
24 less equally to the production of the wells.

25 Q. Will the completed intervals for each of these

1 wells comply with the Division setback requirements?

2 A. Yes, they will.

3 Q. And have you prepared diagrams labeled COG 16,  
4 17, and 18, showing compliance with those setbacks for  
5 the 3H, 4H and 5H wells?

6 A. Yes. So these three exhibits for the 3H, 4H and  
7 5H show that while -- although the surface hole location  
8 is outside the 330-foot setbacks, that there will be no  
9 perforations performed closer than the 330-foot  
10 setbacks. And that's what these diagrams show.

11 Q. And compliance for the 6H well for 330-foot  
12 setbacks is demonstrated on Exhibit 4, correct?

13 A. Yes, it is.

14 Q. In your opinion is the granting of COG's  
15 consolidated applications in the best interest of  
16 conservation for the prevention of waste and the  
17 protection of correlative rights?

18 A. Yes.

19 Q. Did you prepare Exhibits 13 through 18?

20 A. Yes.

21 MS. KESSLER: Mr. Examiner, I move into  
22 evidence Exhibits 13 through 18.

23 EXAMINER GOETZE: Exhibits 13 through 18 are  
24 so entered.

25 (COG Operating LLC Exhibits 13 through 18

1 are offered and admitted.)

2 MS. KESSLER: And that concludes my  
3 examination.

4 EXAMINER GOETZE: Counselor Wade.

5 EXAMINER WADE: I have no questions.

6 EXAMINER GOETZE: No questions. Very good.

7 EXAMINATION BY EXAMINER GOETZE

8 EXAMINER GOETZE: I do have a question. On  
9 your Exhibit 13, we have an east, west horizontal well  
10 which I assume shares the same surface location. Is  
11 this also in the Third Bone Springs?

12 THE WITNESS: Yes, it is.

13 EXAMINER GOETZE: And what is the history on  
14 that well; it is currently producing or --

15 THE WITNESS: It is currently producing.  
16 It's not the best well. It was drilled in 2012. And so  
17 we've decided to come in and drill four north, south  
18 wells because we found that in this area the north,  
19 south wells perform better than the east, west wells.  
20 And that east, west well is currently holding the north  
21 half of that section. So we thought it best to go in  
22 and drill some more wells. It's a good area.

23 EXAMINER GOETZE: Very good. No further  
24 questions for this witness. Thank you.

25 MS. KESSLER: Mr. Examiner, I ask that this

1 case be taken under advisement.

2 EXAMINER GOETZE: We will take all four  
3 cases under advisement. Case 15350, 15351, 15352, and  
4 case 15353 are taken under advisement.

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(Time noted 10:21 a.m.)

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I do hereby certify that the foregoing is  
a correct report of the proceedings in  
the case above captioned at Case No.  
heard by me on July 23, 2015

*Philip J. Goetze*, Examiner  
Oil Conservation Division

15350  
15351  
15352  
15353

1 STATE OF NEW MEXICO )  
2 ) ss.  
3 COUNTY OF BERNALILLO )  
4  
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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, July 23,  
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